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**HOW TECHNOLOGY IS CHANGING THE ROLE OF  
NONPROFIT UMBRELLA ASSOCIATIONS**

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## **How Technology is Changing the Role of Nonprofit Umbrella Associations**

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The tools for working with information – information technology – play pivotal roles in the functioning of nonprofit umbrella associations (hereafter referred to as *NUAs*). Collecting, analyzing, and providing information are key to basic association functions such as advocacy, membership management and prospecting, technical assistance, research, public education, and communications. Thus, changes in information technology can be expected to have a significant impact on these associations. These changes offer both opportunities (lower costs to collect, distribute, and manage information of higher quality) and challenges (heightened competition and changes in demand for association services).

This paper will present a broad overview of *NUAs* and develop a framework for viewing the impact of changes in information technology. Questions initially explored include: How do the opportunities and challenges faced by small and large *NUAs* differ? What types of competition might they face? How will the distribution of information be impacted? Will there be more comprehensive and standardized information as a result of technology changes?

This paper draws on ongoing work by the authors with dozens of *NUAs* covering a range of fields and sizes, as well as a review of relevant literature. Quantitative data are drawn from IRS Forms 990 and a survey of performing arts organizations. In addition, interviews and web site reviews were completed for a random sample of *NUAs*.

### ***The Roles and Functions of Associations***

We define nonprofit umbrella associations as associations with 501(c)(3) nonprofit organizations as members. While they may also have government or individual members, nonprofit organizations must constitute a substantial portion of their membership.

NUAs are parts of complex economic, political, social, and informational systems. They play a number of roles — interest groups, institutional means for collective action, vehicles (or partners) for private foundations and other funders seeking to shape a field or a sector (DiMaggio 1991), creators of field or sector identity, franchisers of a nonprofit “brand,” field or subsector leaders, major parts of the nonprofit infrastructure (Union Institute 1996), vehicles for technology diffusion, and hubs for the transfer of information and knowledge.

Associations may offer a wide range of activities, products, and services to their members:

1. *Technical assistance*, including "one on one" consulting or development of guide books or other tools.
2. *Forum* for informal networking, relationship-building, and the exchange of ideas through annual meetings, conferences, or committee work.
3. *Lobbying and advocacy*, on issues of direct relevance to member organizations (nonprofit postal rates, government funding for field), and on issues affecting people served by member organizations (welfare reform)
4. *Research*, including descriptions of the discipline or sector and its environment (to call attention to trends or highlight the financial health and stability of organizations), as well as policy-oriented research (to illuminate particular policy issues such as the impact of changes in the sales tax exemption for nonprofits), and management-oriented (to identify best or common practices or collect compensation data useful to managers and boards).
5. *Leadership*, such as educating members about outcome measurement (United Way of America), publicizing successful practices (Child Welfare League of America guides), or testing new technologies and methodologies for service or information delivery (management of pilot projects).
6. *Public education and communications* targeted at policy-makers, the press, the general public, as well as members and nonmembers within a field.
7. *Accreditation and standard-setting*.
8. *Support services and products*, such group insurance or purchasing discounts.
9. *Direct services* to the population served by member organizations, such as information and referral services for an association of homeless shelters.

### ***Types of Nonprofit Associations***

Associations of nonprofit organizations can be grouped along several dimensions, including:

- *Geographic focus*. National, regional, state, or local.
- *Scope*. Sector-wide, discipline-specific, or issue-specific.

- *Type of activity.* Direct services to member organizations, services to “clients” that complement members’ services, or broad activities to support “the discipline” or “the sector.”

The remainder of this section further describes these categories and gives examples of NUAs in each.

*National sector-wide associations.* Organizations such as Independent Sector, the National Council of Nonprofit Associations (NCNA), the Council on Foundations, and the Direct Marketing Association Nonprofit Federation arguably represent broad portions of the nonprofit sector and are primarily concerned with issues affecting many, if not most, nonprofit organizations.

*Regional, state, or local sector-wide associations.* Sector-wide groups are active in at least two-thirds of the states. Most are affiliated with the National Council of Nonprofit Associations or are regional associations of grantmakers. Examples include the Minnesota Council of Nonprofits, the New York City Nonprofit Coordinating Committee, and the Donors Forum of Chicago.

*Discipline-specific national associations.* These NUAs represent a particular field or discipline. In fields where members are large organizations (such as higher education and hospitals), the NUAs tend to be large also. Typical activities include regular communications to members on pending legislation and trends in the field, comprehensive surveys and reports covering a wide range of topics, and annual meetings that offer opportunities for learning and networking. Examples include the American Association of Museums, National Council of Voluntary Health Organizations, and the American Association of Homes and Services for the Aging.

*Discipline-specific regional, state, and local associations.* These associations often represent a high percentage of the organizations within their fields in smaller geographic areas. Organizations ranging from residential services for the elderly to nonprofit theaters have formed such groups. The Maryland Associations of Resources for Families and Youth, the League of Washington Theaters, and the California Federation of Women’s Clubs are examples. It should also be noted that there are a number of national organizations with affiliated regional, state, and local chapters operating under the same name that have been called “franchises.” (Oster 1996). Many of the largest and most well-known nonprofit organizations such as United Way of America, YMCA, and the Boy Scouts of America can be characterized as franchises. The authors feel that further analysis of the impact of changing information technology on NUAs that use the franchising approach would be productive.

*Issue-focused associations.* This category includes coalitions of groups around a particular issue, most often focused around solving problems at the community level. However, these NUAs could have a national, regional, or state scope as well. Anecdotal evidence suggests that many of these coalitions are likely to be less formal organizations with a short term focus and are often not registered with the IRS. Examples include Baltimoreans United in Leadership Development (B.U.I.L.D) and the Milwaukee Interfaith Congregations Allied for Hope (MICAHA).

*Service-delivery associations.* Some organizations are created to provide specific ongoing services for their members. They are most often on a state level, but could also be national, regional, or local in scope. For example, the Private Academic Library Network of Indiana provides a “cooperative automated library network [to] expedite information sharing...”

and the Minnesota Food Bank Network handles “food solicitation and fundraising for member organizations.”

### ***The Finances and Resources of Nonprofit Umbrella Associations***

In partnership with Philanthropic Research, Inc. (PRI), the National Center for Charitable Statistics at the Urban Institute’s Center on Nonprofits and Philanthropy has created a research database with over 400 variables digitized from scanned images of IRS Forms 990. Charitable organizations, including NUAs must file these forms annually with the IRS. Financial information, information on compensation, officers and directors, and descriptions of programs and activities are required. The organizations that file are coded according to the National Taxonomy of Exempt Entities — Core Codes (NTEE-CC), the standard classification system used by the IRS and the nonprofit sector. A review of the NCCS/GuideStar National Nonprofit Organization Database, circa 1998 (version 1) revealed a group of 404 that could be verified as NUAs. This should be viewed as a preliminary list, as other organizations could be added after a more in-depth review. The data presented in this paper should be viewed only as a part of our exploratory analysis of these organizations.

Table I shows the NUAs by type, using the NTEE Major Categories and their sources of revenue. The largest number were found in the category of education (27% of the total), followed by arts and multipurpose human services (both at 13%). The education NUAs had revenues representing 41 percent of the total revenues. Although sources of income varied, dues represented less than 36 percent for all categories, and seven of the ten categories showed less than 25 percent of revenues from dues. Government grants tended to be a relatively small proportion of revenue for NUAs. Program service revenue and private contributions (including individual, corporate, and foundation) tended to be relatively large sources of revenue.

Table IIA divides the NUAs by size. The medium and large organizations (over \$100,000 in total expenses) show a relatively even division of revenue from dues, program service revenue, and private contributions. Small organizations (less than \$100,000 in total expenses) have a smaller proportion of income from private contributions and much lower revenues from government grants. Table IIB displays the organizations by geographic focus. Over half the group have a state focus, followed by national and local. The data indicate that local NUAs are less reliant on dues as a source of revenue and more dependent on private contributions and government grants. Again, dues represented the highest proportion of revenue at the regional (more than one state) level, but the proportion for all types was less than a third. Table IIC illustrates the sources of revenue for the NUAs by scope — discipline, sector, or issue. Almost all the organizations had a discipline-specific focus, with program service revenue as the major source of revenue, followed by dues. For sector-focused organizations, private contributions were the largest source of revenue, followed by dues and then program service revenue. The number of issue-focused NUAs was very small, as often these organizations may be small, local, and short lived and may not file forms that become part of the IRS Form 990 database.

A review of the some of the IRS Form 990 program descriptions and the web sites of some sample NUAs was also completed and led to some observations. Larger nonprofit organizations tend to have greater technological capacity, as they have the resources to hire information technology specialists and have more sophisticated systems. The web sites of large NUAs were consistently more comprehensive and sophisticated than those of smaller NUAs.

The preliminary data suggest that funding from private foundations or corporations plays a key role in strengthening the capacities of NUAs, especially for smaller organizations. While we cannot distinguish between individual, corporate, and private foundation contributions, the high level of private support is consistent with the hypothesis that many of these associations rely on private foundation support.

### ***Tools of Information Technology***

Most NUAs now have an accounting system, database software for managing data about members and contributors, e-mail for both internal and external communication, and a web site. Larger organizations typically employ calendar systems, human resource management, and grants management software. For organizations that employ administrative staff, the benefits of efficient management of information and electronic communication are likely to outweigh the comparatively low costs of a computer and Internet access.

The software for these functions is mature, with products that are relatively problem-free. Most NUA staff have or can easily obtain the knowledge and expertise needed for basic internal associations operations like the management of a Microsoft Access database of members or a QuickBooks accounting system. Nonetheless, small organizations with limited training budgets and a small staff of generalists or program specialists face ongoing challenges in managing basic information efficiently and effectively. However, in general, improvements in information technology over the past decade represent an unmitigated blessing for the basic operations of the NUAs.

External communications with members and others have also been transformed. Getting information to thousands of people is feasible for even the smallest organizations. With computer prices declining by 12-26 percent on average per year between 1987 and 1999, the cost of this technology is no longer the barrier it once was for nonprofit organizations. A survey of more than five hundred performing arts organizations, many of them small, found that 96 percent had computers, 98 percent had access to the Internet, and 86 percent had basic database software (Urban Institute 2000). Groups ranging from local PTAs to industry trade groups are using the free *eGroups* group e-mail system for managing electronic e-mail “discussions” in either public or private forums (<http://www.e-groups.com>).

Web sites of modest size, and tools for creating them, are frequently available for free or for a small monthly charge from Internet Service Providers (ISPs) such as America Online and Earthlink. Of a random sample of fifteen associations, including some very small organizations without staff, all but four had web sites. In short, access to basic computer and communications tools is available for even small associations.

Emerging technologies open new possibilities for using the Internet for communication. As more Internet users have access to high-speed broadband technologies, it will become viable for associations to provide videos or more interactive visual content over the Internet. Online videos could be used to educate the general public or policy-makers, to document an innovative program, or to provide professional development information, among other uses.

The use of a new language for transmitting information on the web, XML, has the potential to have the Internet operate as a decentralized database. Content on the web would be structured so that users could quickly collect, structure, and compare specific types of information from an unlimited number of web sites using standard desktop software tools. For example, rather than sending surveys to members, NUAs could assemble data on finances,

programs, ticket sales, fund-raising, or other activities posted on the member organizations' web sites in an XML format.

### ***The Benefits and Opportunities of Using Technology***

In the context of the organizational operations, information systems serve four broad purposes (Marchand 2000), each of which is relevant to the activities of NUAs:

- *Reduce costs* -- Cut the cost of communication and production of research, analysis, and benchmarking reports.
- *Add value* – Improve the quality, quantity and timeliness of communications with members, policy-makers, the media, and the general public.
- *Create new reality* – Build new "online communities" where members relate not as strangers who see each other once a year at annual meetings but as "friends" who communicate on a regular basis through e-mail.
- *Minimize risks* – Through both electronic communications and research, provide faster and higher quality feedback on the sector or discipline, a response to policy-makers, or publicize an NUA's activities.

### ***The Challenge and Costs of Technology***

There are a number of potential negative effects on the fortunes and roles of NUAs that are discussed below.

*Lower search costs and the ability to eliminate intermediaries.* The Internet makes it much easier to find information without assistance. If member organizations joined NUAs to obtain ready access to information affecting their field (such as legislation or descriptive data), the fact that this information can now be obtained quickly and for free over the web will have a negative impact on NUAs.

*Economies of scale.* With the Internet available for dissemination of information with virtually no marginal costs for additional users, and with even the least expensive computer able to manage and analyze large amounts of information, large NUAs can create and distribute information (technical assistance guides, discipline-specific information by state or locality) directly to organizations, more cost effectively than small or local NUAs. It is possible that small organizations set up to provide such information may go the way of the corner drug or hardware store.

*Unsustainable pace of change.* While the benefits of technological improvements are touted, they also represent a potential threat to small NUAs for at least two reasons. First, expectations are raised. The quality of web sites, the availability of information and publications, and research reports are continually expected to improve, as technology enables more sophisticated, comprehensive, and aesthetically pleasing presentations. Thus, using the new technology effectively requires more scarce human and financial resources, to keep up with these expectations. Second, NUAs may find it difficult to recruit staff with the appropriate technology skills, as older technologies become obsolete. For example, a small organization without Microsoft Windows would find it difficult to recruit staff able (or willing) to use typewriters or ten-year-old pre-Windows computers.

*Inability to establish a brand.* In a world flooded with information, in which millions of web domains are registered, and where legislators complain about being inundated with e-mail and research reports, only large NUAs will be able to develop a recognizable “brand” that will attract interest and attention. The many voices of small NUAs could be lost.

*Greater competition from consultants and other infrastructure organizations.* While technology lowers some costs for NUAs, it also lowers costs for potential competitors. The cost of conducting research and analysis, a key function for many NUAs, is likely to decline. While the immediate effect is to increase the capacity of the NUAs, lower costs also lowers the barriers to entry, leading to more competition from consultants and others who can conduct research or provide technical/managerial assistance or other services.

### ***Association Style: Relationships and Information***

NUAs can provide information both in a pre-formatted version (on a web site or in a publication) or through person to person interactions. Choices are made between these strategies when NUAs decide on the best way to influence a legislator, appeal to a donor, or recruit a new member. Many of the functions of NUAs (technical assistance, forum for exchanging ideas, lobbying and advocacy, leadership) are done through personal contact (meetings, conferences, phone calls) but these interactions can be more powerful with better information obtained using technology. Different strategies may be used for different situations, and arguably, successful NUAs employ a combination of both strategies. E-mail is also an example of technology that eases and improves more personal contacts.

### ***Conclusion***

Although many larger NUAs have used technology to improve communications, technical assistance, and research, the small associations appear to have much more limited usage. While technology offers opportunities, it also adds to managerial and financial burdens. Organizations that are dependent on dues from members may be vulnerable as they lack the resources to adapt. However, an alternative perspective casts a different light on the options available to these associations. DiMaggio’s portrait of growth in the field of art museums stresses the role of the associations as implementers of private foundation agendas. From this perspective, the market for association services is not merely the often financially weak operating organizations but also foundations searching for organizations that can play ongoing roles in strengthening the sector or a particular discipline. The success of many of these associations in securing foundation funding to supplement income from their members lends support to this view.

At first blush, technologies such as the web and e-mail offer unparalleled opportunities for NUAs. They can dramatically reduce the cost of distributing information and of communicating with others. Members can be joined in “virtual communities” (Rheingold 1993) where relationships are built and strengthened and where fields can develop stronger identities. However, as discussed in this paper, there may also be significant costs and challenges, mitigated by the relational aspects of NUA activities and their role in their fields.

NUAs often have specialized and/or local knowledge, field experience, and established relationships and bonds of trust that allow them to speak legitimately for their members. (See, for example, O’Connell 1997.) While name recognition and branding may be important when dealing with a legislator, the media, or member of the general public who is unacquainted with

an organization, the relationship that an effective NUA develops with key policy-makers and press should provide access and influence unaffected by changes in technology.

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**Nonprofit  
Umbrella  
Associations  
by NTEE  
Major  
Category**

	Number of organizations	Total Revenue	Percentage of Total Revenue				Investment and Other
			Dues	Program Service Revenue	Private Contributions	Government Grants	
Arts	53	66,032,315	11.3	10.4	42.2	20.7	0.2
Education	109	206,437,349	30.2	41.2	9.9	10.0	0.1
Environment	20	11,796,509	4.0	19.6	42.7	0.0	0.3
Health	27	40,735,387	35.5	18.1	12.2	16.9	0.2
Housing	12	4,031,082	13.6	44.6	16.9	11.8	0.1
Recreation and sports	7	6,116,493	27.1	48.1	15.7	0.2	0.1
Multipurpose human services	52	81,358,630	16.9	33.4	22.2	10.4	0.2
Other human services	8	7,995,424	7.5	4.9	18.8	65.5	0.0
International, foreign affairs	6	1,087,841	19.6	46.7	11.3	0.1	0.2
Other	110	78,610,492	23.9	24.3	31.4	10.2	0.1
<b>Total</b>	<b>404</b>	<b>504,201,522</b>	<b>23.9</b>	<b>30.4</b>	<b>20.7</b>	<b>12.6</b>	<b>0.1</b>

**A: Nonprofit  
Umbrella  
Associations by  
Size**

	Number of organizations	Total Revenue	Percentage of Total Revenue				Investment and Other
			Dues	Program Service Revenue	Private Contributions	Government Grants	
Small (<\$100,000 in Expenses)	124	7,341,934	27.7	24.7	13.8	1.9	0.3
Medium (\$100,000-1 mil. in Exps.)	197	74,875,810	24.3	27.1	25.6	8.4	0.1
Large (>\$1 million in Expenses)	83	421,983,778	23.7	31.1	19.9	13.5	0.1
Total	404	504,201,522	23.9	30.4	20.7	12.6	0.1

**B: Nonprofit  
Umbrella  
Associations by  
Geographic Area**

	Number of organizations	Total Revenue	Percentage of Total Revenue				Investment and Other
			Dues	Program Service Revenue	Private Contributions	Government Grants	
National	120	306,826,938	25.9	32.1	18.6	9.2	0.1
Regional	28	55,845,696	31.3	36.0	19.7	5.5	0.1
State	172	77,472,354	24.9	25.7	21.1	17.8	0.1
Local	87	65,147,657	6.7	23.3	30.9	28.7	0.1
Total	404	504,201,522	23.9	30.4	20.7	12.6	0.1

**C: Nonprofit  
Umbrella  
Associations by  
Scope**

	Number of organizations	Total Revenue	Percentage of Total Revenue				Investment and Other
			Dues	Program Service Revenue	Private Contributions	Government Grants	
Discipline	372	469,279,098	23.5	31.2	19.3	13.4	0.1
Sector	31	35,496,560	29.2	21.1	38.5	1.8	0.1
Issue	4	516,987	9.4	0.0	69.2	0.7	0.2
Total	404	504,201,522	23.9	30.4	20.7	12.6	0.1