

Different Dynamics

For-profit and Nonprofit Companies
in the K-12 Education Sector

Executive Summary

Image: DigitalVision Vectors

Nonprofit organizations have long played a role in providing goods and services to K-12 education. These groups range from small startups and consultancies to larger, more established organizations such as ETS and the College Board.

Although nonprofits and for-profits occupy the same space in education, different incentives and dynamics affect how they deliver, scale, and fund the work. This paper explores some of those distinctions, based on an analysis of a 2024 survey of 230 personnel at for-profit and nonprofit organizations that serve the K-12 sector. The nonprofit, non-partisan EdWeek Research Center conducted the survey for *EdWeek Market Brief*, a news and professional learning resource that provides information on the K-12 marketplace. Overdeck Family Foundation subsequently commissioned the Research Center to produce a whitepaper describing the results of an additional analysis that explored differences and similarities between nonprofit and for-profit organizations.

The analysis surfaced a few key insights.

- The fiscal funding cliff created by the end of programs that provided \$190 billion in federal emergency relief funding for districts and schools is reported by respondents as less of a concern for nonprofits than for for-profits. Nonprofit organizations are less likely to describe the end of the Elementary and Secondary School Emergency Relief Fund (ESSER) as a challenge or to pursue tactics to address it. This may be because nonprofits are more likely to pursue mission-related goals unrelated to revenue. They may also have access to a more diverse set of public and private funds, including donations and grants. When it comes to another federal funding source—the Every Student Succeeds Act (ESSA)—nonprofit employees are also less likely to say that their clients have requested evidence of effectiveness that fits within the framework of this law.

Executive Summary

- Relative to their for-profit peers, nonprofit employees are more likely to report that brand awareness and retaining staff are major challenges. This may be related to the fact that their organizations are, on average, smaller and generate less revenue. This means that they may have fewer resources to invest in staff or to increase awareness by advertising their services. What resources they do have may be focused more intensively on driving program outcomes in service of their mission.
- In researching potential customers and their needs, nonprofit employees are more likely to focus on the demographics and political atmosphere in school districts and less likely to focus on budgets, competitors in the form of incumbent vendors, or existing technological infrastructures within schools and districts. Given that all of these factors are important when it comes to understanding school and district clients, this may be an area in which nonprofit and for-profit companies might learn lessons from one another by increasing their focus on information they have not previously invested much time into seeking.
- Nonprofits are less likely than for-profits to use artificial intelligence to drive revenue growth by either

| | |
|--------------|---|
| WHO | 230 employees of companies operating in the K-12 space, including 164 from for-profit companies and 66 from nonprofits. |
| WHAT | A 50-question survey |
| WHEN | 8/28/24-9/12/24 |
| WHERE | The survey was conducted online |

incorporating AI into internal operations or embedding it in the solutions they sell. This may, in part, be a resource issue since investing in and implementing cutting-edge technology requires a level of expertise and funding that smaller organizations like nonprofits may lack. However, ironically, AI itself can help address such challenges by making internal processes more efficient and customer-facing products more functional and appealing to customers.

| INDICATOR | Respondents from for-profit organizations | Respondents from nonprofit organizations |
|---|---|---|
| Sample size | 164 (71% of total respondents) | 66 (29% of total respondents) |
| Products/services organizations are most likely to provide | Supplemental curriculum, professional development | Professional development, supplemental curriculum |
| Share of respondents working for organizations that employ less than 200 employees | 37% | 71% |
| Share of respondents working for organizations where annual revenue is \$20 million + | 65% | 36% |

Nonprofit Education Companies in Five Charts

1 | While still facing challenges with resources, nonprofits may be more isolated from the impacts of federal funding reductions.

The funding cliff created by the end of federal Elementary and Secondary School Emergency Relief (ESSER) is the top challenge for respondents from for-profit companies. Respondents from nonprofits are roughly half as likely to say they have found it challenging to cope with the end of this pandemic-related funding source. This could be because nonprofit business models often include both earned revenue and donations and grants from public and private sources, making them less susceptible to losses from ESSER.

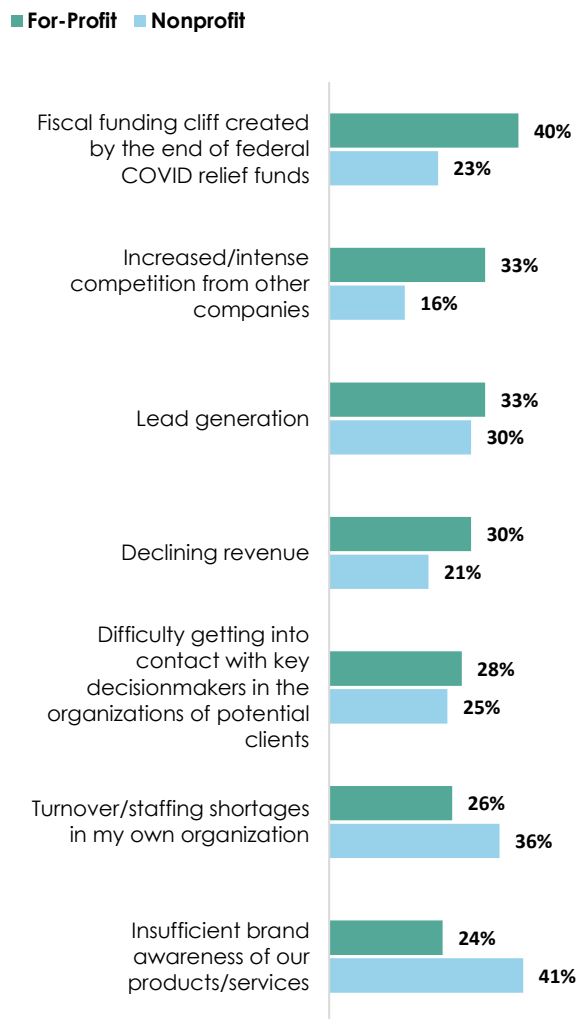
Insufficient brand awareness is nonprofit respondents' top concern. This may be in part due to the fact that nonprofit respondents are more likely to work for smaller organizations, which may have fewer resources to allocate towards advertising and marketing campaigns that raise awareness. Additionally, nonprofits may be more inclined to use what resources they do have for programmatic expenses.

Turnover and staffing shortages are also a more prominent challenge for respondents from nonprofits. Wages likely play a role: After accounting for differences in employee characteristics such as education and experience, nonprofit personnel earn [4 to 7 percent less](#) than their for-profit counterparts. This can make it more difficult for them to attract and retain employees, especially in a tight labor market like the one the nation experienced during and immediately after the pandemic.

Employees at nonprofits are roughly half as likely as those at for-profits to be concerned about intense or increased levels of competition from other organizations. This could be because they can access alternative public and private funding sources, such as grants and donations, that provide sustainability.

It may also suggest that for-profit companies have the infrastructure and capital to develop more quickly. As a result, relative to nonprofits, they can more quickly emerge as competitors to one another.

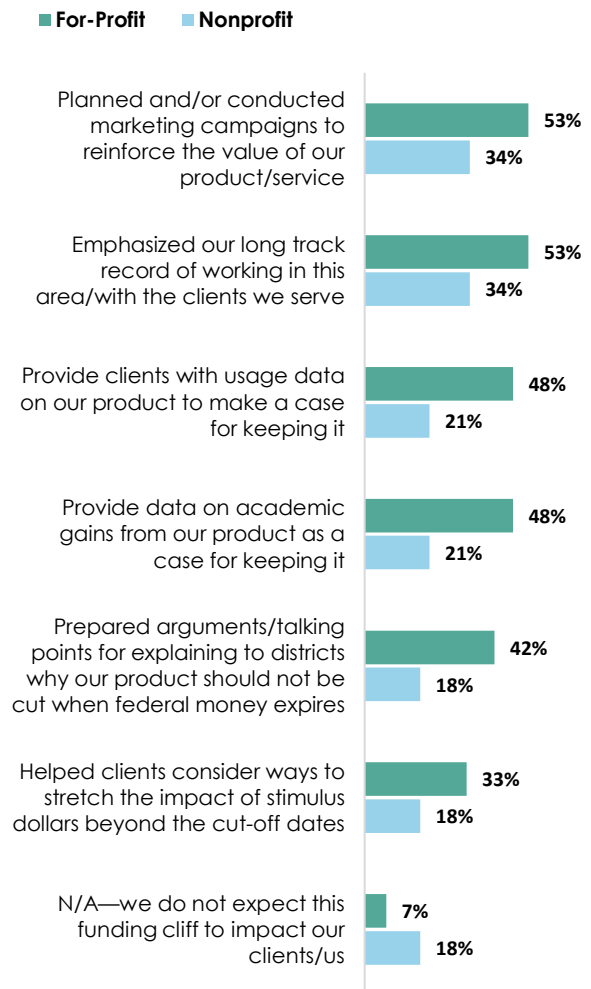
Aside from the need for more money or time, what MAJOR professional challenges do you face right now? Select all that apply.



2 | Nonprofits have been less likely to adopt tactics to cope with the end of ESSER.

In the past year, for-profit organizations have thoroughly prepared for the decline in customer (district and school) revenue created by the end of COVID relief funding. Their top tactics have included reminding customers of their track records, planning marketing campaigns, and disseminating data on the usage and impact of their programming. Respondents at nonprofit organizations have used these same tactics—they have just used them less often, perhaps suggesting they did not have as many contracts with districts paid for by ESSER funding. Further, nonprofits may have fewer resources to execute marketing campaigns and quickly report on their usage and impact on districts.

Which strategies, if any, has your organization implemented to help AVOID being adversely affected as your district clients face the federal funding cliff when COVID stimulus funds run out? Select all that apply.

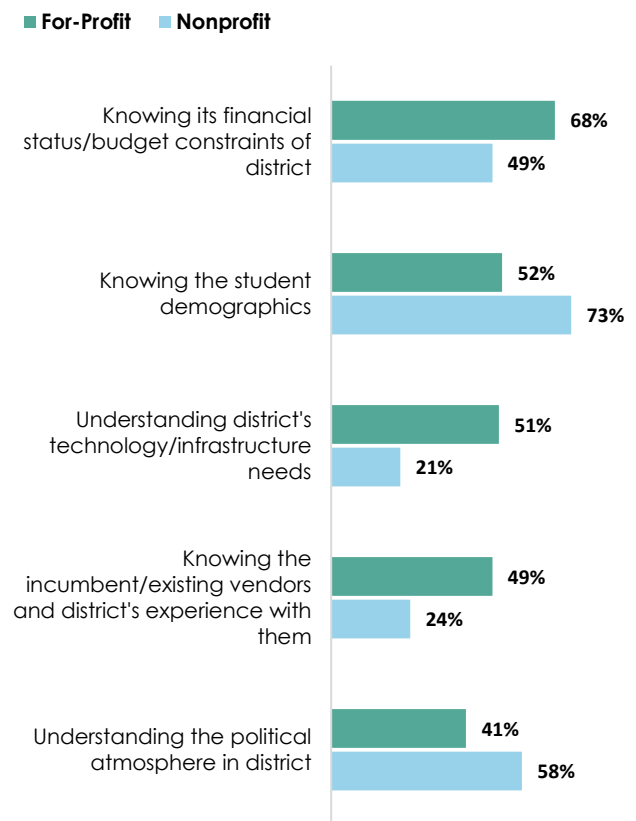


3 | When selling to schools/districts, nonprofits focus on social and political dynamics, and for-profits focus on competition and finance.

“Do your homework!” is a [common message](#) that school and district leaders have for vendors. By this, they mean that vendors need to invest the time necessary to research their needs prior to attempting to sell them a solution. There are clearly many different types of information vendors might try to obtain about districts prior to approaching them. Relative to their for-profit peers, respondents at nonprofits are significantly more likely to focus on understanding the student demographics. They are also more likely to research the political atmosphere within a school district, which might mean attempting to understand the impact of state and federal policy and funding conditions and also gaining a better sense of localized issues, such as school board member, parent, and superintendent priorities and conflicts.

By contrast, for-profit respondents zero in on dynamics related to revenue (which they may need more of in order to achieve profitability) and competition (which may be heavier in the sectors where they operate). They are more likely to study budget constraints that can impact the ability to afford a product or service, and competitive forces in the form of incumbent vendors—who may have the inside track when it comes time to renew a subscription or contract. For-profit respondents are also more likely to gather information on districts’ technology infrastructure. This may be due to the fact that respondents at nonprofit organizations were less likely to have indicated a tech-heavy product focus.

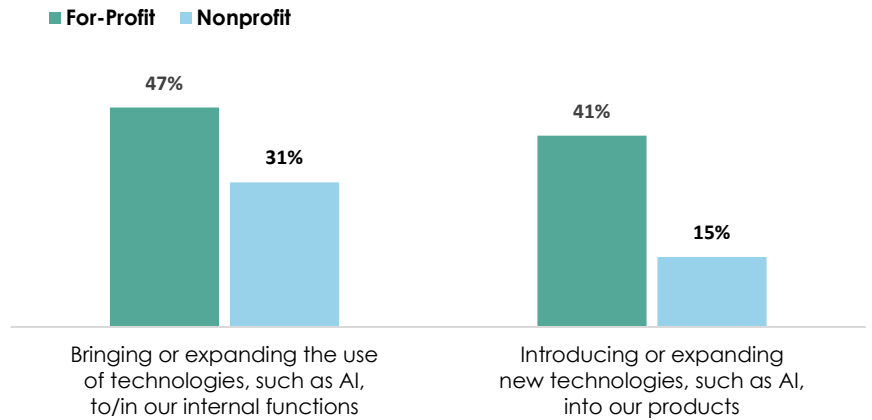
What homework/background information have you found to be most helpful for you/your staff to have conducted on school districts in order to gain their trust and confidence? Select all that apply.



4 | Nonprofits are pursuing AI less aggressively in their products and internal operations.

Nonprofit respondents are significantly less likely than their for-profit counterparts to say that they plan to use AI to drive new growth or revenue. The difference is especially pronounced when it comes to incorporating AI into the products and solutions they sell (as opposed to using it for internal purposes): Compared to nonprofit respondents, for-profit personnel are nearly three times more likely to say they have taken—or will take—this step. It is worth noting that AI development and implementation is evolving quickly right now, so it is possible that this will change over time.

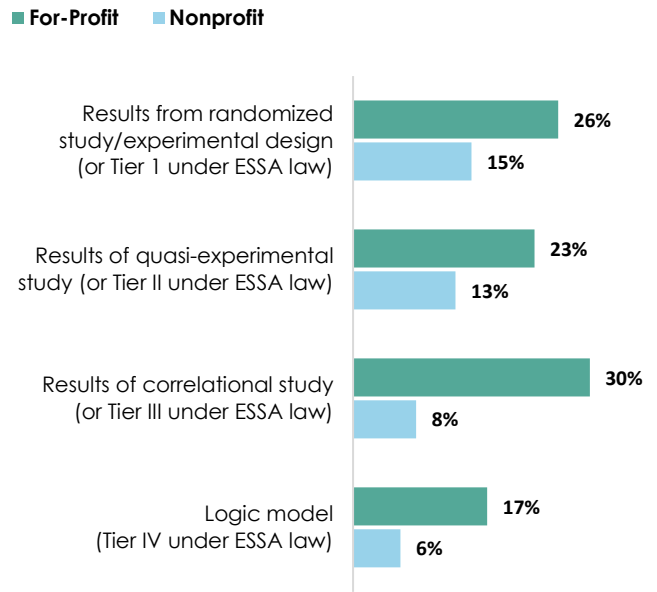
Which of the following steps has your organization taken/are you considering taking with the goal of driving growth/new revenue? Select all that apply.



5 | Nonprofits are less likely to say their clients have requested evidence aligned with ESSA.

Districts often request research evidence from vendors in order to ensure they adopt effective solutions and, in some states, because it is a requirement for items purchased with federal funding allocated via the Every Student Succeeds Act (ESSA). ESSA asks districts to use interventions that are supported by at least one of [four types](#) of research evidence (a logic model with rigorous research underway, a well-designed correlational study that controls for bias, a quasi-experimental study that uses statistical methods to create a control or comparison group that did not receive the intervention, or a randomized, controlled trial). Compared to their peers at for-profit companies, nonprofit respondents are significantly less likely to say their clients have asked them for evidence aligned with these ESSA tiers.

Over the past two years, what kinds of research or evidence for your product/service (if any) have your clients/potential clients asked you for? Select all that apply.



Overdeck Family Foundation was established in 2011 by John and Laura Overdeck, with the goal of providing all children the opportunity to unlock their potential. The Foundation focuses exclusively on enhancing education, funding efforts both inside and outside of school in the areas of early childhood, hands-on STEM education, and K-9 programs that include supporting educators and student-centered learning environments. To learn more, visit overdeck.org.

The EdWeek Research Center, a nonprofit, nonpartisan research organization, provided the content for this report. Overdeck Family Foundation was the sponsor. EdWeek Research Center publications do not necessarily reflect the opinions of its research clients and sponsors. References to sponsors in this research paper do not constitute endorsements by Education Week or Editorial Projects in Education.

The EdWeek Research Center produces independent, objective, nonpartisan research and analysis. For more information, contact us at RCinfo@epe.org