The New Imperative of Nonprofit Digital Transformation

A strategic approach for achieving exponential impact through people, process, and technology

Microsoft

NET HOPE

Introduction

As a nonprofit leader, you focus relentlessly on driving impact. But do you ever get the feeling that the good you're doing isn't enough? You're not alone. Nonprofits everywhere are struggling to address an unrelenting wave of complex global crises, even as the resources to address these challenges become increasingly scarce.

What you need is a means to transform the way your organization works, so you can do far more with the resources that are available. Technology has extraordinary power, but technology alone is not the answer. Adopting a well thought out digital strategy that connects your people, processes, and technology can accelerate your impact to serve your constituencies and realize your mission.

In this paper, we'll make the case for why nonprofits need to digitally transform. We'll share insights from nonprofit leaders who have embraced this reality, and provide practical guidance on how to start building a transformative digital strategy.

We've written this whitepaper to inspire a dialogue on digital transformation across nonprofit, government, and private-sector leaders with the hope that, together, we can help solve the world's greatest challenges.

Justin Spelhaug
General Manager, Tech for Social Impact
Microsoft Philanthropies

Microsoft's Tech for Social Impact group is dedicated to serving the world's 3 million nonprofit organizations. We bring together best practices and learnings from Microsoft's philanthropic work, our technology, and our commercial ecosystem to create comprehensive solutions to help nonprofits pursue their missions with greater impact.

Microsoft.com/nonprofits

Lauren Woodman
Chief Executive Officer
NetHope

NetHope enables committed organizations to change the world through the power of technology. Bringing together global leaders in the nonprofit and technology sectors, we embrace big challenges through innovation and collaboration in a unique model that has proven to have powerful results for more than a decade.

Nethope.org

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Your mission is critical. Whether you're fighting inequality, eliminating poverty, or protecting our planet, your organization's impact is vital. But there's a problem: funding for nonprofits is flat, and we need to find a way to address the projected annual shortfall of $6 trillion USD[1] in private capital that's needed to achieve the United Nations' Sustainable Development Goals by 2030. If, as a global community, we want to reach our development goals, we must find a way to address this resource gap and move beyond linear growth to achieve exponential impact.

How will you do more with less?

In this world of highly constrained resources, how can you increase your impact and secure the future of your nonprofit? You can't do more without changing the way you work. Impact is a function of capital, labor, and resources, and because current investment levels for reaching the global Development Goals remain flat, the only delta is productivity. If your organization can create a step change in productivity, you will be well-positioned to overcome the resource gap, grow your impact, and accomplish your mission.

Case study: Medical Teams International is saving more lives by changing the way they work

Medical Teams International (MTI) provides medical care for nearly 1 million South Sudanese refugees in Uganda. Until recently, their doctors had to sort through mountains of paper medical records to find potentially life-saving trends in the data. MTI is now using a simple, cloud-based app that runs on donated Azure services, and it's having an immediate impact. The app enables doctors to make nimble decisions and use their limited resources to identify and stop infectious diseases like malaria before they become outbreaks.

[1] UN PRI, "**UN Sustainable Development Goals**"

The case for digital transformation

How will you serve more people and serve them better?

Innovation in the private sector—including social media, mobile computing, artificial intelligence, ecommerce, and the Internet of Things—is rapidly disrupting the way donors, employees, and beneficiaries expect to interact with your organization. If you can't provide the level of experience and transparency your constituents are expecting, you may fail to earn their trust and they may go elsewhere. Meanwhile, nonprofits everywhere are competing for the same pool of resources, and many are innovating with digital technology in ways that could limit your access to donors, volunteers, and high-skill employees. Are you prioritizing innovation to respond to these threats?

Case study: OxFam Hong Kong innovates in the cloud to increase donations

Oxfam Hong Kong increased donations by dramatically improving the visitor experience on the website for its annual fundraising race, increasing page views by more than 600 percent—from 117,000 to 774,000 year over year. OxFam Hong Kong accomplished this by moving to a cloud platform, Microsoft Azure, which enabled it to maintain stability and rapidly scale up to easily handle peak race-day traffic for donors who expect a quality, trustworthy user experience.

How will you provide a more secure, trusted experience for your constituents?

People don't use technology that they don't trust. This rule applies to everyone, from donors and volunteers to employees and beneficiaries. Although nonprofits face many of the same cybersecurity risks as their for-profit counterparts, recent studies demonstrate that nonprofits generally lag in adopting the robust policies, practices, and tools needed to adequately secure their IT environments and data.

Between December 2016 and April 2017, the UK's privacy regulator publicly "named and shamed," and fined, 11 large charities for failing to comply with UK privacy rules regarding the usage of donor information.[2]

With the implementation of the General Data Protection Regulation (GDPR) in 2018, the potential risk to organizations grows as the new fine structure[3] for violations is significant: the lower tier is 10 million euros or 2% of annual turnover (whichever is higher); and the higher tier is 20 million euros or 4% of annual turnover.

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[2] Information Commissioner's Office, "**ICO Fines Eleven More Charities,**" 5 April 2017
[3] IAPP, "**Top 10 operational impacts of the GDPR: Part 10 - Consequences for GDPR Violations,**" 23 March 2016, Anna Myers

The case for digital transformation

How can you increase your impact?

Instead of viewing things like resource constraints, disruption, and the demand for higher levels of security as limiting, nonprofits should view these challenges as an opportunity to be truly creative. These challenges are not unique to the nonprofit sector. Private sector organizations have long faced enormous pressure from their boards, their investors, and their competitors to do more with less.

Many of these businesses have faltered or faded away in the face of these challenges. Others have changed the way they work by adopting innovative new business processes and technologies to transform their businesses and disrupt the competition. This process is broadly characterized as digital transformation.

The shift to viewing disruption as an opportunity has already happened in the private sector. The 2017 KPMG Global CEO Outlook[4] report notes that 65% of CEOs see disruption as an opportunity. Compare that to 2015[5], when 74% were concerned about new entrants disrupting their sector and 40% were concerned about their business model.

The growing impact of digital transformation in the private sector is astounding. In fact, the World Economic Forum[6] estimates that digital transformation of industries between now and 2025 will create upwards of $100 trillion in newly created value, new economic opportunity, and reduction of negative market impact.

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For-profit leaders in digital transformation generate an average of $100 million[7] more in additional operating income each year.

For nonprofits, digital transformation is a strategic, organization-wide approach that brings together people, process, and technology to create exponential impact through free-flowing insight that enables innovation.

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Digital transformation is a big fancy phrase but it's challenging us to think about who our users are, what the experience is that we are looking to create, and how technology can support that and even lead the way. Cutting-edge technology allows us to be more effective and reach a global audience, and a bigger audience equals more lives changed.

Erin Barton
Chief Development Officer, WE

Your nonprofit can thrive in the digital-first world by learning lessons from the digital transformation of leading private sector companies. One key learning: companies can accelerate digital transformation by focusing on what they do best—manufacturing cars or publishing books or growing produce—and leveraging the advanced-technology service offerings now widely

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[4] KPMG, "**Disrupt and grow, 2017 Global CEO Outlook**"

[5] KPMG, "**CEO Outlook – Transformation**," 19 July 2015

[6] World Economic Forum, in collaboration with Accenture, "**Digital Transformation of Industries, Demystifying Digital and Securing $100 Trillion for Society and Industry by 2025,**" January 2016

[7] Keystone Strategy Interviews, Oct. 2015 – Mar. 2016

The case for digital transformation

available. By building on flexible, robust technology-service platforms, companies have freed themselves from building and maintaining expensive infrastructure that requires significant levels of personnel and expertise.

Nonprofits, too, can achieve significant efficiency gains and rapidly scale impact by building on these same technology platforms that have enabled private sector growth. For example, when you move from building and managing technology solutions yourself to the cloud, your organization can reduce capital expenditures on hardware that is rapidly becoming obsolete. You can also access a broad partner ecosystem that can aid in implementation, technical support, and the development of cloud applications. This will free up your staff so they can increase impact through greater productivity and higher levels of innovation.

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We knew that to achieve our mission we had to scale, so we began moving from our homegrown, legacy IT systems to Software as a Service in the cloud. We have a lot of really smart folks at Compassion, but we'll only ever have a hundred or so focused on technology. The leading technology companies have thousands of smart people, and an instantly accessible group of technology partners, who spend all their time creating innovative solutions that can change the way we work. Why would we try to go it alone?

Mike Cookson
Principal - IT Strategic Partnerships, Compassion International

Aside from the benefits you can gain in cost savings and scale, you can also improve engagement with your stakeholders by using the digital technologies they're accustomed to using every day.

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I think that we've become very good storytellers at Team Rubicon but that storytelling is only as good as our ability to get it in front of the people who need to see it. We are constantly collecting data on our donors and our stakeholders—whether they're homeowners who have survived a disaster, volunteers, or donors. We're using the insights from that data to connect these audiences around shared experiences. And we're using tools like Twilio to enable highly personalized, two-way conversations that further our mission and increase our impact. It's that kind of connection and customer engagement in digital that's really helped us build trust and achieve higher levels of transparency at scale.

Jake Wood
CEO, Team Rubicon

Case study: Compassion International and the transformation from paper to digital

Compassion International—a leader in holistic child development through sponsorship—currently provides health, educational, social, and spiritual services for 1.8 million children in 25 countries. According to UNICEF,[8] nearly 385 million children live in extreme poverty. This means Compassion International, and the broader child-development community, have a massive challenge in front of them that can only be solved by digital transformation.

Research in the *Journal of Political Economy*[9] has shown that Compassion-sponsored children were 50 to 80 percent more likely to complete a university education than non-sponsored children.

Prior to adopting a digital strategy focused on transformation, Compassion had invested heavily in digital technology, as evidenced by the 800 separate IT systems they were running across the US and the more than two dozen countries they serve. Compassion was clearly having a significant impact, but it wanted to do more good. As it took a step back and looked at its approach to IT, the organization discovered a massive opportunity to centralize its infrastructure through digital transformation. Today, Compassion is using digital technology to not only serve more children, as evidenced by its historical growth rate of ~7% annually, but it is also improving the quality of impact it is having on its existing beneficiaries.

Compassion's digital transformation has resulted in:

- Faster connections between children and sponsors: what used to take several months—from identifying a child in need, registering them into the nonprofit's systems, and connecting them to a sponsor—now takes as little as a single day.

- Streamlined processes: the organization expects to save more than 300,000 hours per year by moving current paper forms used in the field to a digital platform delivered via mobile devices and Microsoft Azure. These are incredibly valuable hours that will be shifted from administrative paperwork to directly nurturing and caring for children.

- Faster correspondence: a reduction of the time required for a child to communicate with their sponsor—accounting for local technologies, the speed of international mail, and translations—from six months to a few weeks.

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I sponsor a boy named Carlos in Mexico and, several years back, prior to our digital transformation, I received a letter from him saying, 'My mother passed away last week.' Sadly, I didn't receive that letter for three months because of our existing paper-based processes. And Carlos did not receive my response for another three months. You can imagine the impact this time delay has on the child and their emotional well-being. Thankfully, because of our digital transformation, Carlos, and countless other kids like him, can connect with their sponsors much faster and receive the emotional support they need and want. In the future, I'm hopeful that we'll be able to use technology disruptors to transform this process and enable real-time communication.

Mike Cookson
Principal - IT Strategic Partnerships,
Compassion International

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[8] UNICEF, "**Nearly 385 million children living in extreme poverty, says joint World Bank Group – UNICEF study**," 3 October 2016
[9] Journal of Political Economy, "Does International Child Sponsorship Work? A Six-Country Study of Impacts on Adult Life Outcomes," 2013, Bruce Wydick, Paul Glewwe, A Laine Rutledge

The new imperative of digital strategy

We believe that technology can be a powerful tool in helping to solve the world's most challenging issues. Most, if not all, nonprofit leaders have embraced technology and understand its promise. But nonprofits often struggle to come up with a systemic way to strategically apply technology to their missions. Digital transformation is not simply about technology. It's fundamentally about connecting people, process, and technology to enable innovation and drive a step change in impact.

As we come to the end of the age of on-premises services, homegrown software, and desktop PCs, the nonprofit technology leader is swimming upstream against pressure from their board and senior leaders to take manual tasks and automate them in ways that are better, faster, and cheaper. IT departments continue to invest heavily in technology to further operations—from the cloud and collaboration to CRM and mobile—but this investment is treated as overhead rather than a strategic investment to achieve an organization's mission.

As a result, IT continues in a never-ending cycle of managing SLAs, fine-tuning operations, and serving as the guardian of security and compliance. Meanwhile, fundraising and program officers are building disparate, disconnected tools that may drive linear growth in a silo but fail to unlock transformational impact across the entire organization.

The proliferation of these disparate and disconnected devices, systems, and platforms has led to a deluge of data. Nonprofits have moved from storing blue binders full of analog data in physical warehouses to flooding their data warehouses with digital files. This data bogs them down and drains critical resources from the mission. The tragedy is that this data could enable greater impact if only the organization had a way to uncover and distribute the insights hidden within— insights that can and should be drivers of innovation.

What's needed is for the entire organization to take a step back, evaluate its approach to IT, and invest in a longer-term strategy that connects people, process, and technology in such a way that each project builds on past successes to deliver ever-greater impact. In short, what's needed is a transformative digital strategy.

The new imperative of digital strategy

What is digital strategy?

An effective digital strategy is comprehensive, flexible, and nimble, and empowers an organization to respond to both current and future opportunities and threats. A good digital strategy is inspired by powerful, readily accessible technologies, and delivers unique, integrated business capabilities in ways that are responsive to constantly changing market conditions. A transformative digital strategy is a business strategy for today.[10]

A digital strategy should deliver relevant results for your nonprofit, whether that means more children educated, more refugees served, or more endangered species protected. It should account for your organization's structure and capabilities. And it should advance the truth that your people and process are critical elements in unlocking the power of technology, so you can achieve your mission.

The essential outcomes of a digital strategy

As Microsoft has partnered with NetHope, increased the impact of Microsoft Philanthropies, and continued to learn from the nonprofit community, we've developed four key outcomes that will help you develop a transformative digital strategy. These outcomes are:

ENGAGE DONORS AND VOLUNTEERS	EMPOWER EMPLOYEES	OPTIMIZE OPERATIONS	INNOVATE FOR IMPACT
Strengthen support and participation	Increase productivity and creativity	Accelerate your mission	Do more good from field to office

SECURITY

Security should be foundational to your digital strategy and is critical to driving these outcomes. It's important to consider how your current technology infrastructure supports, or works against, your commitment to security and privacy. Significant technological advances such as ubiquitous computing, natural interactions, big data, and social experiences are changing daily life, and security and privacy will only become more important as these advances impact more people globally. Between today's challenges and those we haven't yet imagined, a steady, consistent approach to security and privacy will help you build and maintain customer trust.

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[8] This definition is adapted from MIT Sloan School of Management professor Jeanne Ross's keynote address at the 2016 NetHope Summit.
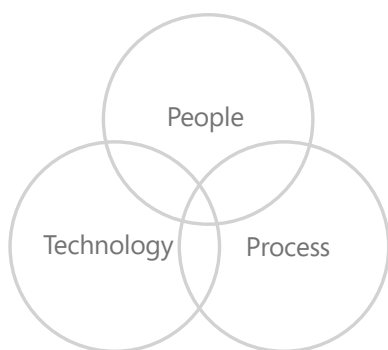
How to get started

Digital transformation is a journey and it won't happen overnight. That said, there are five key steps you can take to get started.

Step 1:   Establish a common frame of reference to align people, process, and technology.

Step 2:   Assess your current digital approach to identify gaps and opportunities.

Step 3:   Build consensus by demonstrating how digital strategy can transform your impact.

Step 4:   Determine how to increase your security in the cloud.

Step 5:   Build your digital transformation strategy and stay inspired.

Step 1: Establish a common frame of reference

The first step in building an effective digital strategy is to establish a common language and a frame of reference that all your stakeholders can rally around. We recommend using The NGO Reference Model—a living framework that NetHope members are continuing to iterate and build on—to visualize the key connection points between people, process, and technology in your organization.

The NGO Reference Model[11] gives a standardized view of business processes to allow NGOs to plan for their digital future. Other benefits of the model include::

- Identifying which activities create value/impact and which are the enabling/supporting services needed by the organization
- Promoting cross-departmental and cross-organization collaboration
- Educating new employees or partners/suppliers about an NGO
- Helping to mainstream "Enterprise Architecture" into NGOs
- Providing a basis for shared-services discussions or the outsourcing of non-value-add processes
- Benchmarking across organizations, e.g., what systems are in place to support business processes
- Building a common understanding of who is doing what and create clear roles and responsibilities
- Helping define the organization's operating model (how the organization fits together):
  - Identify who is doing which part of the value chain
  - Enterprise-wide or local services
  - As-is versus to-be business process architecture

Download the worksheet

[11] https://www.ngoreferencemodel.org

How to get started

Step 2: Assess your current approach to digital technology to identify gaps and opportunities

We recommend assessing your current approach to technology across the four essential outcomes of nonprofit digital strategy, which include: engaging donors and volunteers, empowering employees, optimizing operations, and innovating for impact.

To get started, complete the Nonprofit Digital Strategy Assessment to identify current gaps in your approach to digital technology, prioritize opportunities for growth, and gain insights into what the next level of transformation looks like.

Start the assessment worksheet

Step 3: Build consensus by demonstrating how digital strategy can transform your impact

If digital strategy is so critical, why is it that so few nonprofits have one in place? According to 2017 research by NetHope, most organizations surveyed do not have a comprehensive digital strategy.

Surprisingly, funding and availability of technology are not the most challenging obstacles. Like many private sector organizations, the capacity of the organization to absorb, adopt, and leverage technology is often limited by the organizational structure and the digital skills of employees. As a result, while every nonprofit has embraced technology to support its work, relatively few have an organizational vision of how technology can extend its current work and create new opportunities for greater good.

With that in mind, who should lead the charge in building a digital strategy? Successful digital transformation strategies require strong support from senior leadership. That said, digital transformation will impact every single role within the nonprofit, so everyone has a role to play.

You can build a transformational digital strategy by building consensus and gaining support from senior leadership, middle management, and program teams to build a culture of innovation. Leaders from across the nonprofit will have to work together in new, sometimes challenging ways, while also engaging donors, volunteers, employees, and beneficiaries to get their input into the transformation process. Only by doing so can you create digital experiences that reflect the same personalization, flexibility, convenience, security, and privacy your constituents have come to expect in their everyday lives.

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Disciplined systems engineering and information security principles, transparency, leader intent, and an orientation on responsibility drive how we accomplish our goals. Inspiration comes from empowerment, leading by example, and ensuring that every technology we use is centered on the act of helping those in need.

Steve Hunt
CTO, Team Rubicon

How to get started

Regardless of the obstacles you are currently facing, the NGO Value Chain, developed as part of the NGO Reference Model Initiative, is a helpful tool for bringing together all of your stakeholders and establishing a unified view of your entire IT infrastructure. It will enable you to map all activities, from context and program design to program delivery and impact. You can then build on this shared language and framework to create a digital strategy focused on innovation that will accelerate your impact.

The NGO Value Chain

| Context | Program Design | Fundraising | Fund Management | Program Delivery | Impact |

Step 4: Determine how to increase your security in the cloud

The right cloud platform can deliver an immediate step change in security for nonprofits without a large upfront investment. This is valuable for both cybersecurity and data-protection compliance. Indeed, a key requirement of most comprehensive data-protection laws, including the EU Data Protection Directive and the GDPR, is that organizations handling personal data must take technical and organizational steps to ensure the security of any personal data they collect or process. This requires implementation of systems and safeguards that adequately protect data from, among other things, malicious access or disclosure.

To learn more about how you can transform your approach to cybersecurity and data privacy, read the Microsoft Nonprofit Guidelines for Cybersecurity and Privacy.

How to get started

Step 5: Begin your digital transformation

After you've built consensus that digital transformation is needed, we recommend following the process of Dream, Design, Deliver to create a transformative strategy and bring it to life.

Dream	**Design**	**Deliver**
Run a design thinking-led workshop to envision innovative scenarios with your broader team. Then converge on the scenarios that will have the highest impact on organizational outcomes.	Align process, technology, and organizational change management plans into a common, time-phased roadmap to deliver prioritized scenarios and impact.	Implement process reengineering, technology solutions, and organizational readiness—ensuring closed-loop measuring of impacts and learnings that can be fed into the next stage of transformation.
Deliverables	Deliverables	Deliverables
• Digital Vision • As-Is Digital Maturity Assessment • Prioritized To-Be Scenario	• Digital Transformation Team • Roadmap • Change Management Plan	• Digital Transformation Program Execution • Value Reporting • Continuous Improvement Plan

As you move forward on your journey to digital transformation, it's important that you continue to learn and stay inspired. For more information on driving digital transformation in your organization, please sign up for the Microsoft nonprofit newsletter where we will continue this dialog with an ongoing series of digital transformation discussions. Also visit The Center for the Digital Nonprofit. This crucial initiative, led by NetHope, brings together the expertise of the technology sector with the on-the-ground experience of nonprofits to create a foundation for forward-looking organizations to deliver aid, relieve suffering, and build hope.

Conclusion

Your organization, like all nonprofits, is driven by a desire to do good. Even the most well-resourced nonprofits are challenged to do more. And a comprehensive digital strategy that aligns technology with mission can empower your people to achieve greater impact than ever before.

The success of your nonprofit in this digital-first, cloud-first world will largely depend on your ability to increase productivity, innovate to serve more people, and maintain high levels of trust and transparency. The only way to get there is to embrace digital transformation and build a strategy that will bring your nonprofit into the future.

Learn about nonprofit offers from Microsoft: microsoft.com/nonprofits

Find out how NetHope can help: nethope.org