Microsoft

Beyond overhead

Donor expectations for driving measurable impact with technology

Microsoft Tech for Social Impact

Executive Summary

Erik Arnold
Chief Technology Officer
Microsoft Tech for Social Impact

Technology is rapidly advancing, creating both great opportunities and great needs in the nonprofit sector. As donor expectations change with the digital landscape, nonprofits face an increasingly urgent need for technology that can align with and enable their organization's mission.

Microsoft Tech for Social Impact is working to understand how technology can be used to demonstrate and drive impact. To do this, we surveyed over 2200 individual donors, volunteers, or funding decision-makers to understand how they make decisions on which organizations to support, understand supporter expectations on nonprofit efficiency, and expectations on how nonprofits should be using technology to drive efficiency and impact.

The data we gathered in our global survey showed:

- People who contribute money, or time, to nonprofits are overwhelmingly looking for the organizations which will drive not only the most impact but the most measurable impact from their contributions.

- These donors, volunteers, and funders view technology as a fundamental component of a well-functioning organization.

- A majority of funding decision makers (93%) now see technology expenditures as an investment toward impact.

I have worked in the nonprofit sector for a long time and I am very encouraged by these insights, especially point #3. In this paper, we will dive deeper into the results of this survey, provide examples of nonprofits investing in technology and explore how technology is contributing to organizational impact. We will also share insights and validation from key stakeholders across the nonprofit sector including NetHope and Charity Navigator.

Finally, we'll suggest tangible steps you can take to develop a technology investment plan for your organization. On the next page we have summarized key findings of our research, ultimately showing that donors and funders are more likely to contribute to a nonprofit that can show how it is using technology to run its programs in a better way. I hope you find these insights helpful in driving greater impact at your nonprofit.

Thank you,
Erik Arnold

Key Research Findings

The data we gathered in our global survey and validated through stakeholder interviews, showed people who contribute money, or time, to nonprofits are looking for the organizations which will drive the most measurable impact with their contributions. Increasingly these donors, volunteers, and funders are seeing technology as a fundamental component of a well-functioning organization. They are also beginning to see technology expenditures as an investment toward impact, rather than an overhead cost to be kept as low as possible.
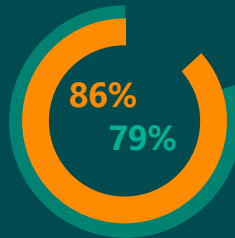
● Supporters

This is defined as individuals who donate at least $250 USD annually to nonprofit organizations; and volunteers, defined as people who volunteer their time to nonprofit organizations at least several times per year.
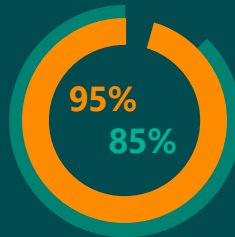
● Funding Decision-Makers

Members of this group are defined as those who have decision-making authority in deciding how grants and funding are awarded to nonprofit organizations. Also referred to as just, 'funders'.

## Expectations are higher for efficiency and effectiveness

86%
79%

79% of supporters and **86% of funding decision-makers** expect nonprofits to be more efficient in maximizing funding today than 10 years ago; **77% supporters** and **81% funding decision-makers** expect nonprofits to be more effective in achieving goals and advancing causes they work for today.

## Technology is a motivating factor when considering support

95%
85%

85% of supporters and **95% of funding decision-makers** say they're more likely to support a nonprofit if it shows them how it is using technology to run its programs in a better way.

Supporters and funders are willing to support improving technology at nonprofits

93%
79%
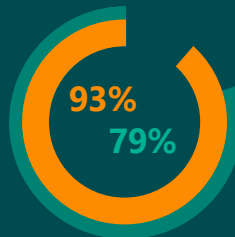
79% of supporters and **93% of funding decision-makers** say they are willing to provide support specifically to improve technology at a nonprofit.

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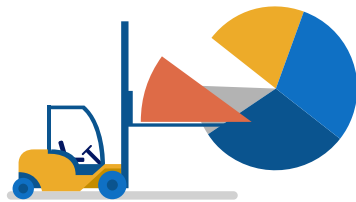
Nonprofits' technology-driven future

Nonprofit organizations are under immense pressure to spend their budgets in a way that truly delivers impact. After all, nonprofits are accountable not only to their mission, but also to all the individuals, and organizations who fund the work.

That's why, for many years, nonprofits and supporters weighed one metric heavier than almost any other: overhead rate (defined here as the proportion of money assigned to overhead, administrative, or fundraising costs versus program work). As author Jim Collins suggests in his book "Good to Great for Nonprofits," this is like judging a college athletic team on how much they pay their coaches, rather than how many championships they win.[1]

Traditionally, nonprofits were viewed as better stewards of their charitable donations if they put the maximum funding into programs and strictly limited overhead costs. Because technology was considered part of an organization's overhead, this led to underfunding infrastructure—thereby creating the very inefficiency nonprofit leaders and funders were seeking to prevent.

However, our research shows that expectations are changing, in part because of two major technology-driven shifts. First, technology is now seen as an essential part of well-functioning organizations, whether they are nonprofit or for-profit organizations. Second, nonprofit supporters and funders recognize that technology investments drive greater impact from nonprofit operations, and are vital to delivering mission value.

Many supporters and funders have high digital expectations—that organizations use technology to operate and achieve their mission. These rising expectations have created a sense of urgency for nonprofits to adopt technology. Without technology-driven efficiencies and a culture of data use and analytics, nonprofits that neglect technology investments risk becoming irrelevant to a broad spectrum of supporters and funders.

[1] Collins, Jim. Good To Great And The Social Sectors: A Monograph to Accompany Good to Great (pp. 4-5). HarperCollins. Kindle Edition.

Why people decide to support organizations (or not) and how technology helps drive those decisions.

Technology can empower nonprofits to demonstrate impact

The lifeblood of nonprofit organizations are its contributors—donors, volunteers, and funders. And they understand that technology is essential for an organization to function. Our research shows that the overwhelming majority of contributors—85 percent of donors and volunteers, and 95 percent of decision-makers—are more likely to contribute to a nonprofit that can show how it is using technology to run its programs in a better way.

95% of funding decision-makers

85% of supporters

100%

20%
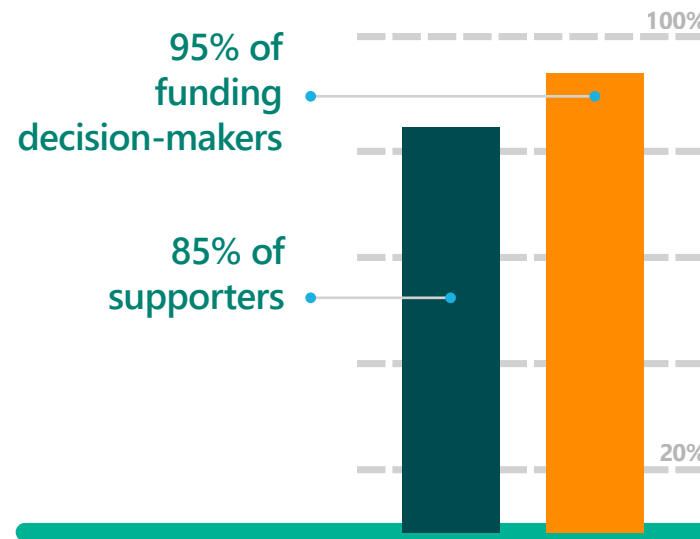
Likelihood to support a nonprofit that can show how it is using technology to run its programs in a better way.

What drives people to contribute to an organization?

What does "run programs in a better way" mean? The definition can be very subjective. Fortunately, we now have solid insight as to what motivates someone to contribute to an organization, and how technology can help organizations meet that donor expectation. Our research shows that it is a combination of focusing budget on program work, transparently sharing data around measurable impact with donors, and cultivating trust in the organization which makes up the foundation of the "better way" that donors are willing to support.

They use the majority of their budget on program work

They use data to measure and show impact

They are perceived to be trustworthy

Trust through fiscal and operational transparency

Trust through effective communications

"It's not just that technology lets us see more about an organization; it's that technology lets us look deeply at so many more organizations than we ever could and as a result we can categorize and organize that data to develop a much wider picture than we ever did."

Michael Thatcher
President and CEO
of Charity Navigator

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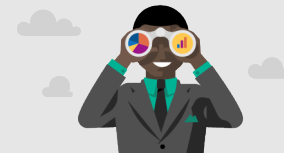
They use the majority of their budget on program work: First and foremost, contributors are more likely to support nonprofits who can demonstrate a relatively low overhead rate by putting a high percentage of their budget toward its programs versus nonprogram spending. This allocation has historically been seen as the most reliable measure of a worthy organization. The proportion of budget spent on programs is still a major point of evaluation for rating nonprofits. Although this is a fair measure, it's not the only measure of a good organization. After all, low overhead is rarely a good indicator of overall organizational health. Actually, if overhead is too low, it can signal a lack of investment in innovation or a reluctance to evolve the organization to changing landscapes. For this reason, it is only part of the equation.

They use data to measure and show impact: Supporters increasingly want to know that they've helped deliver impact. It is no longer enough for nonprofits to show that they spend most of their budget on programs; nonprofits must also support program design that incorporates measurement and learning while maintaining donor transparency. Nearly 7 in 10 supporters, and about three in four funding decision-makers say they would be more likely to contribute to a nonprofit if the organization uses data to prove it is making a difference.

> "It's becoming increasingly important to donors and funders of all sizes to understand impact and where their dollars are going. In order for an organization to communicate and understand their own impact, they must have a good system for tracking their services, their programming, measurement, and evaluation. Effective technology is crucial for organizations to remain competitive for grants."
>
> **Korey Klein**
> Portfolio Manager for Technology and Data Infrastructure at the Ballmer Group

Both segments prefer that their donations go directly to programming rather than administration, but they now emphasize that whether a nonprofit has a **measurable impact** is one of their most important criteria in deciding whether or not to support an organization. Half of decision-makers and more than two-fifths of supporters emphasized measurable impact among their top criteria when deciding where to invest their donation dollars or time.

They are perceived to be trustworthy: All respondents—donors, volunteers, and decision-makers—cite "being widely trusted" as a very important characteristic for a nonprofit to receive their support. Furthermore, our research uncovered several trust-related characteristics (fiscal and operational transparency and effective communication) that supporters said would make them want to contribute to an organization. Above all, supporters need to trust a nonprofit before they invest. The circular nature of trust—that trust cultivates funding and funding is used to build trust—makes every investment in cultivating it worthwhile.

Cultivating trust

The sector leaders we spoke with shared that recent innovations in technology allow for unprecedented transparency in their organization. Beyond where each dollar was spent, contributors now expect transparency on the actual impact of each dollar. Impact now requires designing outcome-oriented programs, applying measurable resources to those programs, and determining and measuring the outcomes and impact that those programs and resources had. Put simply, it's how those dollars supported programing from their inception and how those programs contributed to achieving the mission.

This insight from sector leaders supports our research finding that transparency remains a fundamental enabler of trust. When donors, volunteers, and decision-makers rated the importance of different nonprofit characteristics in determining which organizations to support, all three groups indicated keen interest in knowing and understanding a nonprofit's finances, goals, and plans. An organization can build transparency by using theory of change-based project monitoring, log frames, and results frameworks to measure programmatic impact; by sharing financial and operational details publicly; and by maintaining open lines of communication on impact.

Trust through fiscal and operational transparency
Fiscal and operational transparency are important to supporters. Eighty-six percent of supporters, and 89 percent of funding decision-makers say it's important for them to know how their donations are being used. Fiscal transparency is important for receiving grants as well; despite all the avenues of communication available, more than 2 in 5 of every funding decision-maker calls out financial records or annual reports as one of their must trusted sources of information when making funding decisions.

100%

89% of decision-makers

86% of donors and volunteers

say it is important for them to know how their contributions are being used.

20%
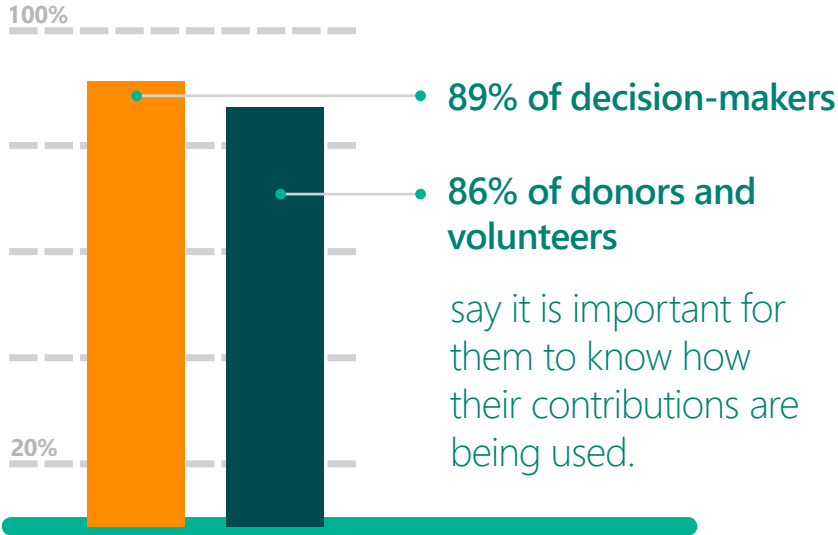
"Technology enables trust at nonprofits in a couple ways. First and foremost, technology enables transparency in how nonprofit organizations are spending their money and the impact they're achieving. Secondly, technology enables privacy. Because nonprofits engage with a wide-range of stakeholders, they need the right technology implemented well to ensure stakeholder data is protected and kept private."

Jeremy Forman
Director of Enterprise Architecture and Global Data
& Analytics at the Bill & Melinda Gates Foundation
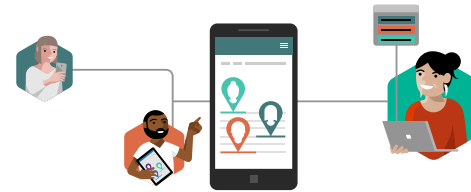
An organization's operations often serve as a reflection of how it carries out its mission. If it makes the most of every dollar (as more than four in five supporters say it must), the organization demonstrates good stewardship of what are always precious and limited resources. This need to show, rather than tell, has never been more pronounced because the vast majority of decision-makers (86 percent), and supporters (donors and volunteers grouped together; 79 percent) expect nonprofits to be more efficient in maximizing the impact of their funding than they were 10 years ago. At the same time, contributors expect nonprofits to be more capable of achieving their goals and advancing their cause than they were 10 years ago.

Using technology to optimize operations and drive a culture of data enables nonprofits to allot the highest percentage of funding into programs without having to worry that it will leave essential operations underfunded. At Mercy Corps, for example, the application of technology greatly expands its ability to implement and report on valuable global programs, such as how to understand and improve the percentage of women and girls in a workforce at a given location—a critical data point that used to be collected manually.

"Trust is about having the transparency to show what you're doing and prove donor or grant money is well spent. Communication and data-backed results helps build trust with our donors."

Michael Boeglin
Senior Director of Information
Technology at Mercy Corps

Trust through effective communications

Trust is a product of effective communication. When an organization shares information on programming and progress, contributors feel like they are a part of the journey.

That's why it should come as no surprise that a huge percentage—86 percent of supporters, and 90 percent of funding decision-makers—regard effective communication as an important characteristic of nonprofits they choose to support. The majority expect organizations to keep supporters and funders informed about the organization's needs and progress (85 percent of supporters, 86 percent of decision-makers). Another two-thirds of supporters, and three-quarters of decision-makers say that they would be more likely to support an organization if it provides regular updates about its programs and progress.

100%

20%

90% of decision-makers
86% of donors and volunteers
say effective communication is an important characteristic of nonprofits they choose to support.

Faith Danforth, Senior Director of RD Operations & Analytics at Mercy Corps, explained that communications goes beyond reporting data to your donors. "All of this data needs to contribute to an overall picture of the organization. Sometimes just getting an acknowledgement of a donation right away is what builds trust."

To build trust and entice contributors, nonprofits must invest in digital technology that allows them to quickly reach the right people with the right message at exactly the right time.

Jennifer Schmidt, Director of Corporate Partnerships elaborates, "People are used to rapid communications. They don't want to wait six months or until the end of the year to hear how their donation was spent. This crosses individual and corporate doors. They want information in real time, one week after a disaster occurs. Being able to report back quickly with photos and stories in real time engenders trust. Communicating with donors in real time engenders trust."
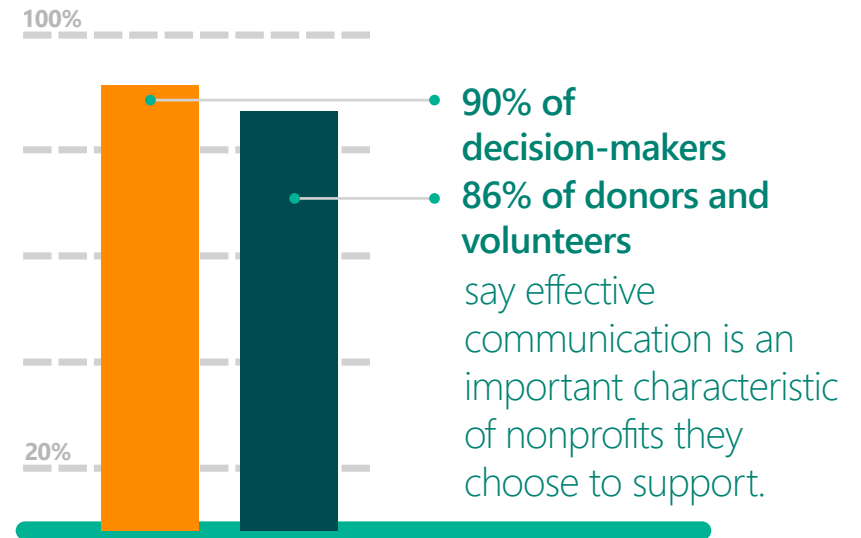
Volunteers and decision-makers viewed **"a lack of clear understanding of the impact of a donation"** as the second most discouraging factor for their support.

What are barriers to contribution?

First, unsurprisingly, if contributors perceive a lack of clarity about how donations are applied to the mission, they will take their support elsewhere. Volunteers, donors, and funding decision-makers all rated a **"lack of clear information about how they are using donations"** as a top reason they would be discouraged from supporting an organization. Contributors want more information than ever about the value of their donation, even if part of it was used for overhead.

Our factor analysis indicated the aggregate of volunteers and decision-makers viewed **"a lack of clear understanding of the impact of a donation"** as the second most discouraging factor for their support. Common with grants and major gifts, today even donors making microdonations expect clear designations and transparency for the impact of their contribution.

The last major barrier is, unsurprisingly, **excessive overhead spending**. How much is spent on overhead is likely the most frustrating for nonprofits and supporters alike. To communicate how donations are being used and to accurately calculate impact takes investment in talent, program design, process improvement, and technology. Accordingly, an investment of unrestricted funds is the most precious kind of funding as it allows organizations to innovate and build lasting efficiencies.

Nonprofits who find themselves confronting these challenges can refer to the best practices laid out in the Mercy Corps case study and the guide provided in the "Building a technology investment strategy" section of paper when making the case for investment to their contributors.

Investing in impactful technology

A spotlight on Mercy Corps' connectivity and cloud initiative

Case Study: Mercy Corps

Mercy Corps is a global nonprofit with more than 5,000 staff and volunteers helping build secure, productive, and just communities in over 40 countries around the world. For more than 40 years, Mercy Corps has provided $4 billion in support to millions of people. Technology is embedded in almost every area of its organization: programs, business operations, fundraising, and communications. But that wasn't always the case.

Through an ongoing technology grant, Mercy Corps is moving its infrastructure to an advanced cloud-based network that is improving performance, manageability and security. In order to take advantage of this new technology, Mercy Corps is also solving a different technology challenge: improving internet connectivity for its team members around the world.

Michael Boeglin, Senior Director of Information Technology, explained why Mercy Corps began the connectivity initiative: "Mercy Corps invests in a number of cloud-based platforms for Monitoring and Evaluation, data analysis and visualization, HR, Finance, and collaboration tools. We recognize that it is difficult, if not impossible to modernize our platforms and move our employees to the cloud without also ensuring fast, reliable and secure internet connectivity in the places where we work."

"We know that using a cloud strategy to drive a real transformation requires us to focus on people and process as well as technology. We knew that to maximize the grant investment and truly be impactful, we would need to make changes in our overall approach to delivering technology services to the field."

Michael Boeglin
Senior Director of Information
Technology at Mercy Corps

Nonprofits that work in disaster relief, like Mercy Corps, must have functioning communication and connectivity to do its work, but the cost of connectivity isn't always predictable. "It's hard to explain to donors that we are paying 918 times more for connectivity in the Central African Republic than we are in London."

After years of piecing together a connectivity operation, it was time, Boeglin expressed, for Mercy Corps to make a substantial investment to address the connectivity issue. In the past, "investments in connectivity were based on 'what we could afford to pay' rather than 'what we actually needed,' and as a result, there had often been compromises and workarounds." Mercy Corps had to stop building bolt-on, band-aid solutions that didn't address overall connectivity. Here's what it did to build the foundation for its technology investment:

MERCY CORPS

Changing the expectation

For decades Mercy Corps suffered with terrible or prohibitively expensive internet connectivity in many of its field locations. The expectation was set that this was normal. But global connectivity continues to improve, and the parts of the world with poor connectivity is shrinking quickly. This provided Mercy Corps with the opportunity to 'flip the script.' They set a new expectation that all of its team members require good connectivity to do their jobs in a modern world.

Proving the tech investment

With that new expectation, Mercy Corps set about really understanding the problems they were trying to solve. They did this by listening to staff in the field, focusing on day-to-day hang-ups and frustrations, and by defining in a measurable way what the connectivity experience was and needed to be. Measurable standards for connectivity were defined and each of the 138 locations were benchmarked through quantitative analysis and 'before and after' qualitative survey data. Locations that fall below the minimum standard are given a much closer inspection to determine the technical, financial and other factors that are causing the deficiency. "We use data analytics practices and technologies extensively through the organization, and we have a team dedicated to using data to measure the quality and impact of our programs," explained Boeglin. "We adopted these same practices internally within IT to make sure we are having the best impact."

Communicating the tech investment

Mercy Corps uses online dashboards and reports to communicate regular progress to a variety of internal and external stakeholders. Most important, Boeglin stated, "We set targets for performance and report back regularly on our progress. We meet with our stakeholders and make sure that our numbers are a true reflection of the real world situation, and we adapt our approach continuously based on what we learn. Having the dashboards and other data really helps us to have a meaningful conversation."

Bottom line

Mercy Corps' investment in technology paid off because it did the legwork to support its effort. Mercy Corps took the same principles that supporters demand of nonprofits—data, transparency, clear goals, and allocation of funds—and applied those principles to make the case internally to fund the investment.

> "Making do is not the best answer when it comes to technology. Making a real investment can have a tremendous impact. In the past, technology often over-promised and under-delivered, but that has changed over the last decade. The nonprofit technology sector has really stepped up. There are finally good solutions out there, and our organizations have learned how to leverage them for impact. Now is the time to make that happen."
>
> **Michael Boeglin**
> Senior Director of Information Technology at Mercy Corps

Your donors expect you to invest in technology

As we mentioned earlier, our research shows that many donors and funders still prefer that their donations be spent on programming and not administration or overhead. However, restricted funding puts a compliance burden on nonprofits, which is one of the reasons unrestricted funding is so valuable. In other cases, not enough budget can be moved away from other administrative or fundraising costs to cover the cost of a technology investment. And still other organizations are just not accounting for technology costs in their strategic planning. In fact, nonprofits spend significantly less on their IT than comparatively sized private sector companies.[2]

However, it doesn't always take a major capital investment or major systems overhaul. Sometimes small investments in technology lead to great improvements. Wherever you are in your digital transformation, you aren't alone. Korey Klein at the Ballmer Group, has worked with nonprofits to plan and implement major technology changes. "There's a huge range of technology among nonprofits, from organizations that are still using pen and paper, and filing cabinets, to organizations who are doing wonders with basics like Excel, to organizations that are fully cloud integrated."

As further proof of the importance of technology, our study found the factors that donors and funders believe technology can improve—transparency, communications, and operations—are the same factors that inspire supporters to contribute to an organization.

Funders and donors are now willing to financially support a nonprofit's technology investments.

Our research found that 79 percent of supporters and 93 percent of decision-makers would be likely to provide support to help improve technology at a nonprofit. When coupled with the finding that nearly two in five supporters and three in five decision-makers have been deterred from supporting a nonprofit because of a lack of technology or modernization, the research makes a shockingly compelling case for needed technology investments.

A lack or poor use of technology can adversely affect your organization

Before we outline ways to plan a compelling technology investment strategy, let's review what happens when technology is underfunded. Below are some of the key takeaways from our research and interviews with nonprofit professionals.

Poor communications
Roughly 50 percent of supporters are less likely to fund a nonprofit that asks for donations too frequently or aggressively. What nonprofits choose to share, and how much and how often they share it, conveys an ability to use data properly, streamline and collaborate internally, and use communication tools effectively. In other words, technology can be used to better target donors in a timely way, but it doesn't help if all one does is build a better spam engine.

Visible technology issues

Too often, poor technology investments result in obviously, irritatingly poor interactions, where the gaps in the technology become glaring, disrupting the user experience and subtracting from the credibility of the organization. When supporters start noticing the technology, it's usually because it has become a barrier to them helping with the mission. Jennifer Schmidt at Mercy Corps clarified, "You can tell if an organization is using poor technology because their website is wonky, their receipts are wrong, they're using too many systems, you're getting too much mail, and so on. Donors want you to send them information, but they don't want to be turned off by you knowing too much. Tech is working well when it is basically invisible to everyone except your back-end system administrators."

Too much or irrelevant data and overly customized systems

A lack of technology investment often results in a fractured landscape of solutions, patched-together manual processes, and highly customized tools that result in higher overhead costs as an organization scales. Without common models and industry standards, nonprofits can't achieve optimal levels of efficiency. Instead, the danger is that they get stuck doing upkeep on bespoke software solutions and the processes that have grown along with them.

"In the past, integrating and transforming data was an expensive, time consuming operation. Today, you can use modern, cloud-based tools to perform data transformations and integrations on the fly, getting value to your users much faster."

Jeremy Forman
Director of Enterprise Architecture and Global Data & Analytics at the Bill & Melinda Gates Foundation

Data with
a purpose

Case Study: Bill & Melinda
Gates Foundation

The Bill & Melinda Gates Foundation is a case in point on how focusing on the data that matters, as opposed to data generally, is critical to making the most of your technology investments. It is undergoing a digital transformation that is requiring the organization to reevaluate how much time and effort it spends to gather, analyze, categorize, and store data on its various programs. Reflecting, Jeremy Forman, who is working with other foundation leaders to lead a multiyear, systemwide digital transformation, made it clear that collecting data for the sake of it can be burdensome and costly to a nonprofit's mission.

"Like many organizations, [our] foundation grew organically, and processes and standards around data, and processes and standards around technology grew organically too. We ended up with a pretty complicated ecosystem of siloed data repositories and bespoke applications to support the foundation," he shared. Customization was, for many years, the only option for technologically savvy organizations. Now that there are readily available out-of-the-box solutions for nonprofits to choose from, you can move away from clunky, time-consuming, and opaque systems.

For example, "modern data tools like Power BI provide the ability to design and build more flexible data systems. You don't need a 24-month data warehouse project to build the perfect data model and input perfect data to create reports. Instead, you can use these powerful user-friendly tools to transformation and integration data on the fly and get value to your user much faster," explained Forman.

Building a technology investment strategy

If you're reading this white paper, you've probably already considered some technology upgrades to improve operations, streamline communications, and improve your organization's overall impact. Maybe you're ready to start the ball rolling on a technology investment strategy. Consider the following guidance, aggregated from research results and firsthand experience.

- Leadership matters

- Include internal teams in the strategy

- Never start with the tool

- Make sure the organization is ready for implementation

- Set employees up for success

- Get some quick wins

1. Leadership matters
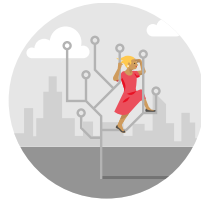
After years of collecting valuable (and not-so-valuable) data and working on disparate projects around the world, Jeremy Forman, along with other foundation leaders, is helping to centralize and standardize Gates Foundation systems. Fortunately, the leadership at the Gates Foundation recognized the importance of solid, standardized business processes, data, and supporting technology systems.

"You have to find a leader that is passionate about data to make top-down decisions, hard decisions, on data standards. If you can't or won't do that, you end up with a lot of additional complexity and a lot of additional cost to manage that data," explains Forman. You must get your leadership onboard to steer your technology investment.

"Internally, there can be a cultural challenge to technological changes. That's when the tone at the top is really important. Our leadership has made it clear that they understand standardization matters. Creating a common language across the organization to work more collaboratively and more transparently across teams is important. The way to do that is by using standard processes and standard definitions, and using technology to support that. Technology has evolved to a place where we can do that."

Forman cannot stress enough, "Leadership is perhaps the most important cultural element to a successful technology investment."

Communicating the value of your technology investment strategy to your leadership, including your board and any major donors, is essential to a successful implementation. Making the case for your board starts with an internal communications strategy.

Consider the approach that Mercy Corps took. By gathering the evidence, articulating the impact of neglected investment, and presenting the programmatic value of technology, it was able to fund a major technology innovation strategy. Jennifer Schmidt from Mercy Corps elaborated: "Your Board of Directors will be interested in the back-end of your technology investment. Develop an ongoing internal communications strategy to the board. You want to pull the details of the investment out and include it in the budget as a line item, so you can see the work clearly. You may need additional infusions of cash and that's why you need to build the case for support."

2. Include internal teams in the strategy

Always think about how any investment in technology will benefit the mission. How do each of your internal teams feel about technology? What are their biggest challenges and hurdles? When you're building your technology investment strategy, make sure you're seeking technology that will make the right changes. Even if the investment is for back-office systems or technology infrastructure, tie it back to the mission impact and use that lens to communicate the strategy inside the organization.

3. Never start with the tool

No technology investment is only about the tool. Partner with other teams to outline the people and process investments required to make the most of any technology investment project.

"Look at your business process first," said Faith Danforth from Mercy Corps. "Is there something breaking down outside of the business process? Examining your business process might reveal that there are issues other than technology." It also provides you with a better knowledge base with which to start answering the right questions. Determining these questions will help you narrow your technology needs.

4. Make sure the organization is ready to take on the implementation of a technology solution

Make sure you are ready to take on an investment before you start spending the money. Define the problem first. Gather leadership and staff support for technology investments. Outline the processes that need to be changed and any new skills required.

Build allegiances with any other teams that will work closely with you on the implementation. If you don't have the basics down, you risk burning all your budget building the wrong solution.

One way to assess the implementation of a solution is by listing potential projects and laying them out on a simple 2x2 matrix, such as the one below.
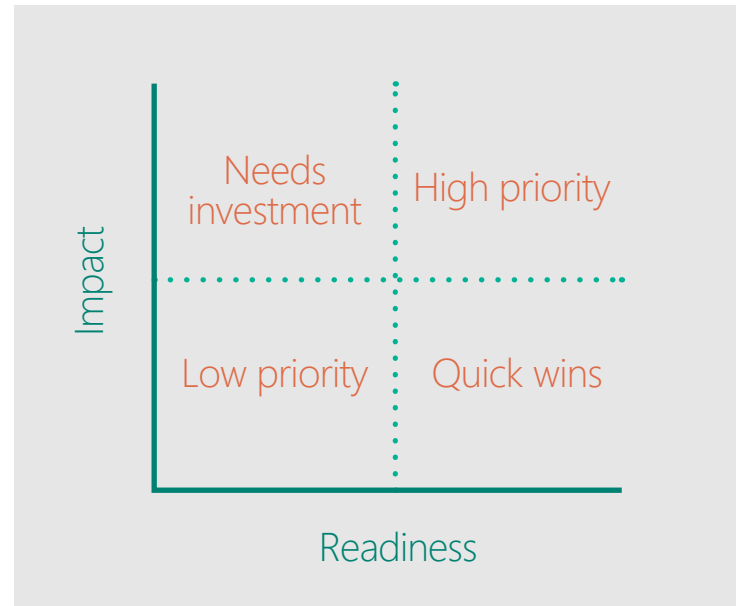
Jeremy Forman has had firsthand experience transforming technology to answer the right questions about data. "It really starts with a human-centered design approach by understanding the business questions your organization is trying to answer. Once you spend time understanding those questions, figure out the data you need to answer them, and then figure out how to visualize that data. A lot of organizations start by collecting tons of data and never really taking the time to articulate the important questions they are trying to answer. This is just more work."

5. Set employees up for success
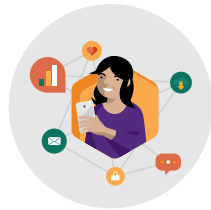
Ensuring successful adoption of any new technology means making sure all employees are crystal clear about their role and what to expect.

"Sometimes nonprofits will receive a gift of free software or technology—this gift doesn't mean you don't have to prepare your employees and build out your strategy," said Jennifer Schmidt. She emphasized the need to hire or train employees to use the technology successfully, even the technology that comes as a donation. Fundraisers and organizational IT need to work together to integrate the technology, consider how long it will take to train people, and cascade it throughout the organization.

"It can be a little overwhelming for small organizations to undertake modernization. It is best practice for you to designate a project owner, having somebody that is entirely focused on technology. Technology adoption isn't a light switch. It requires a lot of behavior change, navigating processes internally, and training. So it's important to acknowledge those needs and provide your investment with the staffing that can handle it," according to Korey Klein of the Ballmer Group.

The other key part of establishing roles is to establish sign-off criteria with all stakeholders before you start any project.

"In order to get beyond some of the inherent distrust of moving to new systems (internally)," stated Michael Boeglin of Mercy Corps, "it's important to agree upon what success looks like so that you can shut down old systems and complete a migration." Discuss success with your stakeholders so you can check off milestones along the way.

6. Get some quick wins
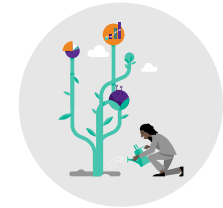
No matter where your organization is on the broad spectrum of technology infrastructure, you have universal elements you count on. One of those elements is that early success will help you get your employees, leadership, and supporters onboard.

"Finding a way to get some quick wins is important for early momentum in projects that are major undertakings, some low hanging fruit to get some positive outcomes, especially since you are dealing with behavior change among your participants," recommends Korey Klein.

Showing those wins and getting transparency to data fast will generate momentum and assist in building a coalition of the willing in organizations that are striving for that behavior change that Klein spokes about.

Expanding the reach of Compassion International

Case Study: Compassion International

In 1952 Reverend Everett Swanson flew to South Korea to minister to American troops fighting in the Korean War. What he found, however, was that the troops were not the only people who needed help. Walking the streets were countless orphans who were in desperate need of help. Over 65 years later, Compassion International now serves two million children in 25 countries across the globe, and generates close to a billion dollars of annual revenue. Roughly 95% percent of that support stems from individual supporters who contribute $38 dollars a month to sponsor a child.

Mike Cookson, Director of Strategic partnerships on Compassion International's Innovation Team summarized, "When you look at today's Compassion International, the big thing that is changing is scope." What technology is allowing Cookson and others to do is "look at how we can modify the traditional relationships to build a deeper and broader connection between the sponsors and the children."

According to Cookson, thanks to investments in technology infrastructure, over 85% of their churches are enabled to collect and distribute data between and amongst those churches, national offices, and Compassion's headquarters. That infrastructure along with deployment of a new mobile app enables the churches to collect and distribute data, saving an astounding 300,000 hours per year of paper-based data entry. Cookson explained, "without mobile technology, and without some of these tools, field staff have to spend time dealing with paper instead of spending time directly with children."

Protect, analyze, expand

"I started with Compassion when we had less than 150,000 sponsored children and, trust me, it took a ton of technology and innovation to get from that point to today's two million children and 1.3 million sponsors. Now, it's not so much a matter of applying technology and innovation as it is a recognition that the technology available today and the foundation upon which we can apply it unlocks possibilities and scale that never before existed.

Greg Frady
Senior Director, Marketing Development at Compassion International

Analyzing a global impact one child at a time
At the end of the day, it's about serving the needs of the children, and knowing that the work has mattered. One difficult challenge is ensuring work matters along the continuum from global program design to local contextualization to impacting the life of an individual child. According to Cookson, technology is essential in collecting and analyzing the data so that impact can be measured, improved, and customized along that continuum with as much granularity as possible. He explained, "We know at the global level our programs are good. We know they have impact. We have outside studies, we have internal studies, we have anecdotes on a daily basis of how programs and relationships impact children's lives. But even though our programs are tuned for specific contexts, we continually search for even deeper granularity. That's why we are working directly with Microsoft to effectively apply AI and ML [Machine Learning] to surface and pinpoint specific support for specific situations within those contexts. The tools and data fidelity to affect that level of individual impact have simply not existed." Cookson is confident that with the granularity that technology can provide, Compassion International will be in a position to leverage what they've learned from 65 years of experience and make an even greater impact on the lives of even more children.

Expanding the mission through technology
Compassion International is one of the world's largest non-governmental organizations focusing on children. Zach Sparks, Director of Major Gift and Foundation Relations, noted that technology is key to expanding reach because it allows supporters and funding decision makers see the priorities of the organization in action. The data collection allows Compassion International to prioritize resources to the areas that have the highest needs and where their resources can have the biggest impact. According to Sparks, "Technology helps us be better stewards of their money." As the organization gains efficiency and greater communication with their supporters and fund decision makers, Compassion International will expand their mission globally. "Technology," Zach summarized, "is one of the key ingredients in bridging the gap."

Getting the funding

In this paper, you learned how donors and funders believe organizations can be more efficient and effective in achieving their mission by applying technology. The research showed the changing expectations of nonprofit supporters and funders, the technology investments required to achieve the mission in a way that measurably shows impact, and stories of how various nonprofits have faced challenges in their own digital transformations. And, for the first time, we have heard donors say they are willing to fund technology projects specifically.

The expertise and capacity needed for successfully meeting the digital expectations of your nonprofit contributors include: **cultivating trust through improved communications, improving beneficiary and contributor experiences, better measuring and demonstrating impact, and achieving expectations for operational transparency.**

By investing in these areas you can generate **a virtuous cycle of trusting and engaged volunteers, donors, and funding decision** makers who will, in turn, understand the value of technology investments for optimizing operations and delivering impact.

We hope that the resources and starting guidance we shared for building your technology investment strategy will assist you in gaining the initial support necessary for jumpstarting this cycle, and that empowered with these insights that you are able to better **achieve your nonprofit's mission.**

Thank you

Take the **Digital Nonprofit Ability (DNA) Assessment**™ from NetHope to assess your organization's current digital maturity and overall readiness for digital transformation.

Download the eBook **"7 ways to work smarter in the cloud"** to learn tips and tricks on how to work in the cloud most effectively."

Get technology for your nonprofit at **Microsoft.com/nonprofits**

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