The Digital Nonprofit Ability™ Assessment

Prepared by
The Center for the Digital Nonprofit™

April 2018

NETHOPE
THE CENTER FOR THE DIGITAL NONPROFIT
About Us

NetHope
NetHope empowers committed organizations to change the world through the power of technology. We bring together global nonprofits and technology innovators to solve the world’s toughest challenges through collaboration, partnership, and collective impact.

The Center for the Digital Nonprofit
Within NetHope, The Center for the Digital Nonprofit pulls the future forward so that international nonprofits can do good better.

Through collaboration, we bring 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. By providing the expertise, resources, tools, guidance, and grantmaking needed for digital transformation, The Center helps nonprofits achieve the efficiency of tomorrow today. The Center has three areas of focus:

- People: Our Human Capacity initiative targets the skills most needed by leaders and staff at nonprofit organizations.
- Process: We’re building reference models and benchmarking tools to support Organizational Excellence across the sector.
- Technology: Our Advanced Technology initiative establishes the best practices, standards, and tools relevant for the critical work of addressing our shared global challenges.

The Digital Nonprofit Ability Assessment
The Digital Nonprofit Ability (DNA) assessment is a tool to assist organizations to:
- determine whether they are ready for digital transformation;
- measure performance against sector benchmarks; and
- provide insights on relative strengths and weaknesses across six categories: Readiness, People, Process, Technology, Data, and Investment.

Created by The Center for the Digital Nonprofit, the DNA assessment sets the industry standard for digital transformation across the NGO sector.
Executive Summary

Nonprofits play a $40 billion role in the annual delivery of international aid and are increasingly strained by the widening gap between available resources and growing needs. The effective integration of an NGO’s people, process, and technology investments into digital business models can enhance the impact of each budget dollar and thereby help close that gap: every 5% increase in the effectiveness of the NGO sector translates into $2 billion of enhanced annual global impact. While the ingredients for success remain the same in both traditional and digital nonprofits, the focus is different:

- **Traditional nonprofits start by automating existing Processes** with Technology used by People.
- **Digital nonprofits start by changing the way People work** through redesigned Processes that are made possible by Technology.

A **digitally transformed** nonprofit benefits from beneficiary-centric connected work flows, the agility of networked organization structures, more fully informed decisions made with good and readily available data, and the potential of asset-light operations. Digital nonprofits can do good better.

The Digital Nonprofit Ability™ (DNA) assessment, created by NetHope’s Center for the Digital Nonprofit, **assists NGOs by analyzing their progress** toward a digital business model along two axes: their connectedness with the interests of beneficiaries (y axis), and the automation of their operations (x axis).

As of April 1, 2018, some 33 NetHope member organizations, representing $15 billion of annual aid, and servicing 300m beneficiaries had taken the 76-question NDA survey from which NetHope maps six indicators (Readiness, People, Process, Technology, Data, and Investment) across four quadrants (Tech-Enabled, Automated, Connected, and Digital). The aggregate of all NDA survey data is compiled into **benchmarks** for the industry, and each organization receives its own report of **individual scores** to serve as an assessment and planning tool.

In 2018, **most NetHope members qualify as Tech-Enabled nonprofits**. Nearly all have invested in key systems for efficient operations. A small number are moving to the digital threshold. Three have moved into the digital nonprofit quadrant itself. More significantly, the data shows that **most organizations develop along a predictable path to a certain point** (the “Cluster Boundary”). The commonality of experience as organizations approach the benchmark suggests that technology fundamentals are well established among NetHope members and
collectively shared. Approaching the digital threshold, however, there is little consensus and organizations must explore on their own, at the risk of becoming lost.

Survey data show that respondents are relatively well-prepared for digital transformation in organizational Readiness, Technology, and Investment, while the People indicator lags just slightly behind. The comparatively poor performance of the Data and Process categories is of concern, as streamlined, optimized processes working from good data are critical to digital transformation. The lagging indicators are likely a function of many historical challenges faced by the respondents, including a lack of relevant digital business models to emulate, the difficulty of finding and sharing the sector’s best practices, and a long history of NGOs making do with "best available" data that is in fact, objectively, dubious.

All of these challenges can actually be addressed via digital transformation. More than ever before, sharing experiences and references among NetHope members – and across the sector – can create additional impact. The Center for the Digital Nonprofit is providing resources, tools, and guidance on people, process, and technology, sourced from deep nonprofit experience, and enhanced by top for-profit expertise, with the aim of catalyzing billions of dollars of additional NGO impact in the years ahead.
# Table of Contents

Section I: The Digital Nonprofit Ability Survey .......................................................................................................................... 6
- The Nonprofit Imperative ............................................................................................................................................................ 6
- External Influences ..................................................................................................................................................................... 6
- The Digital Nonprofit ............................................................................................................................................................... 7
- Defining the Digital Nonprofit ................................................................................................................................................. 7

Understanding the Digital Nonprofit Ability Assessment ........................................................................................................... 8
- The Quadrants of the DNA ......................................................................................................................................................... 8
- The Automated Nonprofit .......................................................................................................................................................... 9
- The Connected Nonprofit ........................................................................................................................................................ 10
- The Digital Nonprofit .............................................................................................................................................................. 11
- The Digital Threshold ............................................................................................................................................................ 11
- Digital Nonprofit Ability Methodology .................................................................................................................................. 11

Section II: 2018 Sector Results and Insights ................................................................................................................................. 13
- Sector DNA .................................................................................................................................................................................. 13
- Unclear Path Ahead .................................................................................................................................................................. 14
- The Risk for the Sector ............................................................................................................................................................ 15
- Category-Specific Results & Insights ................................................................................................................................... 16
- Readiness .................................................................................................................................................................................. 17
- People, Process, and Technology ........................................................................................................................................... 18
- Data and Investment ............................................................................................................................................................. 23
Section I: The Digital Nonprofit Ability Survey

In 2014, the global community adopted the Global Goals, aiming to address the critical needs of the world’s underserved communities by 2030. Despite the enthusiasm for The Goals, the annual $2.6 trillion in additional funding required to reach The Goals is unlikely to be forthcoming; indeed, events like the current refugee crisis have only served to widen the gap. New approaches are needed.

Digital transformation can help address the gap. The World Economic Forum estimates that $100 trillion in societal value may be unleashed by digital transformation by 2030. Nonprofits that learn from and adapt solid private sector approaches will, like their private sector counterparts, have greater reach, scale, and impact. In February 2018, Bain & Company reported that “Virtually all large companies, even those in old-line industries such as machinery and agriculture, have gone digital to some extent.”

Despite the promise of digital transformation, nonprofits have struggled to identify, develop, and execute effective strategies for the digital world. NetHope’s research shows that only 30% of global nonprofits have adopted digital strategies. The challenges are myriad: organizational structure, skills of staff, and leadership support. Despite the perception of the nonprofit sector, financial resources are rarely cited as the primary challenge to digital adoption.

The Nonprofit Imperative

Nonprofits play a critical and vital role in the international system. Whether providing humanitarian assistance, protecting the environment, or serving marginalized communities, nonprofits bring hope and dignity to those whom the world has forgotten or proven unable to address. The importance of this work cannot be underestimated. For many in the sector, it is this commitment to mission that inspires us even in the face of the seemingly insurmountable challenges of poverty, inequality, conflict, and environmental degradation.

That commitment to mission also requires that effective nonprofit management must not accept the status quo as being sufficient in pursuit of better outcomes. The trillion-dollar gap in needed funds cannot be ignored: it is imperative that we find better ways to use the precious resources available to us.

Our position in the global community is a precious one and should not be squandered by inaction or fear of change, particularly as the rest of the world goes digital.

External Influences

The drivers for digital adoption are also external. Donors – individual and institutional – are demanding greater technology use for greater impact. Staff, accustomed to using technology in their personal lives, question why our organizations are not more technology-enabled. They wonder why there is not yet an “Uber” of nonprofits. Repeatedly delighted by the novelty of finding “an app for that” they indeed expect digital innovation to also surface in the social sector. Corporate partners, often generous with funding and expertise, lament that the slow pace of nonprofit decision-making and superficial use of technology results in incremental progress rather than transformative impact. This is particularly true of corporations who in the past decade have liberated themselves from the shackles of the industrial age through digital transformation.
The Digital Nonprofit

A digital nonprofit realizes exponential progress against mission through deep integration of relevant people, process, and technology investments. Grounded in effective technology use, a digital nonprofit has a beneficiary-centric model, is agile in its processes, is light in its assets, and is data-driven in its decision-making. A digital nonprofit is a continuously learning organization. It is fluid, adaptive, and nimble in its ability to respond, scale, partner, and do good just-in-time at scale.

This vision is quite different than an often-heard, less charitable view of nonprofits: slow and burdened by bureaucracy; effective in specific program execution, but inefficient, with limited ability to scale or adapt; more adept at “pilot projects” than systemic change; and reluctant to innovate. While inaccurate for most successful organizations, every nonprofit leader has heard these criticisms and is sensitive to reinforcing stereotypes that unfairly stamp negative perceptions of the sector.

For both nonprofit and private sector organizations, the challenge in “going digital” is in melding two distinct approaches to technology investment that have evolved in recent decades.

For years, nonprofits have invested heavily in leveraging technology as a utility to increase efficiency, reduce costs, improve transparency and reporting, and support measurement and evaluation. These operations-focused investments enabled organizations to more effectively manage talent, track finances, improve fundraising and donor engagement, and support marketing and communications. Beyond computer workstations, these functions are typically the first areas where nonprofits target their technology efforts.

In more recent years, program-focused investments (ICT4D)¹ have been a priority for many organizations. Mobile data collection, the use of sensors or unmanned aerial vehicles, using social media to reach beneficiaries or to provide services like education or tele-medicine are commonplace today, and so are electronic payments and gaining insight through geospatial analysis ² (Geospatial Information Systems or GIS). Often driven by field program managers or through private sector partnerships, these efforts can have meaningful impact on scale and reach. They also generate new data that enable faster and more effective decision-making.

Defining the Digital Nonprofit

In a digital nonprofit, the traditional bifurcation between those who provide IT and those who use IT fades and program technology unites with traditional IT. Over time, every stakeholder in the mission becomes a digital worker and business processes are reimagined in a context of technology abundance. Back-office IT supports program technologies, providing integrated capabilities across the organization that yield insights and business intelligence that improves both efficiency and program reach and scale. Both investments and data are complementary to an integrated approach. This challenge of bringing together customer-facing and operational approaches is the same in both nonprofit and for-profit organizations, with the added complexity that a nonprofit’s customers split into beneficiaries and donors. Notably, though, the challenge in doing so is one of organizational change, not of technology itself.

Although the ingredients for success remain the same their sequence is different:

- Traditional nonprofits start with existing Processes automated by Technology used by People.
- Digital nonprofits start with People changing the way they work through redesigned Processes made possible by Technology.

The Digital Nonprofit Ability assessment provides organizations a way to see how different investments and priorities have impacted performance to date, and to assess readiness for taking the next step toward transformation.

**Understanding the Digital Nonprofit Ability Assessment**

The Digital Nonprofit Ability (DNA) assessment is a powerful tool to assist organizations in determining whether their organization is ready to undertake digital transformation. Created by The Center for the Digital Nonprofit, the aggregate results provide an important benchmark for the sector as a whole, while individual results offer unique insights for responding organizations not otherwise available.

**The Quadrants of the DNA**

The DNA is built on the recognition that truly digital organizations are built on a technology infrastructure that simultaneously supports internal, operational efficiency and external program impact. To do so, the three aspects of people, process, and technology must work in concert to support the organization’s mission.

Each organization will chart their own path: the DNA does not recommend a particular path nor assign values to whatever path an organization takes towards digital transformation. Disproportionate investment in one direction may yield important short-term results that are wholly appropriate and advantageous for a specific nonprofit; that same model may be completely inappropriate for another. The Center for the Digital Nonprofit has identified four distinct patterns to digital transformation with none yielding an advantage over the others. The DNA does not presume that any given approach is “right” or “wrong” – it simply provides insight into how a particular organization is evolving in its digital journey to aid leadership and decision-makers in their strategic planning discussions.

The DNA has two axes: Beneficiary Focus and Operations Focus (which includes fundraising), roughly representing the traditional split (i.e., internally-focused vs. externally-focused) in program or field work versus supporting or enabling capabilities. The line, of course, is often less distinct – financial systems, for
example, are typically associated with supporting internal operations, but without them, program managers could not accurately report against grant obligations. Similarly, data collected from field operations clearly supports program efforts, but is critical in measuring impact year-over-year. Most organizations do not solely invest in one or the other, of course, so the axes serve as useful coordinates to map the position of a nonprofit.

The DNA-defined space is further divided into four quadrants that describe possible states to digital transformation. Again, every organization is different, but organizations that find themselves in a particular quadrant will likely recognize many of the characteristics that describe a prototypical organization of the same quadrant. More explanation and detail are provided below for each quadrant.

The Tech-Enabled Nonprofit
Every organization begins their journey to digital in the bottom left-hand quadrant, as a “Tech-Enabled” nonprofit. These organizations employ technology as a utility to accomplish specific tasks (e.g. create documents with an office suite, connect people and information with a data network, or store information in functional systems) and to sustain established business growth. Technology is perceived as a requirement of modern business, but not as a strategic or transformative asset. Staff are often trained on “how to use” a specific application or technology, and processes, if digitized, follow those established by non-technology-enabled practices. Data is typically in silos, only rarely shared across program or functional areas on an as-needed basis (such as to produce reports or for specific analytical efforts). Staff typically view technology as a specialty managed exclusively or almost exclusively by the IT function.

Characteristics of a Tech-Enabled Nonprofit – Control
- Differentiates technology providers (e.g. IT) from users of technology
- Minimally trains people to use systems
- Maps existing processes into technology solutions
- Makes cost-focused technology decisions
- Has rigid, one-size-fits-all technology policies based on distrust

The Automated Nonprofit
Organizations that have prioritized investments in internal systems — finance, human resources, CRM, marketing, and social media, for example — can be called “Automated” nonprofits. Most organizations first focus on operations management, primarily with a “money to mission” focus. Nonprofit operations and fundraising are typically funded by precious unrestricted funds that must be maximized through efficiency gained in management information systems. This is often achieved through the implementation of a combination of CRM and ERP platforms, which are typically the first significant technology investments that a nonprofit may make. In an Automated nonprofit, data is generally prioritized for compliance and to
answer traditional business questions around fundraising, expenditures, personnel assignments, and so on. Program data may be sporadically collected but is not centrally stored or used broadly for strategy decisions.

Characteristics of an Automated Nonprofit – Predictability
- Differentiates administrative and fundraising users from program users
- Restricts technology skills opportunities to operations and development staff
- Seeks efficiency of back-office activities through process automation
- Makes technology investments by functional units, rarely integrating data
- Controls access and data by functional roles

The Connected Nonprofit
A “Connected” nonprofit prioritizes providing a quality digital experience to field teams, partners, and beneficiaries using an ICT4D framework. The organization’s approach is beneficiary-centric: technologies supporting programs and services are determined, designed, and delivered based on beneficiary needs, often as prioritized by the served communities themselves. Relevant data is shared across the organization to support beneficiary needs, and with others who service the same audiences. A useful way to identify a Connected nonprofit is that resources are allocated based on outcome/impact vs. activities/functions. Data is used to gauge beneficiary preferences and feedback and used to improve programs and mission results. Data is used to compare program output, outcomes, and impact across the organization. Field staff learn and explore technology alongside beneficiaries. Processes are independently customized to the local context and seldom replicated throughout the organization. Data is in siloes, often disconnected from back-office systems and hard to reconcile at scale.

Characteristics of a Connected Nonprofit – Collective
- Differentiates beneficiary-facing systems from back-office systems
- People technical skills are so contextualized that they are seldom transferable
- Processes are designed from the beneficiary outward, seldom connected beyond the country program
- Due to low market demand, technology is bespoke, with potentially latent risks coming from a lack of robust quality control or customer experience, and data is stored locally
- There is permissiveness on the choice of technologies as long as it produces higher outcomes/impacts
The Digital Nonprofit

A “Digital” nonprofit removes barriers (artificial or otherwise) between external- and internal-focused investments and creates a responsive, integrated, aligned organization that delivers results against its mission at scale. It brings together the best of the automated and connected nonprofit models, building on a strong foundation of powerful, readily accessible platform technologies that enhance outcome/impact while increasing efficiency. Data—both operational and program—is shared freely across the organization and with partner organizations. Processes are streamlined and support beneficiary-centric programs and services. New ways to work are quickly explored and their benefits measured. Digital skills are considered a key requirement for all staff and potential new hires and the organization has a culture of frugal innovation. Digital nonprofits seek to build platforms for others to share and/or actively seek to find external references from all industries to accelerate their mission.

Characteristics of a Digital Nonprofit – Agility

- Organizes people for mission delivery in a digital world
- Increases digital skills to gain full benefit of the digital era and mitigate its risks
- Adopts reference architectures that enable process agility with low latency
- Leverages technology platforms and shares data openly and collaboratively
- Enables co-creation of outcome/impact by all stakeholders through innovation

The Digital Threshold

The Digital Threshold is located in the center of the four quadrants and is the point at which digital transformation can and does begin. Organizations at this point are sufficiently mature in the measured categories to be considered digital nonprofits. As the graph suggests, though, this is not the end state: being digital is a theoretical transitional stage calculated from other indicator variables that can be observed. From these indicators, we can get a comprehensive view of an organization’s ability to advance digital transformation.

Digital Nonprofit Ability Methodology

Much like intelligence, economy, or poverty, digital readiness is latent—it cannot be directly observed. But it can be inferred from other indicator variables that can be observed. Analyzing these indicators allows a comprehensive understanding of an organization’s potential for digital transformation.

The DNA Survey is comprised of 76 indicators organized into six categories: People, Process, Technology, Data, Investment, and General Attitude toward digital transformation. Each is also sampled from four organizational perspectives—the respondent, organizational leadership, middle management, and staff. The indicators of the DNA have been developed by The Center for the Digital Nonprofit, informed by a study of for-profit digital readiness assessments and NetHope’s 17...
years of experience with technology in nonprofits, and complemented by a review conducted by a panel of nonprofit CIOs specializing in digital readiness.

This cross-section of issues and perspectives provides a three-dimensional view into organizational readiness and a solid foundation for future discussions to support future planning and initiatives.

The model recognizes that these six categories are interrelated and influence each other over time—what social scientists call reciprocal causation. While The Center is actively conducting research to better understand how these dimensions relate to one another, the main purpose of the DNA is to provide a detailed snapshot of digital potential at a point in time.

For each question respondents were provided with a statement and asked to rank their opinion through the lens of four varying types of organizational personas along a sliding scale:

- **Not at all.** This does not happen in our organization.
- **Occasional.** We sometimes do this but it’s not clear. Different groups may learn from one another but there is no process in place to support broad-scale adoption of solutions or methodologies.
- **Clear.** Some internal groups do this in a well-defined way, but it’s not easily replicated. The solution or process to reach a solution may not be documented or broadly understood.
- **Replicated.** We do this consistently across our organization, but a few gaps remain. We have a process to evaluate, reproduce, and replicate solutions. Full adoption may not have yet been achieved, but most of the organization is on board.
- **Better.** We do this uniformly across our organization. It’s part of our culture and every organization uses this approach, solution, or process.

**Respondents**

53% of NetHope member organizations participated in the survey, representing a highly diverse group of organizations, from headquarters to field programs, that collectively contribute 38% of aid delivered to the developing world through NGOs. They serve 300 million beneficiaries. Their headquarters are 54% in North America and 46% in Europe. Each participant receives a unique analysis of their organization. As subsequent organizations and field programs participate in the survey, benchmarks and findings will be updated on the NetHope Solutions Center.
Section II: 2018 Sector Results and Insights

Sector DNA

Key Finding: Most NetHope Members are Tech-Enabled nonprofits.

DNA survey results show that most NetHope members are Tech-Enabled nonprofits, falling into the bottom left-hand quadrant of the DNA.

This indicates that most nonprofits have invested in key systems for efficient operations. A small number of respondents (those to the right of the benchmark) are moving towards digital transformation; some are quite close to the digital threshold. Three have moved into the digital nonprofit quadrant itself.

The Sector DNA Benchmark is the average of all responding organizations, located 21% of the way to the digital threshold. This close proximity to the threshold point indicates that the membership, as a whole, is close to the point of digital transformation.

3 Recognizing that digital transformation is a continuum, imagine a line extending in both directions from a central starting point. This is the digital threshold—the point at which digital transformation begins. If we set the digital threshold at zero, the proximity of organizations approaching, but not reaching, this point is expressed in negative percentages. Alternatively, if the digital threshold is set at 100% of the journey to begin digital transformation, then the position of organizations approaching this state would be expressed in percentages less than 100%. The Sector DNA Benchmark could thus be expressed either as being -21% off the digital threshold, or at 79% of the way towards the digital threshold. This latter number is used as the DNA score without the percent symbol. The Organization DNA score benchmark is thus calculated to be 79.
whole, is ready to make the leap to “being digital.” With fundamentals established, NetHope members appear ready to take the next step.

Unclear Path Ahead
Key Finding: Approaching the digital threshold (>15%), there is little consensus and few best practices.

More significantly, the data shows that most organizations develop along a predictable path to a certain point (the “Cluster Boundary”). Organization markers are clustered tightly on a predictable linear trend up to the benchmark average. This is not surprising, as every organization operating on a global scale needs certain key systems (finance, HR, desktop productivity, CRM, and file storage, for example). The commonality of experience as organizations approach the benchmark suggests that the fundamentals are well established among NetHope members and collectively shared.

The data show that the path beyond the Sector DNA Benchmark and the Cluster Boundary is not clear. The further an organization advances, the more the data scatter. This indicates that most member agencies are confident when they are within the norms of peer organizations, but quite unsure of how to go beyond average performance. Once critical infrastructure and systems are in place, should an organization focus on beneficiary-focused activities? Should there be greater investments in internal systems to drive greater operational efficiency or stricter compliance? Can both be pursued simultaneously? As one progresses, internal and external tensions dramatically increase, making it even more difficult to steer the organization in a straight, forward direction.

This is not unexpected: there are few examples of digital transformation in the nonprofit space. Most organizations that are held up as examples of remarkable leadership or as digital nonprofits were “born digital.” They hired people with digital skills, created processes for the digital world, and made their missions possible with technology. For well-established nonprofits with decades of history doing good, there are no models to follow to do good better, no best practices from which to learn.
The paucity of guiding examples comes at exactly the point of increased complexity: in moving from Tech-Enabled to Digital, nonprofits must balance investments in people, process, and technology. The tension between the internal (i.e. operations and fundraising focus) and the external (i.e. beneficiary or constituent focus) increases as change goes from being dependent on the single variable of Technology to being dependent on the complex interaction of People, Process, and Technology. The complexity is akin from going to a spot on Earth to navigating in interstellar space – it truly becomes rocket science. With these additional facets to consider, the options for the next step towards digital increase exponentially while the availability of best practices or models to follow falls to zero.

The Risk for the Sector
The unknown or unchartered is inherently fraught with perils, but taking risks in a rapidly changing world is often required to stay apace. That’s true in every sector, especially today. Except in the nonprofit sector, the risks are significantly higher: poor choices consume precious resources that might otherwise be focused on feeding the poor, protecting the vulnerable, preserving the environment, or building opportunity. Scattered efforts dilute knowledge, waste effort, and squander resources. More than ever before, sharing experiences and references among NetHope members – and across the sector – is critical.
Category-Specific Results & Insights

The Digital Nonprofit Ability assessment looks at six separate categories: Readiness, People, Process, Technology, Data, and Investment. These represent the myriad facets of organizational transformation and reflect the complexity of the digital journey. They also provide guidance to senior leaders seeking to appropriately balance focus and effort as an organization moves into being a digital nonprofit.

Survey data show that the sector reports being relatively well-prepared for digital transformation in terms of organizational Readiness, Technology, and Investment; Data and People lag further behind. The comparatively poor performance of the Process category is of concern, as streamlined, optimized processes are critical to digital transformation.

Concerns highlighted in the previous section over the lack of relevant models, best practices, and sector experience are exacerbated in light of the slightly lagging performance of the People category and weak performance of the Process category. As noted, People and Process are the two primary drivers of digital transformation (the other being Technology). This ranking of categories could indicate any number of challenges, despite high levels of readiness and willingness to invest.

Anecdotal evidence, and data from the 2017 NetHope Digital Strategies Survey, suggest that the underlying reason may be that nonprofits still see technology investments as the driver of digital transformation, not a more nuanced, multifaceted approach.
Readiness
The Readiness indicator represents the motivation of an organization to undergo digital transformation.

Numerous consulting firms make it a business to assess digital readiness through complex, lengthy assessments, often serving as pre-sales tools. But Readiness can be determined more easily: distilling the content of these assessments shows that digital transformation readiness in nonprofits can be assessed with four indicators. They are expressed as statements that reflect the status for the organization on a scale of 1 (this does not happen in our organization) to 5 (we have a culture to get to scale).

Readiness indicators include:

- **Indicator 1:** “**Digital is transforming how we deliver our mission.**” The first indicator checks current digital transformation awareness. Numerous studies indicate that nonprofit leadership is lagging in seeing digitalization as a force of change to their mission today.

- **Indicator 2:** “**We have a beneficiary-centric, not a donor- or program- or geography-centric, organizational structure.**” The second indicator identifies to what extent the beneficiary or constituent experience drives organizational structure. Many nonprofits are organized by geography, donor, or program, but this can stifle innovative approaches. In fact, a 2017 NetHope study found that organizational structure was a greater barrier to digital adoption than funding.

- **Indicator 3:** “**We take measured risks to enable digital innovation.**” The third indicator samples action developing new business models (either with a beneficiary or operations focus). In contrast to a digital nonprofit, a technology nonprofit is focused on using technology to optimize existing business models, often born in the industrial age, instead of reimagining doing work in the digital era.

- **Indicator 4:** “**We have a discipline to digitalize our operational processes.**” The fourth indicator assesses how far a nonprofit has gone to digitalize its operations. This is because the digitization of operational systems is initially viewed as a necessity for basic regulatory compliance (e.g., Finance, Human Resources); but then, through digital transformation, it becomes a data and flow asset that can integrate all activities of the organization.
On average, nonprofits tend to rate themselves higher in Readiness than their organizational measurement indicates. This is particularly noted along the Beneficiary Focus (external) axis.

Regardless of any discrepancy, this positivity is encouraging. Readiness is a necessary precursor to effective transformation. Dr. B.J. Fogg of Stanford University, an expert in change, explains that behavior change depends on both the motivation and the ability to change. Without such motivation, organizational inertia overwhelms the sustained effort that any change requires.

When Readiness surpasses organizational DNA, it clears the path to accelerate digital transformation. When Readiness lags behind organizational DNA, the organization may face additional challenges as changes outstrip the ability to adapt.

**People, Process, and Technology**

Digital transformation is often considered primarily a technology or IT-driven endeavor, but that approach to digital transformation is superficial and incomplete. As McKinsey notes, digital transformation is “a much broader business transformation, a time to review many aspects of a business’s operations from top to bottom—the talent, the organizational structure, the operating model, products, services, et cetera.”

The three categories of People, Process, and Technology must be pursued simultaneously, as they are deeply interrelated and their sequence matters: digital transformation demands that People change the way they work through redesigned Processes made possible by Technology.

**People, Process, and Technology Analysis**

Analysis of survey results indicates that, on average, Process lags behind the DNA Benchmark; Process falls further behind when an organization enters digital transformation. Thus, a means to reduce risk in digital transformation would be to ensure that Process does not lag too far behind.

NetHope offers numerous resources, tools, and guidance on digital processes.

In the DNA results, the few organizations that are well-advanced in digital transformation are strongest in the People category. Process tends to lag for all and falls further behind as organizations

---

approach and cross the digital threshold. This is concerning as it could indicate that organizations are hitting a ceiling or at minimum are reticent in reinventing new ways of work suited for the digital economy.

Technology tends to lag, appropriately, because in the digital age, it is an abundant commodity. As the saying goes, “there is an app for that,” and cloud services make technology very easy to procure and scale. Securing strong people capacity and effective digital-ready processes is inherently much more difficult.

While interrelated, each is important, and a closer examination is warranted.

**People**

People make the difference in nonprofits. Today, the digital skills that employees possess — and how quickly they acquire new ones — will disproportionately shape the future performance of any organization, including nonprofits. That’s why the People category is listed first: it is the one that matters the most.

In 2016, the OECD Directorate for Science, Technology, and Innovation Committee on Digital Economy Policy, issued its ministerial advice report, *Skills for a Digital World*. The report provides new evidence on the effects of digital technologies on the demand for skills. It specifically calls out the importance of skills for people: “The pervasiveness of digital technologies in daily life is fundamentally changing the way individuals access and elaborate knowledge. Individuals have to process complex information, think systematically, and take decisions weighting different forms of evidence. They also have to continuously update their skills to match rapid technical change at the workplace. More fundamentally, in order to seize the new opportunities that digital technologies are opening in many areas, individuals have to develop the right set of skills to make a meaningful use of these technologies.”

The People category is assessed through three indicators expressed as statements that reflect the status for the organization on a scale of 1 (“This does not happen in our organization.”) to 5 (“We have a culture to get to scale.”). Given the above-mentioned critical importance of people’s digital

---

skills to integration and performance in the digital age, these indicators measure to what extent digital skills are recognized and developed in both internal and external functions:

- **Indicator 1:** “*We identify gaps in digital skills in our staff and partners and actively mitigate them.*” The first indicator is operations-focused and evaluates awareness of the need for digital skills on par with other skills to augment proficiencies of relevant personnel.

- **Indicator 2:** “*We identify gaps in digital skills with beneficiaries and actively mitigate them.*” Similar to the first, this indicator focuses on beneficiaries and how effectively the organization adapts to market readiness.

- **Indicator 3:** “*Digital skills are equally found and actively used in both the IT function and other ‘business’ units throughout our organization.*” The third indicator checks how widespread digital skills are in the organization or if they are solely concentrated into specialist groups like the IT department and how digital is governed. It includes both beneficiaries and operation dimensions.

In an ideal transformation journey, People would be the strongest performing category. In our survey, the most advanced organizations did have their People category as the top one or two. However, for the average nonprofit, it is more often next-to-last, reflecting relatively low levels of focus and investment.

The sector has a great need to recognize the importance of digital skills, prioritize workforce development, and empower every employee to evaluate their own readiness, mitigate weaknesses, and build new capabilities. Focusing on digital skills is a wise move for agencies seeking to improve performance and differentiate themselves today and in the future. The NetHope Nonprofit Digital Skills Framework developed by The Center for the Digital Nonprofit is one tool to organize digital skills, customized to the unique needs of the nonprofit sector. Further details can be found on The Center for the Digital Nonprofit website.

**Process**

Processes are critical in every organization: it’s how work gets done. From simple, department-specific workflows to complex, organization-wide initiatives, processes disproportionately define organizational agility and adaptability. In the fast-paced digital world, this is truer than ever before. By reimagining its processes for the digital age, an organization can better deliver on its mission with reinvigorated, reshaped, or redesigned business models that capitalize on the speed and scale available. And like private-sector counterparts, nonprofits can often leverage digital advances within beneficiary communities, such as rural broadband, tablets, mobile phones, or local digital entrepreneurs.

Historically, nonprofits have customized technologies to fit established business processes — the sector simply automated existing processes. Reflecting the realities of the nonprofit sector, many of these processes were unique to the organization or, in some cases, met the needs of a specific or
influential donor. This technology-enabled approach did improve efficiency, accountability, and transparency, allowing organizations to accomplish a given task “better, faster, cheaper.” But over time, nonprofits have aggregated “snowflake” processes into cumbersome and highly expensive legacy systems that ossify the organization and impede further progress.

This problem is not unique to the nonprofit sector; every sector has faced the same challenge. Indeed, the ability to reimagine business operations – and the capability to break free from past constraints and create a radically new approach – is what is meant by “disruption.” Technology itself is not the disrupting force – it is an enabler: the more efficient, more flexible, more agile approach that is driving transformation today.

Identifying, documenting, and optimizing processes can be a complex task, but it’s a critical first step. NetHope members have developed the NGO Reference Model to assist nonprofits seeking to improve agility and adaptability. More information can be found on The Center for the Digital Nonprofit website.

The Process category is assessed through three indicators:

- **Indicator 1:** “We have a discipline to align with and make use of nonprofit sector standards such as the NGO Reference Model.” The first indicator assesses the awareness of the need for sector collaboration and leveraging standards such as the NGO Reference Model.
- **Indicator 2:** “We dedicate appropriate resources to digital trials, digital strategy, digital governance, and digital project execution that include beneficiaries.” The second indicator samples action vs. intent on a digital approach with beneficiaries.
- **Indicator 3:** “We design programs as a digital-first experience.” The third indicator evaluates if digital is perceived as strategy or support.

In an ideal transformation journey, the Process category would be one of the leading categories, indicating that the organization had begun to adopt a more agile, optimized operating model. Data, however, tell a different story: for most nonprofits, Process is the most poorly performing category. This suggests that both individual organizations and the sector as a whole would benefit greatly from reviewing its processes and ensuring fit and purpose for the digital age.

**Technology**

The past several decades have seen widespread adoption of increasingly complex technologies in every aspect of our lives. Each major transition has been accompanied by uncertainty, rapid change,
and lack of clarity on what the future holds. Given the conservative nature and limited resources of the sector, nonprofits have largely waited out these transitions, adopting new technologies slowly and only after they have gained traction and acceptability in the marketplace. But with each major transition – from the mainframe to the PC, desktop to the network, network to the web, and now to AI, IoT, Cloud, and Big Data – the rate of change accelerates. And as the rate of change grows exponentially, nonprofits that adopt a “wait and see” attitude fall further behind at similarly exponential rates.7

For the developing world, though, change offers an opportunity to become tech-current, catching up to the novelty as fast as others without suffering the handicap of past technology stages. Countries with poor connectivity no longer need to wait for costly copper cables to be laid; wireless technologies are good alternatives. They do not need the high capital expense of buying a PC and a server; mobile phones, cloud services, or a local entrepreneur can meet almost every need.8

In summer of 2018, the mobile app ecosystem, now one of the biggest tech segments, will just become a teenager, and last year an estimated 197 billion apps were downloaded9, with the most successful releasing 1 to 4 updates per month. By becoming more and more abundant and fresh, technology shifts from being the driver of automation and efficiency to an enabler of transformation. Good technology is still essential, but more of a critical commodity than determining factor.

The Technology category is assessed through three indicators:

- **Indicator 1:** “Our digital projects efforts focus equally on organization, people, and technology.” The first indicator evaluates to what degree organization and people are understood to be an essential component of digital efforts or if digital is viewed just as a new label for technology.

---


• **Indicator 2:** “Our technology resources are flexible enough to support multiple “business” unit needs, and my organization plans to make the necessary adjustments to implement a digital strategy and to continually refine it based on data-driven feedback.” The second indicator is designed to understand technology agility.

• **Indicator 3:** “We have, or within a year plan to have, beneficiary-facing active projects with new technologies (e.g. AI, VR/AR, IoT, etc.).” The third indicator checks the degree of forward thinking regarding technology to serve beneficiaries.

Together these indicators plot the location of the Technology category. In an ideal transformation journey, the Technology category would slightly lag Organization DNA, and move synchronously with (or slightly behind) the People and Process categories it supports.

**Data and Investment**

Data and Investment are also important indicators of digital transformation. Data provides an objective feedback of progress, facilitates decisions, informs critical trade-offs, and enables investment in promising approaches. In the nonprofit sector, compliance, regulations, and standardized business practices tend to push the Data category to be more internally focused, and thus rank higher on the Operations Focus (X) axis.

Investment provides the resources necessary to advance in both external and internal dimensions. The efficiency of NetHope members can be observed by how close the Investment benchmark result is to the Organization DNA. This indicates that investments are optimized to yield efficient results.

**Data**

Data has often been called “the oil of the digital economy,” suggesting that whoever has, controls, and leverages the data will have significant advantage in the new economy, just as oil producers did in the old.

Certainly data-driven and data-rich businesses have proven highly profitable: in 2006, oil and energy companies dominated the list of top six most valuable corporations in the world. Ten years later, in 2016, that list was dominated by firms like Alphabet, Amazon, Apple, Facebook, and Microsoft, all of which used data extensively and/or created tools to manage it.

Nonprofits can gain great value from the rich data that they possess. While there are certainly commercial uses for the available data, more readily available and context-appropriate benefits most certainly exist: local communities can be empowered with greater knowledge to develop locally-led initiatives, greater use of visuals can make complex data more accessible to many, and
promising interventions can be discovered for greater impact. For many organizations, the question is not what benefits might be derived, but where to focus first.

Many nonprofits struggle with maximizing the value in their data as a valuable asset that enriches their mission and helps them grow. For years, nonprofits struggled to get sufficient and timely data from their field programs; with the advent of accessible, inexpensive digital tools, the opposite problem often exists. With readily available data but relatively poor internal governance and policies, nonprofits find themselves awash with data. Overwhelmed by the flood of available data, they fail to integrate smart data use into their decision-making processes, are unable to maintain or sustain their data stores, or ignore the opportunity data presents altogether. This is a lost opportunity, for the data nonprofits have about their constituents (e.g. beneficiaries, donors, supporters), staff, and volunteers are arguably the most valuable assets they have.

But, as other commentators have noted, there’s a less rosy perspective: risk of the proverbial oil spill. Poor data management can be expensive. The mismanagement of data is a corporate emergency: after Equifax, a US consumer rating agency suffered a data breach affecting 143 million users, and the firm faces a $70 billion USD lawsuit. According to the European Commission, by 2020 the value of personalized data will be 1 trillion Euros, almost 8% of the EU’s GDP. Finally, as recent events have indicated, data can be weaponized, whether it be for state surveillance, election manipulation, or tracking the vulnerable. Nonprofits, like other firms, must steward their data and ensure that their internal processes, governance, and controls are sufficiently robust to protect the precious – and often very sensitive – data in their care. In the span of a few decades, the data challenge has quickly changed from how to store it to how to safeguard it.

The Data category is assessed through three indicators:

- **Indicator 1:** “We value high quality data almost as much as unrestricted funds. We analyze data to measure success in real time.” The first indicator samples the importance of data in organizational performance and optimization.

- **Indicator 2:** “We share all of our data with nonprofits and governments who service the same beneficiaries.” The second indicator checks the awareness of the lateral power of data which in turn brings advantage to beneficiaries.

- **Indicator 3:** “We keep data secure and private using nonprofit standards such as the security and privacy framework.” The third indicator assesses the importance of data protection.

In an ideal transformation journey, Data would be one of the leading categories, as Data is critical to both internal- and external-facing decision-making, which in turn helps define the capabilities that People need and the Investments required to make progress against the organization mission. Data that lags DNA may indicate that organizations are making decisions with incomplete understanding.

---

Investment
According to McKinsey Consulting, “to set a digital transformation on the right course a company must place it at the core of its agenda, and understand the magnitude of that undertaking,” as “digital transformation is likely to require significant investment.”

Nonprofits financially invest in digital transformation through both strategic fund allocation (e.g. allocation of unrestricted funds) and by including digital components in donor proposals (e.g. augmenting employee digital skills, mapping processes to reference models, and building shared technology platforms). They also invest through developing digital leadership and changing the culture mindset.

The Investment category is assessed through three indicators:

- **Indicator 1**: “We invest more resources for digital in ‘what we should be good at tomorrow’ rather than in ‘what we are good at today.’” The first indicator evaluates if the organization is forward-looking with technology or simply maintains the status quo.
- **Indicator 2**: “We allocate resources based on beneficiary impact metrics over functional or activity metrics.” The second indicator samples to what extent resources are allocated based on outcome/impact vs. activities/functions.
- **Indicator 3**: “We prioritize investments that create agility in our operations in order to rapidly adapt to world changes.” The third indicator examines if resources are spent for organizational agility vs. efficiency, automation, and/or cost reduction.

In an ideal transformation journey, the Investment category would be aligned with People, Process, and Technology categories.

---

The Center for the Digital Nonprofit has received generous support from Microsoft and Okta and welcomes philanthropic investments from other forward-looking companies wanting to do good better.

For more information about The Center for the Digital Nonprofit and the Digital Nonprofit Ability research, please contact:

Lauren.Woodman@NetHope.org
Jean-Louis.Ecochard@NetHope.org
Fredrik.Winsnes@NetHope.org

April 2018