THE DIFFERENCES BETWEEN TECH-ENABLED AND DIGITAL NONPROFITS

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We live in the digital era at a time when a global pandemic is testing the capabilities of digital infrastructures, and when civil society is under enormous pressures, its future potentially in jeopardy.

In order to be safe from illness, some populations are employing technologies to continue their work and life activities remotely. This situation has accelerated organizations’ interest in digital transformation. Meanwhile, people unable to participate in the digital economy are left behind, suffering disproportionately. This includes many nonprofit workers and their clients in low-to-mid income countries and rural areas. These people, communities and places were already fragile because of all sorts of negative conditions (such as conflict, economic inequality, disease, disasters, and the impacts of climate change) and are now worse off than others because of the current pandemic amplifying existing digital inequalities.

For nonprofits, some digital transformation is needed in the short term to maintain program delivery and in the long term to buffer the inevitable aftershocks of the pandemic on humanity. Will lessons learned from the current crisis be relevant once the pandemic has been overcome and we face the more enduring challenge of climate change?

This document presents differences between organizations that use technology as a utility (ie ‘Tech-Enabled’ nonprofits) vs organically (ie ‘Digital’ nonprofits) so that organizations that are resource-constrained can focus on what matters most for success by continuously applying relevant technologies and innovation in their operations and program activities.

In the past quarters we have seen rapid use of technologies to enable work at a distance, particularly for document approvals (ie digital signature) and to conduct meetings (ie videoconferencing). We have also witnessed the business-continuity need for basic digital infrastructure such as power, devices and connectivity, particularly in low-to-mid-income countries and rural areas where they are often lacking.

As the pandemic lingers on, organizations are increasingly having conversations about the digital transformation of their activities – how to convert their programs into e-programs. These strategic discussions have the potential to bring massive business transformation to the charitable sector. We hope the findings in this whitepaper assist nonprofit leaders in successfully advancing conversations on their digital transformation, by understanding what the priorities of Digital nonprofits are, and who is leading the effort.

“The coronavirus pandemic is a humanitarian crisis that continues to take a tragic toll on people’s lives. There’s no denying it is also acting as a catalyst for change – economic, societal, personal, and corporate – on a scale not seen since wartime. The scale of the change and the speed at which it’s happening is shining a bright light on the fact that companies are facing a once-in-a-generation shift. And for all the uncertainty about what the future will look like, it’s clear already that it will be digital.”
We previously published the four pathways to digital transformation and in 2019 MIT’s Center for Information Systems Research joined us to explain how digital transformation impacts workforces. We had observed many nonprofits moving along the Steps path, jumping from Tech-Enabled to Digital. Data collected since supports this trend. Few nonprofits advance digital transformation through the Automated state (6.9%) or the Connected state (1.4%). Most move from Tech-Enabled to Digital.

This principal progression brings forth the importance of understanding what the differences between a Tech-Enabled nonprofit and a Digital one are, ignoring the other states, which this whitepaper presents.

ABOUT THE DNA

In 2018 the Center for the Digital Nonprofit published the initial findings of the Digital Nonprofit Ability (DNA) assessment. It found most organizations surveyed were Tech-Enabled and ready to begin digital transformation. This observation remains true in 2020, but the proportion of Tech-Enabled organizations has declined from 72% to 60%. This change is due to having assessed more organizations.

As the DNA assessment set the industry standard for digital transformation across the NGO sector, it was automated and is now free and open for all nonprofits.

The DNA assesses organizations across six categories that are deemed foundational to digital transformation: Readiness, People, Process, Technology, Data and Investment.
- Readiness: Attitude towards digital transformation.
- People: Extent of digital skills.
- Process: Approaches and models for digital.
- Technology: How technology is employed.
- Data: Value of data and its protection.

Results place respondents into one of four quadrants: Tech-Enabled, Automated, Connected or Digital.

These quadrants were defined in-depth in the DNA whitepaper published in 2018 and are summarized here:
- **Tech-Enabled**: employs technology as a utility to accomplish specific tasks and to sustain established business growth
- **Automated**: prioritizes investments in internal systems to maximize efficiency and ‘money to mission,’ but has relatively weak focus on beneficiary or constituent experience, preferences, or needs
- **Connected**: prioritizes providing a quality digital experience to field teams, partners, and beneficiaries using an ICT4D framework, but at the expense of operational excellence
- **Digital**: melds internal and external investments and creates a continuously responsive, integrated organization that delivers results against its mission and impact at speed and scale.

NetHope members also asked the Center to conduct more comprehensive diagnostics of their whole organization using the DNA Assessment. In response we developed the DNA+ approach as a deeper analysis of an organization’s ability to digitally transform. The DNA+ was launched by the Center in 2019. It uses the same DNA Assessment tool and by requiring broad organizational participation (by function and level) in the assessment process, provides in-depth understandings of organization-wide capabilities. The DNA+ has been used to baseline and track progress on digital strategies, to evaluate organizational risk, to compare programs to each other, as a diagnostic tool, and to shape priorities and investments.

“To enable humanitarian and development nonprofits to meet the urgent needs of the moment, digital transformation must be seen as a cornerstone of all operations, now, and into the future.”

– Rakesh Bharania, Director of Humanitarian Technology Impact at Salesforce.org

For further explanation of the DNA methodology, we refer the reader to the [2018 whitepaper](#).

**WHAT WE KNOW IN 2020**

In 2018, few nonprofits’ DNA assessment resulted in their placement in the Digital quadrant. While a great deal of information was learned from Tech-Enabled organizations, there was not enough information to identify the pattern of a Digital nonprofit with confidence. Having since collected hundreds of assessments through the DNA+ from more than 100 nonprofits around the world, we now understand what nonprofits do differently when they are Digital. Currently 31.7% of responses to the DNA are in the Digital quadrant.

“I think IT is actually very central and critical to delivering our ambition and strategy.”

– Ben Aliwa, COO, PATH
KEY FINDINGS CHARACTERIZING A DIGITAL NONPROFIT

There are three key factors that differentiate Digital nonprofits from Tech-Enabled:
1. The Investment category (principles of allocating funds to digital) is ahead, followed by Data (its value and protection) and Technology (how it is employed).
2. Executives lead digital transformation overall and particularly the Technology category.
3. Digital nonprofits advance their DNA categories as a group and stakeholders are aligned.

One could potentially find the second factor, that executives lead the Technology category in Digital nonprofits, counterintuitive. Indeed, Technology leadership has historically been relegated to managers, as in the case for Tech-Enabled organizations. However, one must also understand that although most technologies provide possibilities for efficiency gains, their investment can as easily be wasted if related staff changes and business practices are flawed. As change management and business design are within the mandate of executives to deliver, in the modern organization, they bring Technology along with them for executives to lead. Additionally, digital ways of working can fundamentally transform organization cultures (eg innovation, agility, collaboration, evidence-based decisions), and shifting culture is also a responsibility of executives to lead.

With Technology shaping such critical parts of organizations, it is easy to understand why executives must engage and lead technology for nonprofit success.

“We can no longer just view technology as being a tool to get this or to get that done, we really have to think of refugee protection as being built on a technological platform, so that we can integrate everything we do through that platform.”
– Mark Hetfield, CEO, HIAS

The following table compares key patterns of Digital and Tech-Enabled nonprofits, showing where they remain the same and where they are different:

<table>
<thead>
<tr>
<th>Pattern</th>
<th>Digital Nonprofit</th>
<th>Tech-Enabled Nonprofit</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 category</td>
<td>Investment</td>
<td>Readiness</td>
</tr>
<tr>
<td>Top 3 categories</td>
<td>Investment, Data, Technology</td>
<td>Readiness, Technology, Investment</td>
</tr>
<tr>
<td>Trailing category</td>
<td>Process</td>
<td>Process</td>
</tr>
<tr>
<td>Most operational category</td>
<td>Data</td>
<td>Data</td>
</tr>
<tr>
<td>Who leads overall?</td>
<td>Executives</td>
<td>Managers/Supervisors</td>
</tr>
<tr>
<td>Who leads the #1 category?</td>
<td>Executives</td>
<td>Executives</td>
</tr>
<tr>
<td>Who leads in Readiness?</td>
<td>Managers</td>
<td>Executives</td>
</tr>
<tr>
<td>Who leads in Investment?</td>
<td>Executives</td>
<td>Managers</td>
</tr>
<tr>
<td>Who leads in Technology?</td>
<td>Executives</td>
<td>Managers</td>
</tr>
</tbody>
</table>

From these patterns, we can observe that digital nonprofits focus strategic investments in digital transformation and that their leadership of technology investments is no longer relegated to managers but instead a strategic focus of executives.
It is important to note that a trailing Process category remains a potential red flag. Studies of successful digital transformation in the for-profit sector have identified the need to put human-centered design and workplace processes at the very front end. Considering the challenges encountered with change management in distributed nonprofits (e.g., resource constraints, complexity), the fact that the Process category remains at the rear of Digital nonprofits may create risks. These can cause projects to cost much more, take longer, and potentially be rejected by an organization in the long run due to lack of broad adoption.

“As a CEO, it’s your role to lead a strategic digital transformation program as it includes all aspects of the institution you lead, including organization design and compensation plans. Also, you need to do your homework around what your digital transformation will look like – the size and scope, the timeframe, your governance model and expected impacts. Whatever your mission is, digital transformation is a journey that your organization needs because it can dramatically improve your outcomes and reach in the world.”

– Mike Gianoni, CEO, Blackbaud

SO WHAT?

Like with most diagnostics tools, the DNA Assessment enables us to understand the difference between two states (i.e., Tech-Enabled and Digital), but it does not explain why or how to get from one state to the other. Nonprofit digital transformation is complex. The digital actions of a local nonprofit protecting the environment in the Global North may not suit a large international NGO improving vaccine delivery in low-income countries.

At a time when the global pandemic is bringing digital transformation discussion into the agenda of the executive suite, it is critical to ask the questions on what matters. Here are the key findings uncovered by our research:

- **How can we keep investment ahead?** How much are we spending on digital transformation? Is this investment consistent with our aspirations? How are investments in technology and digital approaches made in our organization? How might we shift our fund allocation to match the investment needed by our digital ambitions?

- **How can executives lead Technology?** What is the current role of our executives in leading digital transformation and particularly with making Technology decisions? What would it take for executives to lead our Technology decisions? Do we have the right mix of skills to lead this to success? How much are digital ways of working practiced at the executive suite level? Is there a deep understanding of outcomes, results and impact of Technology investments?

- **How do we leave no category behind?** What is the spread of our digital transformation categories? What is our strategy for keeping the digital transformation categories advancing closely together? How do we pivot from initiatives focused on advancing a single category onto portfolio management?

We hope this whitepaper continues to help nonprofits gain program efficacy, resilience and innovation from technologies and digital ways of working and that their executives engage with the Center for the Digital Nonprofit to succeed with their critical business transformation in the digital era.
OBSERVATIONS

Below are observations that illustrate differences between Tech-Enabled and Digital nonprofits.

Tech-Enabled nonprofits have a DNA of 59 on average. Their Readiness category is leading, followed by the Technology and Investment categories, and their Process category is trailing. Overall their categories are somewhat spread (maximum gap of 30). There is particularly a wide gap between the Readiness category and the Process category. The Readiness category is also far from the Investment category, indicating a potential gap between what the organization wants to do and the resources it allocates for it. The Data category is the most operationally focused (see below Figure 1 – DNA Categories of Tech-Enabled Nonprofits).

The 0-4 assessment scale for each statement in the assessment has been normalized to a 1-200 scale in the graphic above.

The lowest rated statement (scale 0-4) is “We design programs as digital-first experience” (0.75) and the highest is “We keep data secure and private using nonprofit standards such as the security and privacy framework” (2.06). Given that both Tech-Enabled and Digital rated data security on top, it is useful to look at the second highest rated category, that is “We have a beneficiary-centric, not a donor- or programme- or geography-centric, organizational structure.” (1.35).
**Digital**

Digital nonprofits have a DNA of 137 on average, with the Investment category leading, followed closely by the Data and Technology categories, and the Process category trailing. Overall their categories are closely grouped to each other (maximum gap of 16). Their Investment category is aligned with their Readiness category, likely allocating funds to ambitions. The Data category is the most operationally focused (see below Figure 3 - DNA Categories of Digital Nonprofits).

![Figure 2 – DNA Categories of Digital Nonprofits](image)

The 0-4 assessment scale for each statement in the assessment has been normalized to a 1-200 scale in the graphic above.

The lowest rated statement (scale 0-4) is “We share all of our data with nonprofits and governments who service the same beneficiaries” (2.26) and the highest is “We keep data secure and private using nonprofit standards such as the security and privacy framework” (3.26). Given that both Digital and Tech-Enabled rated data security on top, it is useful to look at the second highest rated category that is “We value high quality data almost as much as unrestricted funds. We analyze data to measure success in real time.” (2.93).
**Comparison**

Categories have a different layout pattern for each type of organization with Digital nonprofits having less of a spread and showing a leading Investment category.

![Figure 3](image)

*Figure 3 - DNA Categories comparison between Tech-Enabled and Digital Nonprofits*

The following table compares high and low ratings of statements between Tech-Enabled and Digital nonprofits:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Tech-Enabled rating (0-4)</th>
<th>Digital rating (0-4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>We design programs as digital-first experience</td>
<td>(Lowest) 0.75</td>
<td>2.26</td>
</tr>
<tr>
<td>We share all of our data with nonprofits and governments who service the same beneficiaries</td>
<td>1.00</td>
<td>(Lowest) 2.26</td>
</tr>
<tr>
<td>We keep data secure and private using nonprofit standards such as the security and privacy framework</td>
<td>(Highest) 2.06</td>
<td>(Highest) 3.26</td>
</tr>
<tr>
<td>We value high quality data almost as much as unrestricted funds. We analyze data to measure success in real time.</td>
<td>1.29</td>
<td>(Second highest) 2.93</td>
</tr>
<tr>
<td>We have a beneficiary-centric, not a donor- or program- or geography-centric, organizational structure.</td>
<td>(Second highest) 1.35</td>
<td>2.76</td>
</tr>
</tbody>
</table>
**Stakeholders’ Tensions**
Successful digital transformation depends on alignment of stakeholders. The DNA evaluates gaps between stakeholders for each category. It does this by comparing perception to reality.

For Tech-Enabled nonprofits, on average, managers overestimate executives (36%). The largest alignment gaps are between managers and executives are in the Investment (48%), Technology (41%) and Process (40%) categories, where managers consistently overestimate executives. Other alignment gaps exist among stakeholders, particularly with both executives and managers underestimating staff in most DNA categories. This overall misalignment between stakeholders is potentially preventing advances in digital transformation.

In contrast, Digital nonprofits stakeholders are, on average, aligned. There is only one alignment gap in the People category where executives underestimate staff (24%). This could indicate that Digital nonprofits have even more potential to advance digital skills than their executives may realize.

**Conclusion & Recommended Next Steps**
There is a wide gap between Tech-Enabled and Digital nonprofits, particularly in alignment, investment and technology leadership.

To close that gap, nonprofits would be well served to employ the following AIM strategy:

- **Align all stakeholders to prepare the organization to move forward with less effort.** This can be achieved through communication, marketing and engagement campaigns that cost little.
- **Invest in technologies and digital ways of working, with measured expectation of impacts.** These investments should be of different sizes and risks and could be guided with the same monitoring, evaluation, accountability, and learning (MEAL) framework that the organization employs in its programs.
- **Magnify the role of executives in technology decisions and their implementation to achieve deep organizational changes designed to augment mission value.** This could start with a digital talent strategy applied to the executive suite, leveraging the expertise of the CIO as a strategic advantage.

Remember that digital transformation is a journey and not a destination, one that might enable many nonprofits to achieve a new post-pandemic normal sooner.

“COVID-19 has created both a public health and an economic crisis, and as the world recovers, we need to ensure no one is left behind.”

– Satya Nadela, CEO, Microsoft