How to increase your nonprofit’s impact by becoming future ready now

Employee experience and digital partnering are keys to success
Sharing insights into the nonprofit sector

When Hurricane Maria struck Puerto Rico in 2017, it left devastation in its wake. Among those who responded to provide aid was NetHope, a consortium of nearly 60 global nonprofits that unites with technology companies and funding partners to solve development, humanitarian and conservation challenges.

Given its connection to the island, it’s not surprising that NetHope chose Puerto Rico as the setting for its annual summit in late 2019, with a theme of “Vision. Hope. Action.” That theme nicely aligns with key messages from Dr. Kristine Dery, Research Scientist at the MIT Sloan Center for Information Systems Research (MIT CISR), who shared insights into the nonprofit sector in her presentations at the summit.

As a global research patron of MIT CISR, Avanade was proud to host Dr. Dery at the NetHope Global Summit. And we’re pleased to present some of her insights in this paper, which also recommends steps you can take to make your nonprofit future ready now.
Nonprofits are taking various paths to become future ready

Like most organizations today, nonprofits recognize the need for significant business transformation and the potential benefits that can be realized. According to NetHope’s Center for the Digital Nonprofit, every 5% increase in the effectiveness of the NGO sector translates into $2 billion of enhanced annual global impact.

MIT CISR notes that the focus should be on business transformation using digital capabilities. These transformed organizations are referred to as “future ready” and, based on MIT CISR’s research, perform better than those that have not transformed. A future-ready organization innovates to engage and delight customers/beneficiaries while simultaneously reducing costs by leveraging a well-designed operational backbone.

In her presentations, Dr. Dery introduced a business transformation framework made up of two axes: operational efficiency and customer/beneficiary experience (see accompanying diagram).

“We saw a lot of similarities between all firms and nonprofit organizations,” says Dr. Dery. “For example, as with other industries, the greatest number of nonprofits are in the Silos and Spaghetti quadrant and haven’t really gotten started yet on progressing to being future ready. There is substantial opportunity to leverage digital capabilities to deliver better outcomes.”

The state of business transformation for nonprofits

This graphic describes “traditional” and “transformed” states. The Silos and Spaghetti quadrant (bottom left) is characterized by a complex landscape of processes, systems and data. In the top left quadrant, the customer/beneficiary gets a somewhat integrated experience despite the complex operations required to deliver it. In the bottom right quadrant, organizations become increasingly industrialized, applying digital capabilities to their operations to drive efficiencies. The destination is a Future Ready organization (top right quadrant), which innovates to engage and delight customers/beneficiaries while simultaneously reducing costs by leveraging a well-designed operational backbone.
This finding is not surprising as many nonprofits hesitate to invest in systems. “For nonprofits, every dollar spent outside of service delivery to beneficiaries reduces the number of people who can be impacted,” says Almin Surani, Global Nonprofit Advisor for Avanade and former CIO of the Canadian Red Cross. “It’s a different equation for nonprofits.” They face an additional challenge in that grants are typically restricted, designated to be used for projects rather than IT infrastructure.

Perhaps more surprising is that 21% of nonprofits are in the Future Ready quadrant. “Nonprofits may actually be closer to the midpoint,” says Dr. Dery, “where they’ve made significant shifts on the customer/beneficiary experience axis but haven’t made as much progress yet on the efficiency axis.”

In fact, the results were surprisingly similar to findings in a separate study by NetHope, despite using a different framework and question set. “In our research, the percentage of nonprofits in the Future Ready quadrant was 20% vs. 21% for MIT CISR,” says Jean-Louis Ecochard, Chief Innovation Officer for The Center for the Digital Nonprofit at NetHope. This seems to indicate that some nonprofits have succeeded at transforming their organizations. However, the majority still have a ways to go.

Four routes to future ready

The MIT CISR model depicts four transformation pathways organizations can take to become future ready. Dr. Dery provided a view of which pathways nonprofits are taking on their transformation journeys.

Pathway 1 moves the organization right from Silos and Spaghetti to Industrialized, with a primary focus on operational efficiency. Pathway 2 is the path chosen by organizations that have a pressing need to focus immediate attention on improving the customer experience. At some point, the cost delivery gets too high and these organizations have to move right to build the capabilities for consistent, efficient delivery. Pathway 3 takes small steps in each direction, alternating between improving the customer experience and operations. This is the pathway that requires organizations to develop strong coordination capabilities. Pathway 4 is chosen by organizations that just can’t see a way forward using their existing resources and capabilities and they build a new digital organization with links back to the "mothership."
Pathways 2 and 3 are the choice for half the nonprofits studied by MIT CISR. “That makes sense,” says Dr. Dery, “since those are the customer/beneficiary-focused pathways.”

Surani agrees, noting that pathway 2 is all about the donor and beneficiary experience, which is critical for nonprofits. “Nonprofits’ sole existence is for the beneficiaries. They need to focus on them but also invest in their donors to help ensure a predictable income in order to continue to serve their beneficiaries,” he says. “This enables them to get a faster return.” For example, improving your fundraising platform to make it easier for people to donate is a pathway 2 approach. From there, nonprofits will eventually have to redirect their focus to cost reduction and improving efficiencies.

For instance, SOS Children’s Villages International (SOS) is working with Avanade to enlarge the scope of its IT landscape and gain efficiencies through the implementation of digital technologies and the automation of standard processes. This approach is designed to help streamline the operational processes within the organization as well as with its donors and beneficiaries.

Ecochard believes that nonprofits are not investing enough – in terms of mindset and dollars – in the operational aspects of transformation. “You tend to see a series of failed experiments,” he says. “For example, a nonprofit may not have an ERP system, so it implements one. But it finds the changes too difficult to sustain, so it returns to the old way of working. We see this pattern repeated frequently.”

He points out that the operating context of the nonprofit matters in order for leaders to successfully steward their organization to digital transformation success. For example, a nonprofit operating in a high-income country with its headquarters located close to its beneficiaries (such as an educational institution or healthcare organization) may find it easier to move along a defined path than a federated nonprofit with its headquarters far away from its mission delivery in low- to mid-income countries. “A small local NGO may find pathway 2 easier to take than a large distributed NGO, which would take pathway 3,” he says.
Is there a best pathway for nonprofits?

The choice of pathway depends on an organization's particular situation, programs and maturity level. In some cases, it makes sense to take multiple pathways. Surani points to the Canadian Red Cross when it was dealing with the Alberta wildfires in spring of 2016. “People were evacuated to locations across Canada, which made it hard to provide assistance such as giving people prepaid Visa cards,” he says. “So instead we set up an email transfer of funds, which was a pathway 4 solution.”

However, when the organization had to replace its old ERP system to make it more operationally efficient, it took pathway 1. “The result was that we saw our expenses go down and had better visibility into our supply chain and warehouses coast to coast,” notes Surani.

MIT CISR research shows that multiple pathways can be very effective for digital transformation providing they are well coordinated. If not, then organizations tend to duplicate resources, send conflicting messages to leaders and slow down the pace of overall transformation.

Interestingly, MIT CISR’s research found that nonprofits are achieving measurable results faster than expected – 15.4 months vs. 18.3 months for all organizations. This may be because more nonprofits are taking pathways 2 and 3. It may also reflect the fact that employees at nonprofits who are committed to the mission are sometimes more engaged than employees at for-profit organizations, notes Ecochard.
Improve the employee experience to engage with digital workers

A key to any business transformation today is being able to connect with digital workers by providing a contemporary employee experience. And nonprofits are no exception. Like employees in for-profit organizations, employees at nonprofits expect the same fluid digital experience at work that they have in their personal lives. However, many nonprofit organizations have yet to deliver that, notes Ecochard.

"The new generation comes in, but they get frustrated by the old ways of working," he says. "Sometimes they go off and set up their own nonprofit with better tools and technologies, but it’s often hard for them to scale up."

While some employees will be attracted by the mission of a nonprofit, that isn’t always enough to keep them. To retain talent, nonprofits need to address a number of workplace issues, including:

- Investing in employees’ digital skills development
- Providing a work environment where employees can engage in self-directed career development
- Giving them the right tools so they can do their jobs
- Actively looking for the speedbumps that make it hard for employees to add value

These are challenges worth tackling because an improved employee experience can help nonprofits move along the pathways faster. And it can have a direct impact on the donor and beneficiary experience.

Nonprofits are increasingly recognizing the relationship between employee experience and donor/beneficiary experience. For example, Avanade worked with the Asian Venture Philanthropy Network (AVPN), a Singapore-based nonprofit funders’ network, to replace manual reports with a cloud-based digital solution to improve both the employee experience and efficiency. The new platform is designed to help the organization grow and transform as it expands its mission to promote and facilitate social investments across Asia.

The benefits of providing a great employee experience are considerable. MIT CISR found that top performers in employee experience were twice as innovative, experienced double the customer satisfaction and reported 25% greater profitability (i.e., generated increased value from a lower cost base), compared with bottom performers.
The downside of having a passion for the cause

But getting to those results isn’t easy. One reason, notes Dr. Dery, is the culture of heroics, which is prevalent in the nonprofit sector. “People will go above and beyond because they have an enormous passion for the nonprofit cause, but there’s a downside to that,” she says. “It’s not something you can scale, it’s expensive and it’s hard for people to deliver a consistent level of service.”

Surani agrees, having experienced it firsthand. “During disasters, you have to continually remind people that disaster relief is a marathon, not a sprint,” he says. “You have to encourage people to take time to rest. Even during a disaster, while it may not be an eight-hour day, it shouldn’t be a 20-hour day.”

He points to an additional downside: “You can’t really understand the true cost of doing things and the actual resources you need when you operate in a culture of heroics.”

Yet it may be hard for nonprofits to move away from that culture because “at the local level the needs demand heroism,” says Ecochard. “An extra half hour of work might save the life or one or two more people.”

“During disasters, you have to continually remind people that disaster relief is a marathon, not a sprint. You have to encourage people to take time to rest.”

— Almin Surani, Global Nonprofit Advisor, Avanade, and former CIO of Canadian Red Cross
The “force of work” is about everything that delivers work

It’s not only people you need to consider when looking at the workplace. “We think of the workforce as being just about people,” says Dr. Dery. “But as organizations transform, we need to think differently – about the ‘force of work,’ or all the things that will be delivering work: people, machines, AI, robotics.”

The use of artificial intelligence and automation in the nonprofit world is increasing. Surani cites examples like drones to survey disaster sites and deliver medications in remote areas. In another case, Avanade and nonprofit Answer ALS are harnessing AI, machine learning and vast amounts of data to accelerate ALS research.

While these developments offer significant benefits, they can also bring challenges: Work can become more complex with new technologies, multiple systems, more data collection and faster, fewer boundaries. It’s essential that organizations continually reflect on their employee experience and support their people to feel more comfortable in rapidly changing work environments.

A modern workplace requires both digitizing work and working digitally

Improving the employee experience and becoming future ready involves digitizing work and working digitally. “Digitizing work is about driving efficiency – moving along the operational efficiency horizontal axis by automating existing processes and pulling out costs,” Dr. Dery says. “Working digitally is about effectiveness. As you move further along, you should be creating new ways to work digitally, new opportunities to create value.” Surani points to the increase in mobile giving as an example. According to M&R Benchmarks 2019, the share of online revenue coming from mobile users grew by 15% in 2018.

Similar to many for-profit companies, nonprofits’ ability to work digitally is impacted by the fact that they tend to be data rich but insight poor. They often struggle to use their data to reach their audience, donors in particular, in a meaningful way. This is due in part to skepticism about putting data in the cloud and concerns around data security and privacy. And without the cloud, employees are challenged to work flexibly.

Ecochard adds that nonprofits need to consider the employee experience at both the headquarters and field levels. “At the headquarters level, you may be digitizing work with new systems like ERP,” he says. “While at the field level people are willing to change the way they work but don’t have the tools to do it. For example, cloud-based collaboration tools won’t work in the field if you don’t have enough bandwidth or a stable Wi-Fi connection.”

Are you future ready? Measuring nonprofits’ DNA

Is your nonprofit organization ready to transform? A new tool can help you find out. 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 and the automation of their operations. “We wanted to understand whether nonprofits are able to digitally transform,” says Jean-Louis Ecochard, Chief Innovation Officer for The Center for the Digital Nonprofit. “Are they capable of advancing in that way?”

The tool can help you determine if your organization is ready for digital transformation by providing insights into strengths and weaknesses across six categories: Readiness, People, Process, Technology, Data and Investment.

In the first round of assessments, most NetHope members qualified as “Tech-Enabled” nonprofits, having invested in key systems for efficient operations. A small number were moving to the digital threshold and a few were already in the digital nonprofit quadrant.

In addition, the data showed that respondents were relatively well prepared for transformation in terms of organizational Readiness, Technology and Investment. However, notes Ecochard, “the sector is still lagging with regard to Process, Data and People.”

Take the DNA Assessment to see if your organization is ready to transform.
Digital partnering can help nonprofits expand their reach and impact

When it comes to being future ready, there’s strength in numbers. “It’s important for nonprofits to better understand how to partner in a digital world so they can expand their reach and impact,” says Dr. Dery.

Unlike traditional partnering, which tends to concentrate on a few deep partnerships, organizations digitally partner in ecosystems, working together via digital connections, to provide more value. A partnership ecosystem can bring innovation to nonprofits by expanding their exposure to new approaches, new processes and new technologies.

Consider the Connectivity Coalition, which focuses on accelerating internet inclusion by aggregating demand. “By pooling internet demand in places like refugee camps in Africa, suddenly the market becomes large enough for the telephone companies to build towers,” says Ecochard.

“By pooling internet demand in places like refugee camps in Africa, suddenly the market becomes large enough for the telephone companies to build towers.”

– Jean-Louis Ecochard, Chief Innovation Officer, The Center for the Digital Nonprofit at NetHope

Delivering different experiences

Dr. Dery points to the example of the New Zealand government, which developed the Data Exchange to increase coordination among government agencies and NGOs to deliver new services to citizens. The ecosystem includes more than 10 government agencies and over 20 NGOs. “The government is using digital technologies to increase partnering strength,” she says. “The government provides the ‘pipes’ and the partnerships enable the government to deliver experiences that are different from what citizens had before.”

The digitization of the Data Exchange not only provides agencies with a safe and secure way to transfer data in order to connect agency services in meaningful ways for the service recipients, but it also frees front-line staff to provide better service. Rather than focusing on transactional activities of validating, connecting and organizing, staff are freed up to deliver more complex, nuanced services that can really make a difference. In addition, the digitization of privacy and data standards means that agencies can become more innovative in their service design and delivery, knowing that compliance is in place.
Recommendations: How to put your nonprofit on a pathway to future ready

Getting to future ready isn’t easy and requires re-envisioning your organization.

“If you were launching your nonprofit now from scratch, where would you start given the current lay of the land and the current technology?” Surani asks. “Start with the lens of the beneficiary: How can you make the biggest impact for them?”

Dr. Dery recommends taking the following steps to begin your journey:

- **Look for the speedbumps to digitizing work.** Find the things that make it hard to work efficiently and identify opportunities to do better. Is it the lack of the right tools and technologies? Inefficient processes?

- **Focus on improving the employee experience.** Are you investing in your employees’ development? Providing interesting work? And are you investing in the digital capabilities that make work easier?

- **Invest in working digitally.** Look for new ways to work more effectively. Tools and technologies play a role, but also consider new approaches, new models for collaboration.

- **Build an ecosystem to expand your digital capabilities.** Don’t try to go it alone. Have you identified partners that can help you build your reach and impact? Are you willing to share goals, information and benefits?

Help needs to come from the outside too. Ecochard points out that nonprofits often don’t have the flexibility to easily change, in part because they’re dependent on large grants that are focused on beneficiaries, not on internal optimization. “We’re seeing some change starting to happen,” he says. “For example, the MacArthur Foundation has nearly doubled the amount of overhead it will give to nonprofits. This will enable them to change.”
Unlocking innovative digital solutions for nonprofits

At Avanade, we’re committed to helping drive that change. Through our Tech for Social Good partnership with Microsoft Tech for Social Impact, we’re working with nonprofit organizations and the social sector to fulfill their missions and increase their impact through the power of digital transformation.

We bring 20 years of experience helping organizations implement digital solutions with Microsoft technologies to make a genuine human impact. We’ve worked with nonprofits like SOS Children’s Villages International, Ovarian Cancer Australia, Asian Venture Philanthropy Network (AVPN), Canadian Red Cross, British Red Cross, Pro Mujer and Trócaire.

To learn more about how we can help your nonprofit become future ready now, visit www.avanade.com/techforsocialgood.
Avanade is the leading provider of innovative digital and cloud services, business solutions, and design-led experiences on the Microsoft ecosystem. Our professionals bring bold, fresh thinking combined with technology, business, and industry expertise to help make a human impact on our clients, their customers and their employees.

We are the power behind the Accenture Microsoft Business Group, helping companies to engage customers, empower employees, optimize operations and transform products, leveraging the Microsoft platform. Avanade has 38,000 professionals in 25 countries, bringing clients our best thinking through a collaborative culture that honors diversity and reflects the communities in which we operate. Majority owned by Accenture, Avanade was founded in 2000 by Accenture LLP and Microsoft Corporation. Learn more at www.avanade.com.

© 2020 Avanade Inc. All rights reserved. The Avanade name and logo are registered trademarks in the U.S. and other countries. Other brand and product names are trademarks of their respective owners.