



# A momentous opportunity

NONPROFIT INDUSTRY FOCUS



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# A momentous opportunity

## The Nonprofit sector today

Today's nonprofit organizations have a momentous opportunity to boost efficiency and digitally engage donors to deliver greater impact to their mission. But they also face increasing operational complexity and a colossal capacity challenge.

Recent research shows NGOs are in dire need of operational modernization; their use of outdated processes and legacy software is hindering their ability to be efficient and data-driven in their decision-making.

## Golden opportunity

To overcome these barriers each organization will need to challenge the status quo and take advantage of the Everything as a Service (XaaS) economy. Today's digital technologies are proven to drive productivity and boost operational efficiency.

At Unit4, we specialize in software solutions for Finance and HR, designed to meet the specific needs of nonprofit organizations, where people make the difference. Our technology is central to the organizations we serve — it improves both efficiency and productivity and it allows their people to spend more time on more meaningful work.

Read on to discover the reasons why your organization can embrace — and benefit from — a digital future.

## So, why is now the time to change?



**89% of charity leaders believe technological change is relevant to their organization.**



**88% of charities expect to see a further increase in demand in 2023 for their services.**



**58% of charity leaders say that generating income and achieving financial sustainability is now one of their top three challenges.**

Source CAF Charity Landscape Report 2022  
[https://www.cafonline.org/docs/default-source/about-us-research/charity\\_landscape\\_report\\_2022.pdf](https://www.cafonline.org/docs/default-source/about-us-research/charity_landscape_report_2022.pdf)

# An industry in transition

## Eight industry megatrends

Keeping pace with the megatrends can be challenging, but a good digital strategy will enable you to streamline processes, adopt automation and drive greater transparency through finance and HR.

### 1. More competition for funding

Nonprofit organizations work hard to accomplish a world of good, but running a nonprofit is becoming much harder. Political and economic turbulence is impacting funding streams, with increased demand for service provision and the squeeze on income creating a ‘perfect storm’. For many, their resources are stretched after two years of supporting their communities throughout the pandemic, and they must also find the funds to pay higher costs. With tightening household budgets impacting donations, there is a catastrophic situation facing the sector, and many may be unable to survive. It is vital that charities can monitor their financial performance, budget and forecast effectively, and scenario plan for the future

### 2. Solving the world’s biggest problems is getting harder

Alongside political and economic turmoil, the need for more disaster relief and crisis support is being intensified by worsening climate change, armed conflicts, and mass migration. Poverty is a real issue, and many people are facing economic hardships, with a “cost of living” crisis biting globally. The necessity for nonprofits to respond quicker and remain agile is important for the world of the future, and crucial to their success, as the need for their services increases.

Against this backdrop, 48% of nonprofits have seen demand for digital services increase in terms of how nonprofits deliver their services, with 53% offering new online services and 21% expanding areas of delivery. This has led to 82% of nonprofits seeing digital as more of a priority post-pandemic. (Source Charity Digital Skills Report 2022).

### 3. Increasing operational complexity

Donor support for more local initiatives is moving program delivery and administration away from the central control of international organizations. Multinational nonprofit organizations are decentralizing activities, creating new entities and branches, increasing their partnership work and evolving programs. These added layers of operational and organizational complexity are stretching financial controls and technology systems to the limit. It’s becoming harder to consolidate IT, maintain visibility over data and bring it together to support decision-making.



#### 4. Rising donor expectations

Meanwhile, brand loyalty is being eroded and public trust is at risk as the profiles and expectations of private, individual donors change. Unless they are already emotionally connected to the cause, most supporters expect a consumer-grade experience from beginning to end. And it's not just younger generations; almost everyone wants to be engaged in a modern, digital way, like they would with any other connected service today. Donor award reporting and fund usage requirements puts stricter or more complex data management processes on finance and analysis teams, reducing the attractiveness of some funders from less digitally advanced nonprofit organizations.

#### 5. Raised compliance demands

There is increasing legislation around privacy, data governance, fundraising ethics, safeguarding workers, cyber security, and digital tax reporting, alongside increased scrutiny from a financial regulator with new and revised standards like IFRS4NP and FRS102. Nonprofits need give an accurate and fair view of a reporting their financial position and profit or loss. Ensuring accurate data and reporting will be a challenge for many organizations.

#### 6. Greater need to demonstrate impact

Alongside regulatory compliance is the ever-present need to demonstrate impact and satisfy the diverse reporting requirements of multiple donors while producing different reporting in line with individual requirements. As business models become more multidimensional, the pressure and complexity to maintain accountability on project progress, spending and social impact is mounting. Overcoming this is becoming steadily more challenging and ever more important.

#### 7. The great capacity challenge

Pervading these challenges is an increased focus on people productivity and organizational efficiency. In the XaaS economy, people-centered service organizations are using digital technology to streamline processes, integrate back-office systems and automate manual, administrative tasks. Overcoming the capacity challenge in this way creates space for people to add value to their organizations while building a more engaged workforce and lowering attrition.

#### 8. Behind the digital curve:

Overall, the nonprofit sector is being held back by a lack of technological leadership and an absence of aligned digital strategy. Most are still fragmented in the back office, many are unsure how to navigate digital transformation, and the majority are not developing strategies for integrated, business-wide systems. These organizations are failing to capitalize on the opportunities of digital technology in the XaaS economy.

Successful nonprofits must embrace digital to build upon successes of the past, and make use of digital tools of the present, to move with agility into the future. Nonprofit organizations also must diversify income streams to meet challenges, unlock flexible giving channels, with more transparent tracking, while embracing new fundraising models.

A Gartner survey found that CEOs believe cloud is one of the top technologies that will impact their industry most significantly in the coming three years, and the analyst firm forecast that organizations were 17 times more likely to increase their cloud spending than decrease it in 2022.<sup>4</sup> Cloud infrastructure spending is expected to grow 20.7% in 2023 compared to 2022 to \$591.8 billion, given its safe, innovative, agile and scalable nature.<sup>5</sup>

## 86%

of charitable organizations worry about the effect the cost-of-living increases will have on those who depend on their services.

## 71%

of charity bosses expressed concern over managing increased service demand.

## 59%

are concerned that people will not continue or begin donating to their cause because of the cost-of-living crisis.

## 35%

overall believe their organization could struggle to survive altogether.

Ref 4 - Cloud computing trends for 2022 | IDG Connect

Ref 5 - Gartner Forecasts Worldwide Public Cloud End-User Spending to Reach Nearly \$600 Billion in 2023

# Findings from latest Unit4 research

## Independent analysis

### Nonprofits must embrace digital transformation with the cloud

Digital transformation provides nonprofit organizations with a way to become more responsive to change by better tailoring their services to the individual. This is further emphasized by the recent Unit4 Business Future Index Survey 2022 where over 90% of organizations reported they have seen an acceleration in digital transformation (moving to cloud, increased use of online tools and adoption of self-service.)

One of the main reasons for transforming back-office systems and creating greater agility in the face of change. Our Business Futures Index Survey identified that there was a realization that nonprofit organizations were not able to easily adapt their way of working in the face of unexpected challenges – (33%) Covid for example, also that the lack of real-time data resulted in their inability to respond immediately to events (49%) and most frustrating was the time it still takes to generate reports, monthly financial reporting and year end distracts the organization for many weeks (33%).

Cloud-based solutions for financial planning, analysis, people, and procurement for example offer a cost-effective alternative to expensive on-site IT infrastructure and do away with outdated legacy systems and manual paper-based processes. 49% of nonprofit respondents remain on legacy infrastructure but are planning their transformation. This will enable services to become managed remotely, removing the associated maintenance costs, and allowing people access to essential data over secure Internet connectivity.

52% of finance leaders state that outdated systems and processes reduce their effectiveness ability to respond to change. 61% are proactively looking to source cloud ERP and Financial analysis and planning to replace their legacy, siloed solutions.

Our research show that digital transformation, moving to cloud solutions for finance an HR remains a top priority for 65% of the nonprofit respondents, and adopting solutions that enable hybrid working is for some (53%) still a work in progress.

37% of respondents found that recruiting and retaining staff was easier when the organization had modern technology and solutions to offer and flexible working policies.



# Capitalizing on the opportunity

## Strategic responses

There's a pattern emerging. In response to current megatrends, industry leaders are elevating the importance of technology within their organizations. Among these pioneers, there is no apathy toward digital transformation and enterprise resource planning (ERP) is rapidly becoming a familiar, accepted and well-understood term.

## Delivering more impact

Leading nonprofit organizations are dedicated to finding more agile and efficient ways of solving the world's biggest problems. As a result, they have discovered technology systems that help them react quickly to organizational change while proactively responding to the unpredictable demands for their services. These systems help them create streamlined processes to reduce admin costs and improve productivity. This provides frontline people with the ability to access and capture real-time information and approvals, enabling them to deliver services with greater efficiency than ever before.

Digital solutions like these also provide unparalleled flexibility for non-technical employees to make changes to the system at the user experience level, with no need for IT or vendor support. This means that, as their organization changes, these industry leaders can tailor their systems much more quickly, at a lower cost and in a more self-sufficient, less disruptive manner. These organizations are delivering more impact with greater efficiency and agility.

## Optimizing funding allocation

The best nonprofit organizations are taking steps to combat increased competition for funding, satisfy rising donor expectations and meet the increasing need to demonstrate impact. As part of their digital transformation journey, they are investing in ERP technologies that allow them to optimize project grant funding and management.

Using leading grant management tools, they are not only meeting audit requirements and donor reporting demands but also recovering more of their costs against grants to free up precious, unrestricted funding to grow their organizations. And, by managing grants better they are developing stronger donor relationships, which will ultimately generate more money to help them deliver on their missions.

## Making better decisions

In the face of ever-increasing operational complexity and growing data proliferation, the Nonprofit sector leaders are focused on aligning systems and unifying databases to become truly data-driven organizations. To this end, they are investing in modern ERP to present a single version of truth across all entities, guarantee real-time data and leverage emerging technologies such as artificial intelligence to automate tedious administrative tasks. They know that this means greater insight on their data direct from the field, which drives better, more timely decision-making. All this improves resource allocation efficiency and, ultimately, delivers greater impact. With this approach, and a fresh approach to investment in the right technologies these forward-thinking organizations can keep up to the digital curve.

Ultimately, it is vital that nonprofits make good decisions with confidence in their data, given the increased scrutiny on their finances. We're more connected to smart technology than ever before and demand more personalized, seamless experiences across every single touchpoint. Nonprofits aren't immune from this, and delivering a seamless experience to supporters and providing accurate financial information and reports requires good quality data as a fundamental starting point. Good data gives security when it comes to compliance, improves reputation and supporter experience, builds more efficient day-to-day operations, supports regulatory efforts (such as data privacy), and paves the way for future innovation.

## Improving compliance & accountability

To restore public trust and meet rising demands from regulators, the most successful nonprofits are able to demonstrate increased spending on mission delivery while reducing administrative costs. To do this they are adopting the latest digital ERP platforms that harness new ways of managing costs and expenditures. They are tracking all transactions, documents and approval audit trails; monitoring and minimizing back-office spending; ensuring that projects are on-track and that there are no over-committments. With this robust, transparent, end-to-end financial management, these industry pioneers are improving compliance and accountability.

# Finding your way

## Overcoming the barriers to success

For most nonprofit organizations, the barriers to success are complex and challenging. But there is a way through.

From political and economic turmoil to new legislation and climate change, many barriers to success are out of your control. But many of the obstacles — changing donor demographics, evolving business models and increasing staff needs — are partly driven by the evolution of technology. As such, these obstacles can also be overcome by embracing it.

## Make a commitment to digital

Legacy systems are not fit for the modern nonprofit economy. They were designed for the needs of the organizations of yesterday. They create a barrier to effective digital transformation, improved productivity, and successful delivery of your mission. We are seeing this in organizations of all shapes and sizes — outdated technology is the biggest barrier to success for every type of nonprofit organization in every region of the planet.

Across multiple programs, projects and parts of the organization, inflexible, outdated technology systems make it difficult and costly to:

- Respond quickly to change
- Align data and systems, and streamline processes
- Capture and demonstrate program results and social impact
- Bring together accurate, timely data for planning, budgeting and decision making
- Gain clear insight into grant conditions and project spending
- Allocate funds efficiently for local projects
- Manage and track all costs and expenditure to spend more on program delivery
- Keep administrative and IT costs down

## It doesn't need to be that way

It's time to embrace SaaS solutions and remove the barriers that outdated technology systems create, and they are already commonplace. Forward-looking nonprofits are managing complexity, engaging donors, and improving productivity while making the lives of their people and those they serve better. And it's done, partly, by reducing—or eradicating—low-value tasks to create space for your people to do more work that really matters.

# Game-changing solutions

## Unit4 solutions for finance and HR

Unit4's next-generation enterprise software helps you deliver an exceptional People Experience for everyone your organization serves.

People Experience is a discipline applied to software development that prioritizes human impact — making work more productive, efficient, and inspiring.

Our cloud-based enterprise software is designed specifically for nonprofits, making it easier to implement, use, and manage, creating a better working environment for every member of your team. Our ERP, FP&A and HCM Solutions give you the power to automate and streamline routine workflows and more efficiently manage projects and processes, delivering greater value across your organization quickly and flexibly, according to your specific needs.

**Unit4 People Experience Suite:**

- Unit4 Enterprise Resource Planning (ERP)
- Unit4 Human Capital Management (HCM)
- Unit4 Financial Planning & Analysis (FP&A)

## What this means for you

You can transform work to be more meaningful through software that's self-driving and adaptive, intelligently automating administrative tasks. This elevates engagement and helps you attract and retain the best people.

But People Experience is not only about personal motivation — it's also about true collaboration - managers and staff working better together to improve organizational results. In all, freeing people to focus on what matters improves how work feels, and means you can better serve your people.

## Unit4 People Experience Suite



When Heifer International partnered with Unit4, it digitized, automated and streamlined processes to enable innovation. The global charity increased and diversified revenue, scaled up program impact and increased transparency for donors and stakeholders. Operating in 25 countries, the organization reduced resources for financial consolidation by 90 percent and saved \$2.3m by streamlining hundreds of hours of financial processes. HQ staff operate with higher efficiency, freeing up time for analysis and strategic reporting; field workers spend less time on admin and more time on serving communities. The result is the ability to support three million families in need.

**Unit4 ERP: “...has allowed Heifer to have a centralized, robust and integrated system to increase the impact we have around the world.”**

**Steve Northcutt**, Director of enterprise systems



For more information go to:

[unit4.com](https://unit4.com)

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