Nonprofits on the road to digital transformation

Introduction

Unit4 study suggests 86% are aiming to have completed the transformation to fully Cloud-based ERP applications in the next two years.

Unit4 research shows that nonprofit organizations in the US and UK are making significant progress on their digital transformation strategies. The majority aim to have implemented Cloud-based versions of their finance and human resources applications in the next two years.

An overwhelming 95% consider that Cloud-based solutions will positively impact their organizations, which suggests nonprofits have recognized that digitally enabled IT systems are crucial to responding rapidly to today's dynamic social, political, and environmental issues.

This whitepaper shares the results of Unit4's industry survey conducted by DJS Research, which interviewed professionals in the nonprofit sector to identify the challenges and barriers to digital transformation across back office and operational functions. The research was conducted between June and July 2023 and involved respondents from companies ranging in size from 250 employees to up to 10,000 in the US and UK through a combination of quantitative interviews and a qualitative survey. The survey approached individuals either as the sole decision-makers or involved in decision-making and were drawn from a range of roles, including IT, Finance, and HR.

This research shows how the nonprofit sector is embracing digital transformation and the obvious benefits of moving to Cloud-based solutions. These wholescale change programs should not be underestimated, as they require strong stakeholder alignment and commitment from everyone in the organization to embrace change. It is essential to establish robust planning and implementation in order to capitalize on the opportunity to modernize business processes, improve productivity, and deliver better service.
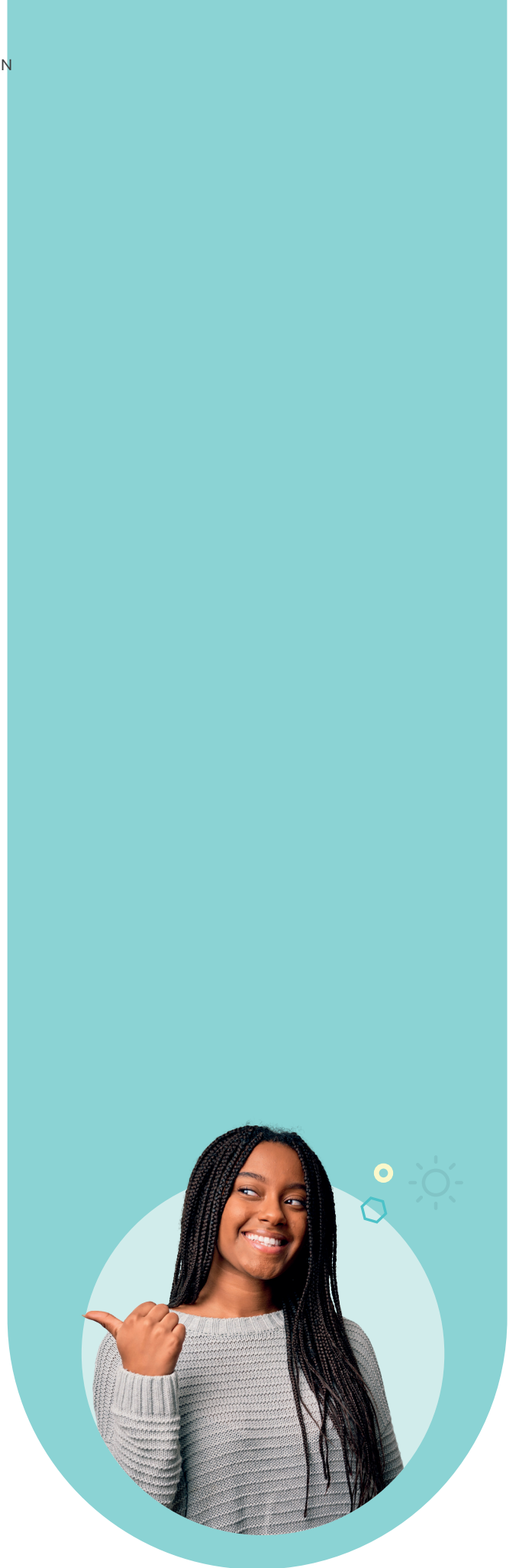
Making digital transformation the priority

6 in 10 nonprofit organizations globally (62%) state that digital transformation is a key priority.

Over the next 12 months, outside of day-to-day operations, digital transformation is a key priority, mentioned by 64% of professionals in the UK and 60% of professionals in the US. The drivers for transformation are similar to other industries: nonprofits strive for greater collaboration between departments, understand the need to implement effective flexible or hybrid working policies, are keen to improve reporting capabilities and struggle to attract and retain talent.
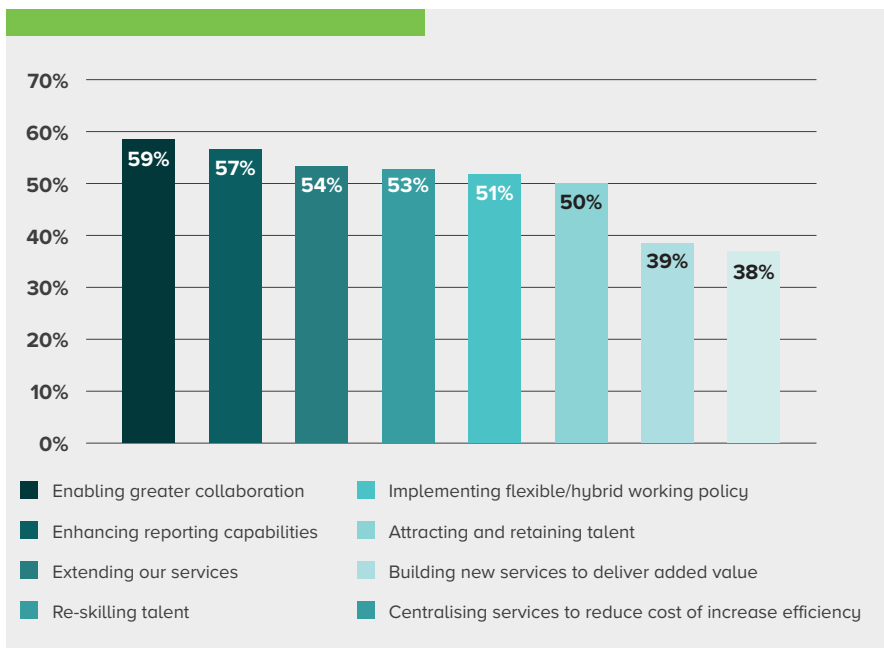
Transformation priority

US

60%

UK

64%

Drivers for transformation

■ Enabling greater collaboration	■ Implementing flexible/hybrid working policy
■ Enhancing reporting capabilities	■ Attracting and retaining talent
■ Extending our services	■ Building new services to deliver added value
■ Re-skilling talent	■ Centralising services to reduce cost of increase efficiency

Through digitization, nonprofit organizations can streamline administrative tasks, optimize fundraising efforts, and better engage with donors and volunteers. Enhanced data analytics and digital tools help them make data-driven decisions, improve resource allocation, and measure their social impact more accurately. Moreover, digital platforms provide broader outreach, connecting nonprofits with a global audience and new funding opportunities. Embracing digital transformation is not just a choice but a necessity for nonprofits to remain relevant, resilient, and fulfil their missions effectively in the 21st century.

A steady progression to SaaS

Many nonprofits state that they have started to implement Cloud-based solutions **(48%)**, yet **1 in 10** are only just planning or still considering implementing SaaS solutions in the near future.

Although the overall picture is positive, there remain challenges to the adoption of Cloud solutions for finance and HR applications. Globally, the major issues are a reluctance to change from users, information being in silos, and issues with integration to existing systems. Interestingly, in the UK, resistance to change and willingness to invest from the board makes it into the top three ahead of integration issues.

However, transformation strategies are progressing steadily, with 43% stating that they expect to have completed their digital transformation program within the next two years, and a further 11% consider they will be transformed in the next 3-5 years, with very few considering the transformation will take longer than this.

Transformation progress

US

46%

UK

39%

Transformation timescales

Within the next 2 years

UK

27%

US

21%

Between 3 to 5 years

UK

9%

US
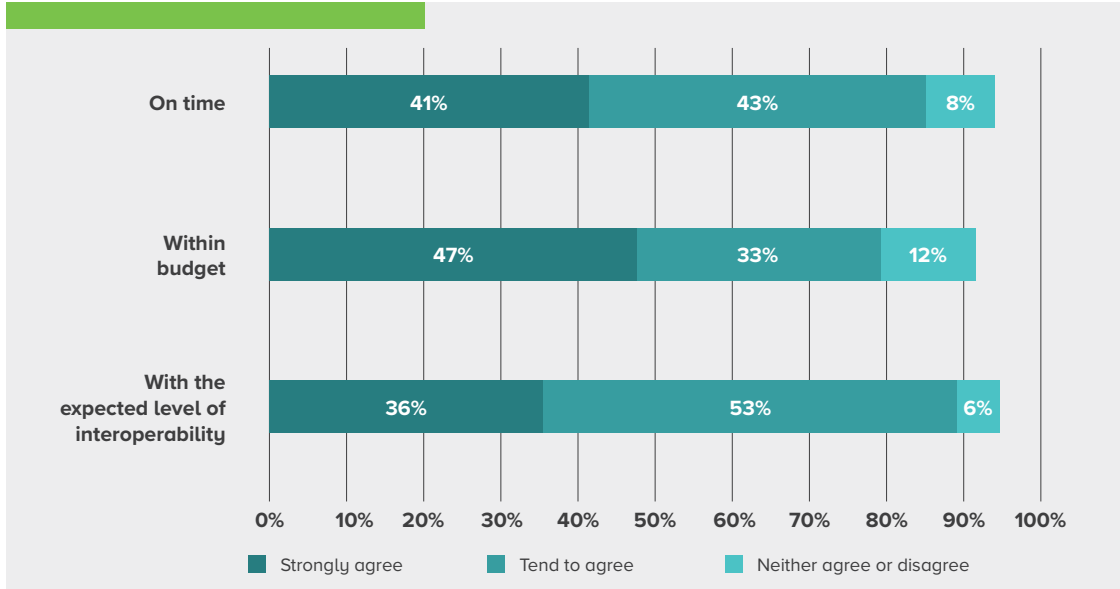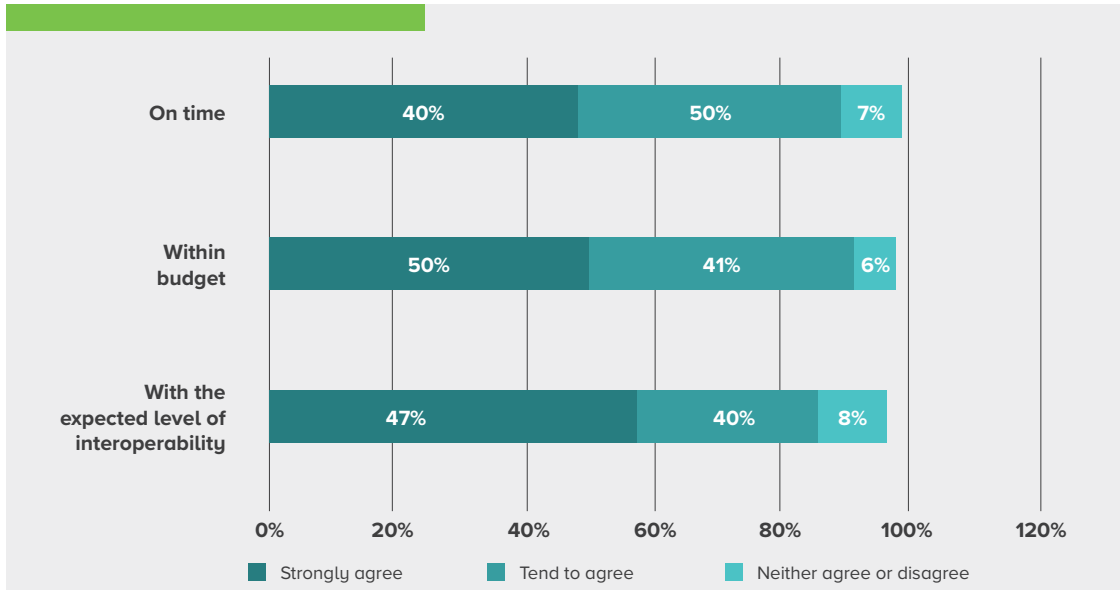
13%

The majority globally agree transformation is on time (87%), within budget (86%), and with the expected level of interoperability (88%)

Nonprofits regionally agree transformation is on track, but system interoperability expectations differ.

UK project progress

	Strongly agree	Tend to agree	Neither agree or disagree
On time	41%	43%	8%
Within budget	47%	33%	12%
With the expected level of interoperability	36%	53%	6%

US project progress

	Strongly agree	Tend to agree	Neither agree or disagree
On time	40%	50%	7%
Within budget	50%	41%	6%
With the expected level of interoperability	47%	40%	8%

Interoperability is a critical asset for nonprofit organizations, enabling them to maximize their impact and efficiency. By facilitating seamless communication and data exchange between various systems, interoperability streamlines operations, reduces redundancies, and enhances collaboration. Nonprofits can efficiently manage donor databases, track program outcomes, and measure their social impact, especially when their finance and HR solutions are connected directly with their chosen CRM. This not only saves precious time and resources but also fosters transparency, allowing stakeholders to access and analyze data easily and respond to changes or new requirements quickly and effectively.
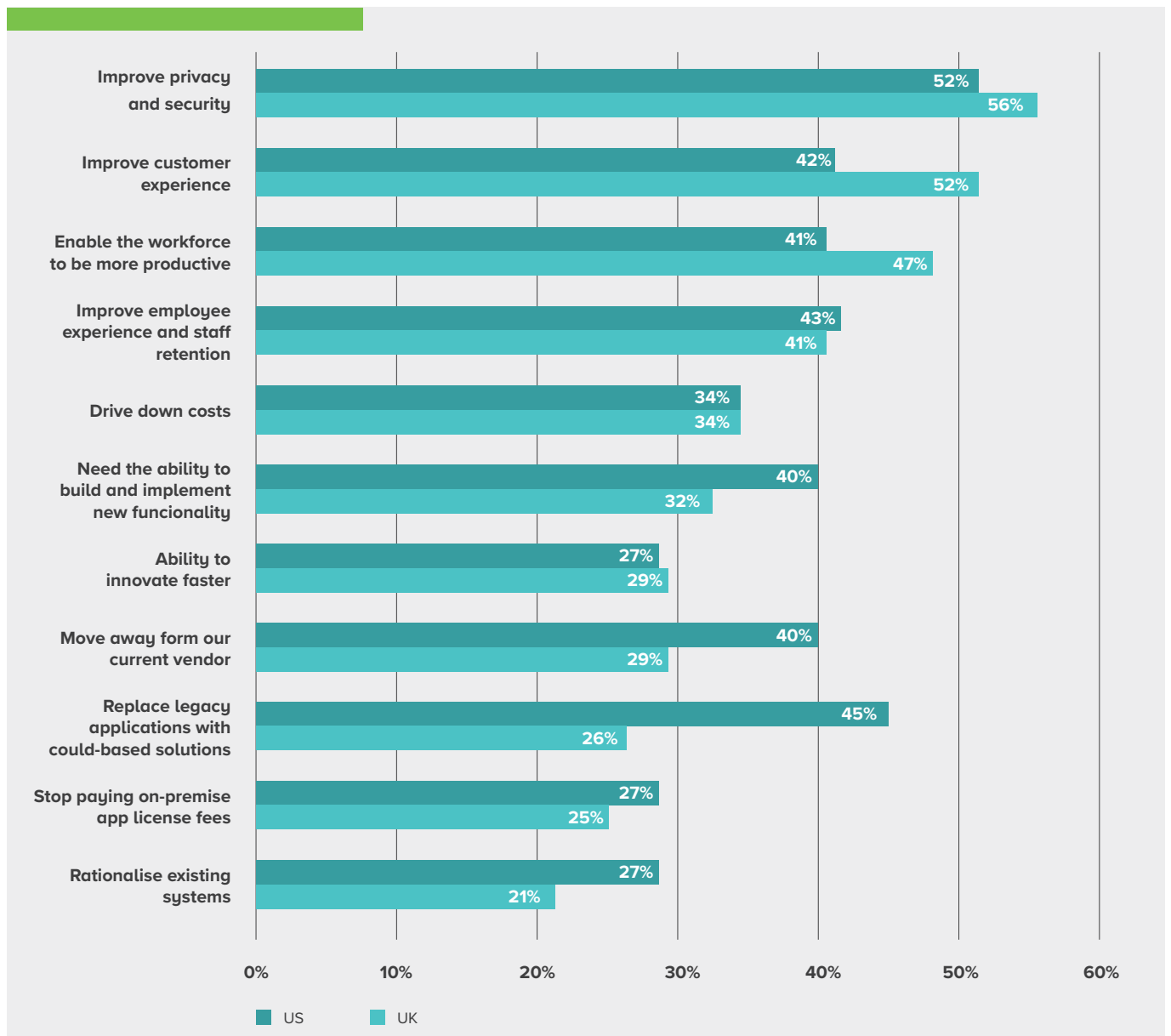
Interoperability also aids in building strategic partnerships, as organizations can work together more effectively, sharing information and resources. Ultimately, it empowers nonprofits to focus on their missions, drive innovation, and better serve their communities.

Why SaaS and why now?

The most popular reason organizations have decided to move finance and HR systems to SaaS is to improve privacy and security (54%), followed by improving customer experience (46%), workforce productivity (44%), and improving employee experience and staff retention (42%).

Digital transformation is essential for nonprofit organizations to adapt to the rapidly evolving landscape of the modern world. SaaS solutions for finance, projects, and HR empower nonprofits to increase their efficiency, reach, and impact with access to vital systems and data from anywhere in the world.

Key reasons for transformation

Reason	US	UK
Improve privacy and security	52%	56%
Improve customer experience	42%	52%
Enable the workforce to be more productive	41%	47%
Improve employee experience and staff retention	43%	41%
Drive down costs	34%	34%
Need the ability to build and implement new funcionality	40%	32%
Ability to innovate faster	27%	29%
Move away form our current vendor	40%	29%
Replace legacy applications with could-based solutions	45%	26%
Stop paying on-premise app license fees	27%	25%
Rationalise existing systems	27%	21%

■ US ■ UK

83% of organizations state they will select SaaS solutions for new and replacement systems wherever possible.

The vast majority (97% in the UK and 94% in the US) consider that Cloud-based solutions will have a positive impact on their organization. Only 2% think the impact will be negative.

Research also shows that by adopting Cloud solutions, end users experience a more modern and connected work life, the top three benefits being:

- Better accessibility to systems and data for remote workers (90%)
- Better collaboration with colleagues across the organization (89%) — this is the top priority in the UK (90%)
- Flexibility to integrate field solutions and the ability to add new functionality rapidly (88%)

Flexibility and ease

Being able to access information more easily from a single place and to be able to do so remotely from different locations and devices 24/7.

"Because it secures our all-important information in one place with full security, I can access this information from anywhere whenever I want."
Survey respondent

Scalability

Allowing organizations to expand access to their information with the growing needs and expansion of the organization and workload, including tapping into multi-market resources.
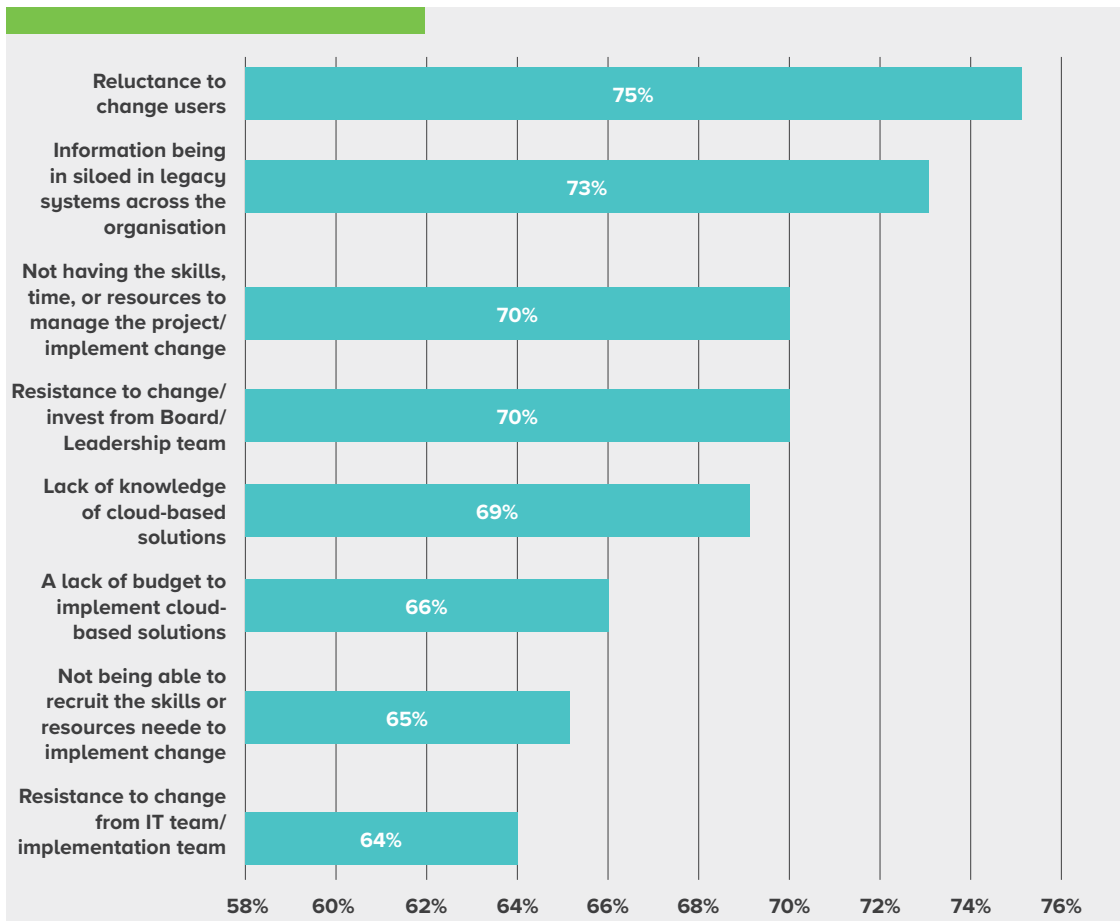
"Moving with the times. More accessibility to global team and will help to implement standards globally."
Survey respondent

Barriers to SaaS adoption

Approximately three-quarters of surveyed responders agree that internal factors are barriers to implementation.

Barriers to transformation

Barrier	Percentage
Reluctance to change users	75%
Information being in siloed in legacy systems across the organisation	73%
Not having the skills, time, or resources to manage the project/ implement change	70%
Resistance to change/ invest from Board/ Leadership team	70%
Lack of knowledge of cloud-based solutions	69%
A lack of budget to implement cloud-based solutions	66%
Not being able to recruit the skills or resources neede to implement change	65%
Resistance to change from IT team/ implementation team	64%

Reluctance to change

Predominantly, the main barrier to transformation programs is the reservation about staff members' willingness to change processes and work routines, considering the time taken to implement wholescale change programs and the efforts needed for extended end-user training. However, this is a common finding across all industries. People tend to adapt quickly to using many Cloud solutions for their personal lives, web apps, and TV streaming, for example; therefore, users need to be on-boarded with the benefits of Cloud-based working, including how it can benefit them personally with increased flexibility and collaboration.

Surprisingly, stakeholders are also cautious of change. Reticence to adopt and adapt to new systems, technologies, and ways of working and owning a lengthy high-profile transformation program could be considered a reason for reluctance.

Information silos and integration concerns

Nonprofits have a history of retaining legacy systems or databases, rendering any integration to SaaS applications or full digital transformation a lengthy, complex, and costly project. The lack of integration between systems can hinder the efficiency and effectiveness of the organization.

Gaps in the skillset

Many (70%) also stated that they lack in-house IT expertise, which alone brings greater complexity to managing implementation projects and the day-to-day running of SaaS solutions effectively. This makes it challenging to select, configure, and maintain SaaS applications, which may require technical knowledge and support.

Most successful transformation projects utilize external industry consultants to define the strategy, drive change programs, and benchmark progress against agreed outcomes and industry standards.

However, just over one in ten in the UK also states that they require more support with integrating Cloud-based applications, underlining that nonprofit organizations must understand that digital transformation will require some level of dedicated change management resource if it is to be successful.

Greater budget and improved resources

When asked what would help them fully transition to the Cloud, more budget (69%) and improved resources (69%) are the two key factors in both regions. Nonprofits in the UK (11%) also require "more support with getting users to embrace change."

Aligning transformation priorities

Both regions are prioritizing the automation of functions differently. In the UK, automating global contracts and suppliers (21%) is the top priority, but it differs from the US in that its other focus for automation is impact planning and monitoring, as well as regulatory, compliance, and sustainability reporting.

Globally, the top priority is the maintenance of regional and global contracts and suppliers, whereas, in the US, it is allocating and reporting dynamic indirect cost allocations. It is also prioritizing the automation of the maintenance of donor information and reporting.

Lacking a compelling reason for change

Conversely, the vast majority (87%) of nonprofit professionals state that they are satisfied with their organization's current enterprise system and applications and have the appropriate level of resources to use enterprise systems and applications effectively. Therefore, unless there is a compelling technical, environmental, or financial need, they are less likely to initiate wholesale digital transformation programs.

However, survey respondents also state that they still struggle with maintaining regional and global contracts and suppliers (21%) and maintaining donor information and reporting (24%), especially capturing the NICRA/ICR rate.

Transformation concerns

Concerns over the time it may take to get up and running with data and systems migration and the need for organizations to divert internal resources onto system migration.

"Data migration is more time-consuming and increases the company's business capacity, which requires a lot of time to complete."
Survey respondent

Lack of training resources

Organizations require more support and resources to help with training their workforce on how to use Cloud-based systems, as opposed to relying on internal staff to support training.

"The main key barrier at the moment is training for those involved in promoting the new Cloud...trainers are being sorted within the organization for the use of the required technology."
Survey respondent

Conclusion

Digital transformation is a key priority for 6 in 10 nonprofit organizations, yet there is still a long way to go to catch up with the commercial world.

Most (9 in 10) already have implemented or have initiated the implementation of Cloud-based solutions for operations, and the majority agree that their transformation program is on time, on budget, and will deliver the expected level of interoperability.

Within the next 2 years, most nonprofits aim to have adopted SaaS solutions for their back office functions – finance, HR, and projects. They clearly see the benefits of transforming (95% consider the transformation will be positive) – and the key benefits are accessibility, collaboration, flexibility, and reduced costs. However, they would benefit from further support, particularly in terms of skilled IT and transformation teams, more budget, and change management resources.

Although nonprofits are on board and do see the benefits of digital transformation, many are challenged with barriers to efficient, successful SaaS implementation – particularly reluctance to change, information being in silos, and integration issues.

The nonprofit sector is embracing digital transformation, demonstrating the value of a Cloud-based strategy to drive innovation that organizations of any size can benefit from.

About Unit4

Unit4's next-generation enterprise resource planning (ERP) solutions power many of the world's mid-market organizations, bringing together the capabilities of Financials, Procurement, Project Management, HR, and FP&A to share real-time information and deliver greater insights to help organizations become more effective. By combining our mid-market expertise with a relentless focus on people, we've built flexible solutions to meet customers' unique and changing needs. Unit4 serves more than 5,100 customers globally across a number of sectors, including professional services, nonprofit and public sector, with customers including Southampton City Council, Metro Vancouver, Buro Happold, Devoteam, Save the Children International, Global Green Growth Institute and Oxfam America. For further information, visit **www.unit4.com**.

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