

ICT in the not-for-profit sector

Infoxchange, Connecting Up and TechSoup NZ

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nous group

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Executive summary

There is an urgent need for the not-for-profit (NFP) sector to improve productivity and efficiency. With government budget cuts, decreases in funding from various sources, and shrinking supporter engagement, this is the time for the sector to do things better, and do things differently. Digital proficiency holds the key to this change, by translating increased productivity to efficiency and effectiveness across the organisation. This will allow organisations to respond to these environmental constraints and adapt accordingly.

This survey has been developed by Infoxchange, Connecting Up and TechSoup NZ (TechSoup) to better understand the use of technology in NFP organisations, and to identify areas that require improvement. The insights from this survey have provided clarity on IT spend, IT planning and IT capability, preferences in use of systems, infrastructure and applications, priorities for the near future, and challenges faced at present.

Key areas of focus and the top insights from each area of analysis are shown below. These are discussed in detail throughout the report.



Spend: Most organisations spend ~3% of their total operating expenditure on IT.



IT capability: Base technology is considered most important followed by IT skills, support and service delivery systems.



Client management: Nearly half of all organisations do not have access to a single client view.



Challenges: Key challenges include securing skilled IT resources, determining areas to spend, and providing affordable training.



Planning: Almost half of organisations that do not have an IT plan in place report having basic or challenged IT capability.



Cloud use: 24% of organisations currently use the cloud. A further 22% plan to move, but a large 54% do not plan to.



Online presence and infrastructure: Facebook and Twitter are most popular for social media; one in eight PCs are XP.



Priorities: Top priorities include improving websites, making better use of social media, and upgrading IT infrastructure.

The survey feedback has helped to focus our effort over the next twelve months. We will:

- Strengthen the Suppliers Directory to help organisations find affordable, skilled IT suppliers
- Develop more training, education and resources focused on priority areas – IT planning, the cloud, websites, social media and staff skills development.

We look forward to seeing the outcome of our efforts in next year's survey results, and to helping all NFPs make the most of technology to achieve their mission and vision.

Background: The NFP sector is increasingly under pressure to do more with less

There is a pressing need for the NFP sector to do things better, or differently to keep up with current sector-wide fiscal constraints. With government budget cuts, decreases in funding from various sources, and shrinking supporter engagement, more needs to be done with fewer resources. This can be achieved through improved digital proficiency, which will drive better productivity and consequently improve efficiency and effectiveness in operations. This will allow organisations to respond to these environmental constraints and adapt accordingly to perform better.

Government	Funding	Supporter engagement
Government is looking for ways to reduce spending	Traditional sources of funding are shifting	Supporters increasingly want to see the impact of their investment
<p>Governments want new models which devolve greater responsibility to the NFP sector and reduce traditional levels of funding. They also increasingly require demonstrable outcomes from funding commitments.</p> <p>This creates pressure on NFPs to become more efficient, competitive and sophisticated in measuring impact and outcomes.</p>	<p>Corporates now more commonly seek alignment between their operations and social outcomes. Further, crowd sourcing through social media has made it easier to establish a social enterprise.</p> <p>NFPs who rely on traditional forms of funding are under threat at all levels. There is an increased need for NFPs to demonstrate alignment to corporate goals, as well as re-invent themselves to decrease dependence on traditional funding sources.</p>	<p>The public now expects far more information about the project the funding is being sought for and will actively engage through social media to do this. Social media is growing as a key factor in supporter engagement strategies, particularly as today's youth become the principal source of public investment for NFPs.</p> <p>NFPs are under pressure to maintain engagement with supporters to drive ongoing investment, and must harness the power of social media.</p>

The need for overall efficiency drives the urgency for digital proficiency

Historically NFPs have under-invested in ICT, with spending usually directed towards frontline service delivery. Without the right technology to drive supporter engagement, to enable staff to deliver services efficiently, to measure client and community outcomes, and to communicate success in a professional manner, organisations will be unable to compete.

Background: Digital proficiency is a strong catalyst for change

Organisations that are digitally proficient are better placed to respond in a challenging environment. They have better control over their investment and funding sources, better infrastructure that enables staff to be productive in changing conditions, and an established online presence that maintains continuity in client and supporter engagement. Attaining this level of IT capability maturity is therefore of very high benefit to the NFP sector as it stands today.

	Basic	Transformational	Benefit
Governance, planning and management	No ICT plan; ad hoc and reactive	Clear and compelling ICT vision and strategic plan, aligned with organisation's vision, mission and goals	Maximum impact from ICT investment
Common ICT platforms and collaboration tools	Individual PCs with no information sharing capability	Information accessible anywhere, supported by functional and easy to use collaboration tools	Staff can collaborate, work productively and access information anywhere
Client information and service delivery systems	Predominantly paper based systems to support client information and service delivery	Integrated, accessible solutions support efficient processes, service delivery and track outcomes	Painless reporting, efficient client services and client outcomes tracked
Social media, marketing and public website	No social media presence and very basic, static website	Broad stakeholder engagement through integration of social media and sophisticated website	Attract new funders, supporters, volunteers, staff and clients
Staff and volunteers' skills and culture	Most staff are uncomfortable using computers, technology and the internet	Staff are keen innovators, drive technology improvements and keep skills up to date	Staff and volunteers' productivity is maximised
Risk management and Disaster Recovery (DR)	We'll worry about it when it happens	Practical ICT DR plan regularly tested. Client data and service provision capability protected with good security	Service interruptions are minimised

Source: Infoxchange

Purpose: This survey helps us understand ICT capacity, strengths and opportunities in NFP organisations

This survey has been developed by Infoxchange, Connecting Up and TechSoup to better understand the use of technology in NFP organisations and charities across Australia and New Zealand, and to identify areas that require improvement. The insights from this survey have helped understand what is already working well and where organisations could continue to improve their technology use. Infoxchange, Connecting Up and TechSoup will use these insights as an input to their strategic planning activities to ensure problem areas in the sector are addressed. An overview of the focus for this analysis, and a summary of the key insights in this report are presented below.

Our methodology sought parallels between technology use and organisational impact

The analysis of survey responses has been rigorous, thorough and focused on tying the use of technology to tangible impact on the NFP. Our aim was to identify the optimal point of capability, investment and planning that would be of most benefit to NFP or charity organisations. The outcomes therefore identify what 'high performance' looks like and allow organisations to draw comparisons based on their relative performance.

The key areas of focus for our analysis are listed below. Key insights from these are discussed in detail throughout this report.



Spend

Recommended spend on IT operations and salaries.



IT capability

Impact of IT capability on revenue generation capability.



Client management

Access to single view of client information and popular systems used for client management.



Current challenges

Top challenges experienced by organisations of all sizes.



Planning

Impact of an IT plan on ICT capability and revenue generation capability.



Cloud use

Appetite for moving to the cloud and barriers preventing the move.



Online presence and infrastructure

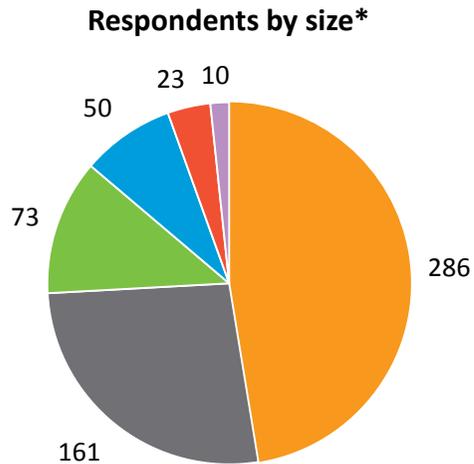
Extent of use of PCs, file sharing, email, social media and websites.



Future priorities

Priority initiatives for organisations of all sizes in the near future.

Snapshot: 603 organisations completed this survey

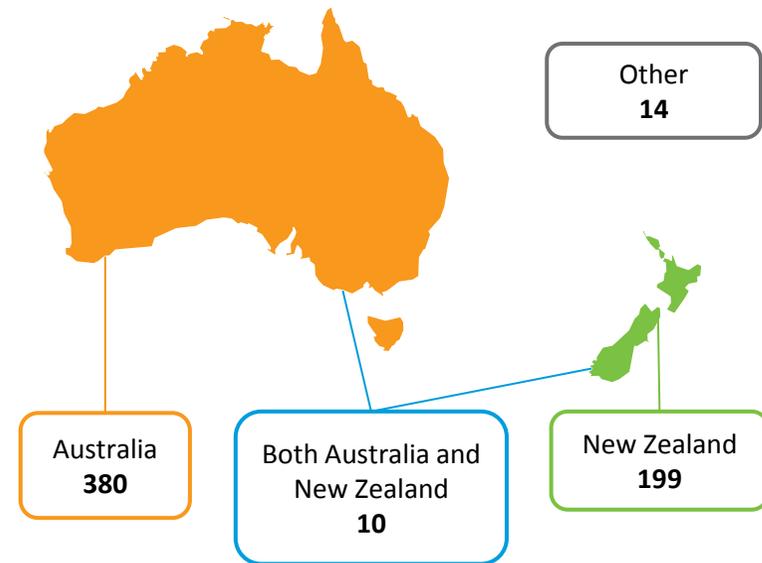


Organisations were categorised by size according to the total number of staff** indicated in their survey response.

The categorisation is as follows:

	Number of staff	Size category
	0 – 5	Very Small – Small
	6 – 20	Small – Medium
	21 – 50	Medium
	51 – 150	Medium – Large
	151 – 500	Large
	500+	Very Large

Respondents by country where services are delivered

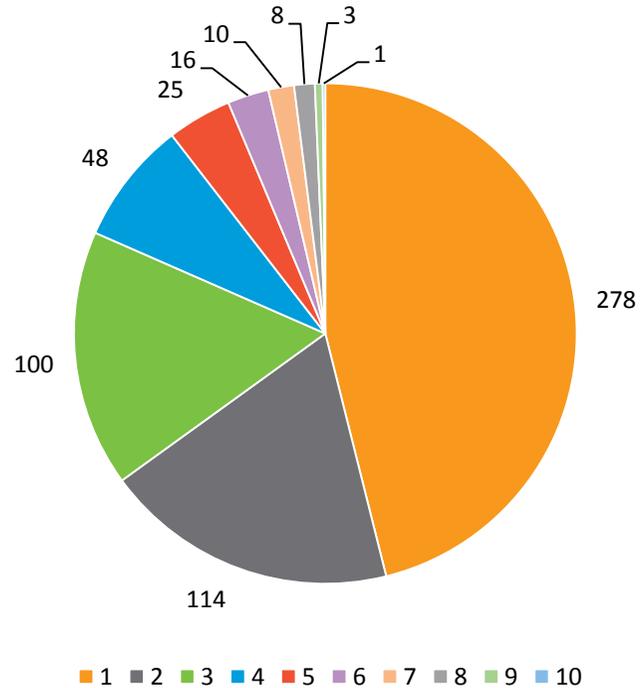


* The survey attracted a total of 794 responses. Of these, 603 were completed to a satisfactory level. These 603 responses have been used in this analysis.

** The number of staff used to calculate organisational size is the total headcount of paid employees provided by respondents. It does not take volunteers or FTE allocations into account.

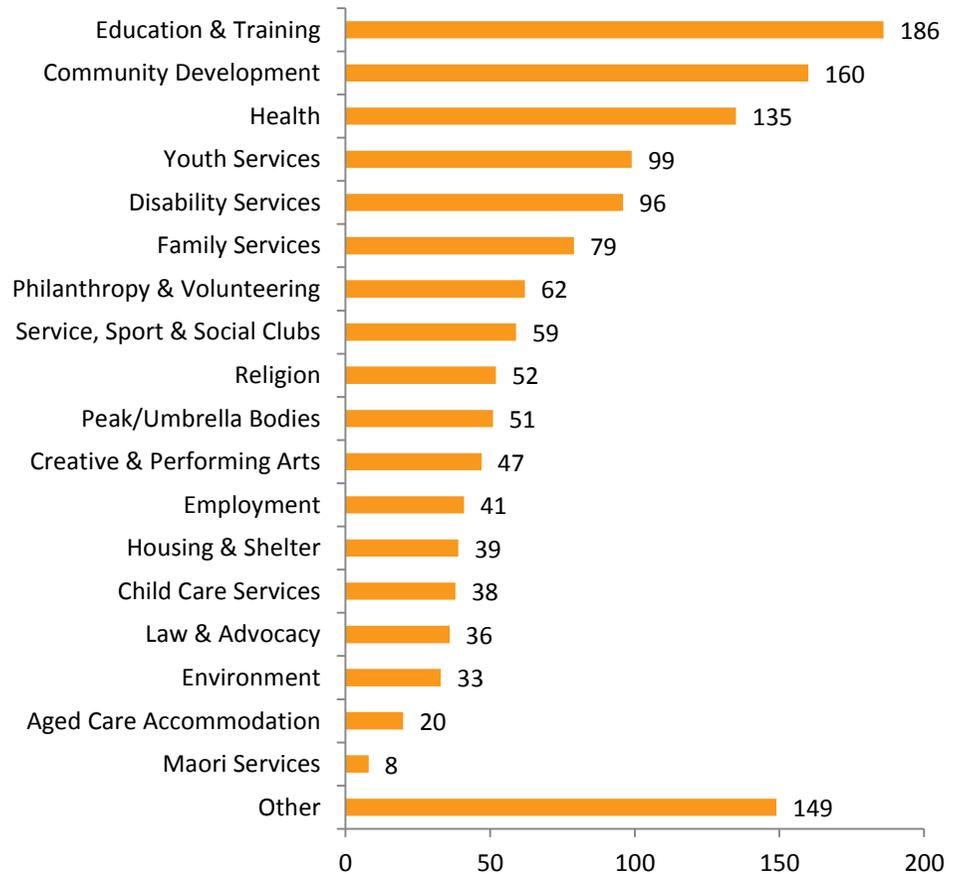
Snapshot: Most organisations operate in 1 to 4 sectors

Respondents by number of sectors they operate in



Education and Training services was the service area most often provided by organisations who responded to the survey, followed closely by Community Development and Health. The figures alongside represent the number of organisations in each sector.

Respondents in each sector



Findings: Our analysis provided detailed insights into eight focus areas

The following eight focus areas were identified for analysis. The insights from each area are discussed on the pages indicated.



Spend: Most organisations spend ~3% of their total operating expenditure on IT.

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Client management: Nearly half of all organisations do not have access to a single view of their client information.

Page 16



Planning: Almost half of organisations that do not have an IT plan in place reported having basic or challenged IT capability.

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Infrastructure and online presence: Facebook and Twitter are most popular for social media; one in eight PCs used are still running XP.

Pages 17 – 18



IT capability: Base technology is considered most important followed by IT skills, support and service delivery systems.

Pages 12 – 14



Challenges: Most organisations have difficulty in securing skilled IT resources, determining where to direct their IT spend, and providing affordable training.

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Cloud use: 24% of organisations currently use the cloud. A further 22% plan to move, but a large 54% do not plan to.

Page 15



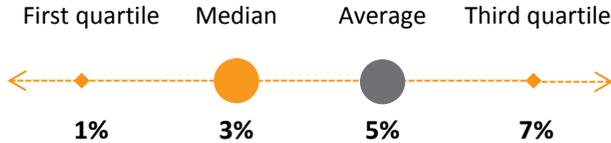
Priorities: Most organisations want to improve their website, make better use of social media and upgrade their IT infrastructure.

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Spend: Most organisations spend ~3% of their total operating expenditure on IT



Range of IT spend* across all organisations



The majority of organisations appear to spend between 1 – 7% of their total operating expenditure on IT. The median spend on IT in most organisations is 3% of total operating expenditure. The average spend is 5%.

These figures vary slightly depending on the size of the organisation. Most very small to medium organisations tend to have a wider spread of spend on IT, ranging from 1 – 9% (median spends range between 2 – 4%). This variance in spend is considerably tighter in larger organisations, where most appear to contain their spend to between 1 – 3% (median spends range between 1 – 2%).

Australian organisations were found to spend more on IT per FTE (AU\$ 4,319) when compared to New Zealand organisations (NZ\$ 2,291).

Average spend per FTE in each area of IT in Australia and New Zealand

Australia: AU\$ 4,319



11%	AU\$ 478	Infrastructure	NZ\$ 251	11%
11%	AU\$ 482	Personal computers and equipment	NZ\$ 524	23%
16%	AU\$ 671	External IT support services	NZ\$ 253	11%
14%	AU\$ 620	Core applications	NZ\$ 232	10%
1%	AU\$ 59	IT training & staff skills development	NZ\$ 37	2%
4%	AU\$ 175	Internet/network data links	NZ\$ 132	6%
2%	AU\$ 81	Other	NZ\$ 57	2%
41%	AU\$ 1,753	Salaries	NZ\$ 805	35%

New Zealand: NZ\$ 2,291



* IT spend is calculated as the total spend on IT, including IT staff salaries, as a percentage of total operating expenditure.

Note: The above information is subject to the following limitations owing to incomplete spend information provided by some respondents:

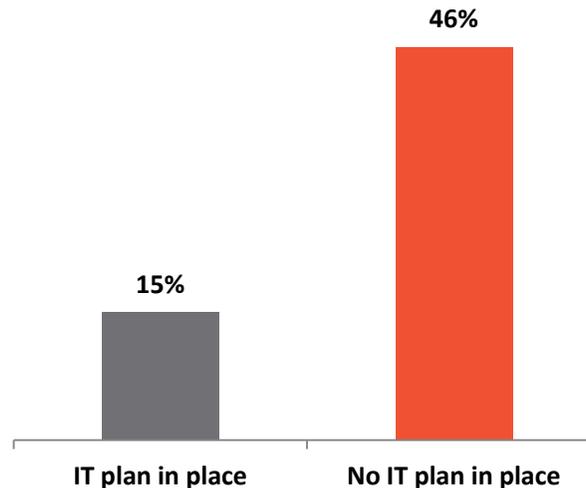
1. The spend information presented above is calculated based on a subset of the entire dataset where complete IT spend information was provided (314 out of 603 organisations).
2. The spend per FTE figures presented above are calculated based on a subset of the reduced dataset where information about FTE allocation to IT operations was also provided, and the core country of operation was either 'Australia' or 'New Zealand' (225 out of 603 organisations).

Planning: Almost half of organisations that do not have an IT plan have basic or challenged IT capability



The presence of an IT plan allows an organisation to clearly identify areas of investment in IT operations in order to operate efficiently, generate revenue, and measure program outcomes. The absence of a formal plan can therefore impact an organisation's ability to focus on the 'right' IT areas. As illustrated below, organisations with an IT plan are less likely to be challenged in terms of their IT capability.

% of organisations that have basic or challenged IT capability, represented by presence of IT plan

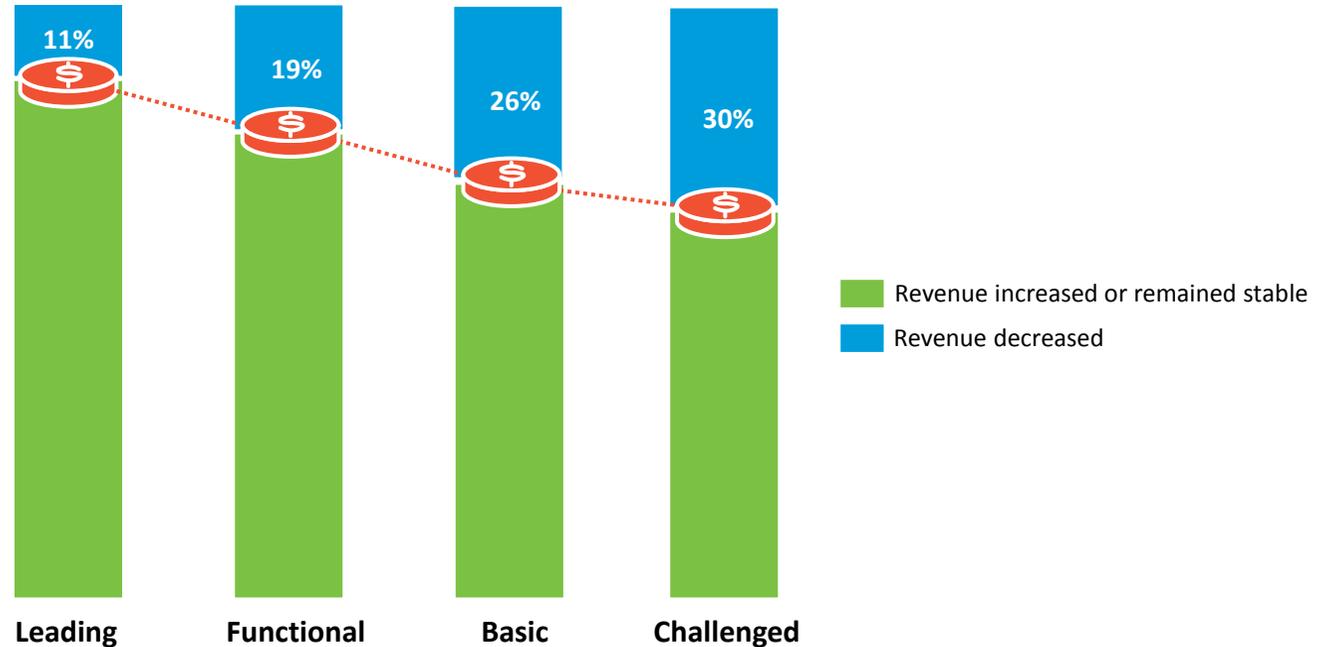


Almost half (46%) of organisations that do not have an IT plan in place report challenged IT capability. This is significantly greater than the 15% of those with an IT plan that have difficulty with their IT. Therefore while it is still possible to be faced with challenges with an IT plan in place, those that do not have one in place are at greater risk. This ultimately impacts an organisation's ability to maintain revenue, as discussed on the next page.

IT capability: A greater proportion of organisations with basic or challenged IT have reported decreasing revenue over the past 12 months



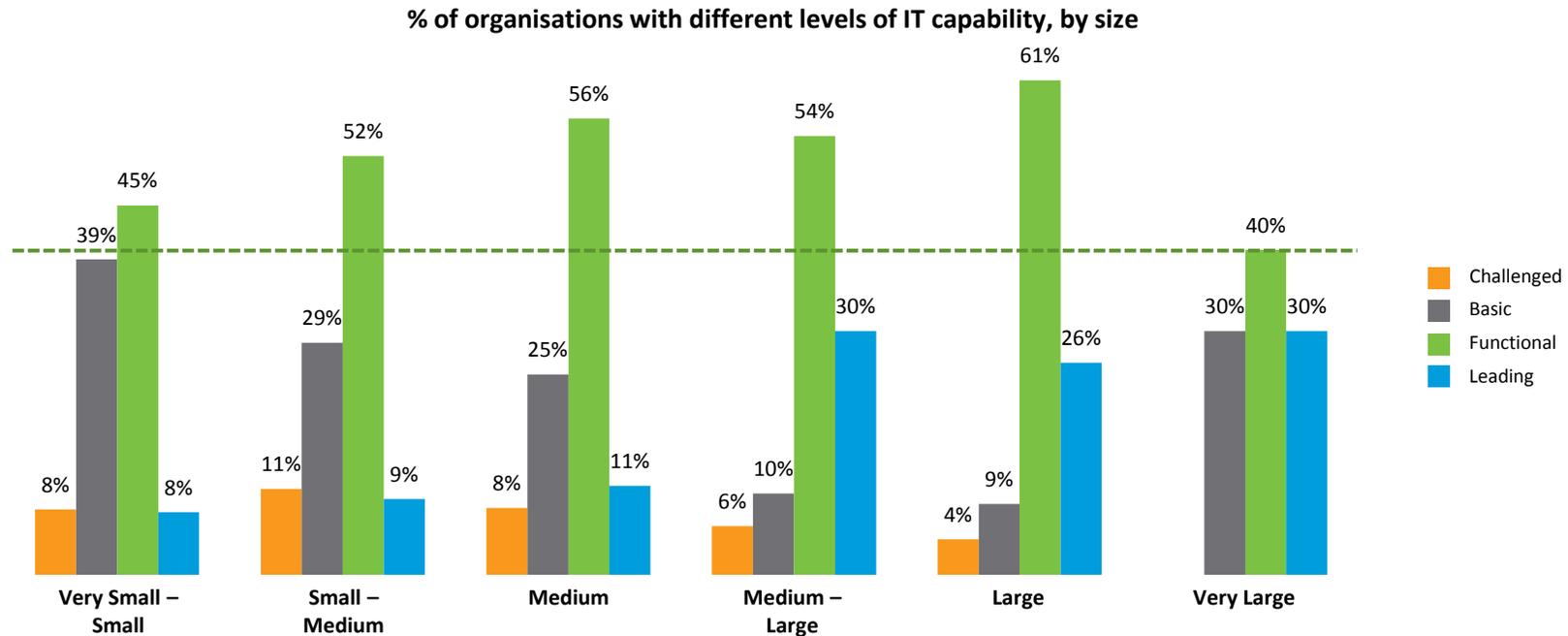
Change in revenue earned in past financial year, by IT capability



There is a positive correlation between IT capability and the ability to grow or maintain revenue, as shown above. Those that have leading or functional IT are more likely to protect their revenue, whereas those with poor IT capability are at greater risk of revenue loss.

Of those with leading and functional IT capability, only 11 – 19% reported a loss in revenue. In comparison, 26 – 30% of those with basic or challenged IT capability reported a revenue decrease.

IT capability: An organisation's size is not a barrier to achieving 'functional' IT

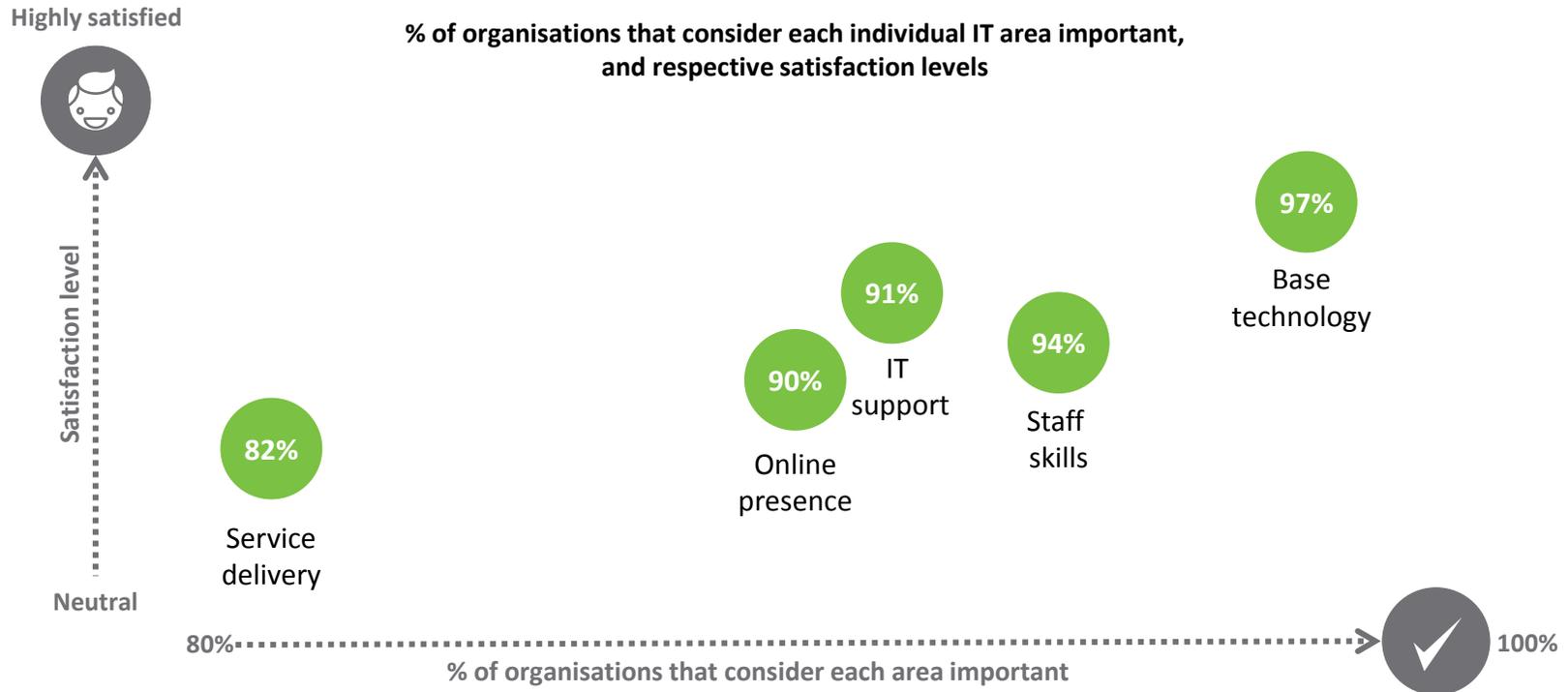


Size and complexity may not always be barriers to establishing satisfactory IT capability. The majority of organisations have functional IT in place regardless of their size. As illustrated above:

- At least 40% of organisations of any size have functional IT
- Over 50% of organisations of any size have either functional or leading IT, however this percentage does increase with size.

In addition, our analysis showed that there was no significant difference between IT capability levels between metropolitan and regional-based organisations, or across Australia and New Zealand.

IT capability: Organisations are more satisfied with the areas that they place importance on



There is a positive correlation between an organisation's IT satisfaction and the importance it places on each area.

As seen above, almost all organisations (97%) place high importance on their base technology, in which they are also highly satisfied. Staff skills are next most important to many organisations (94%) followed by IT support (91%). Satisfaction in these areas is also relatively high.

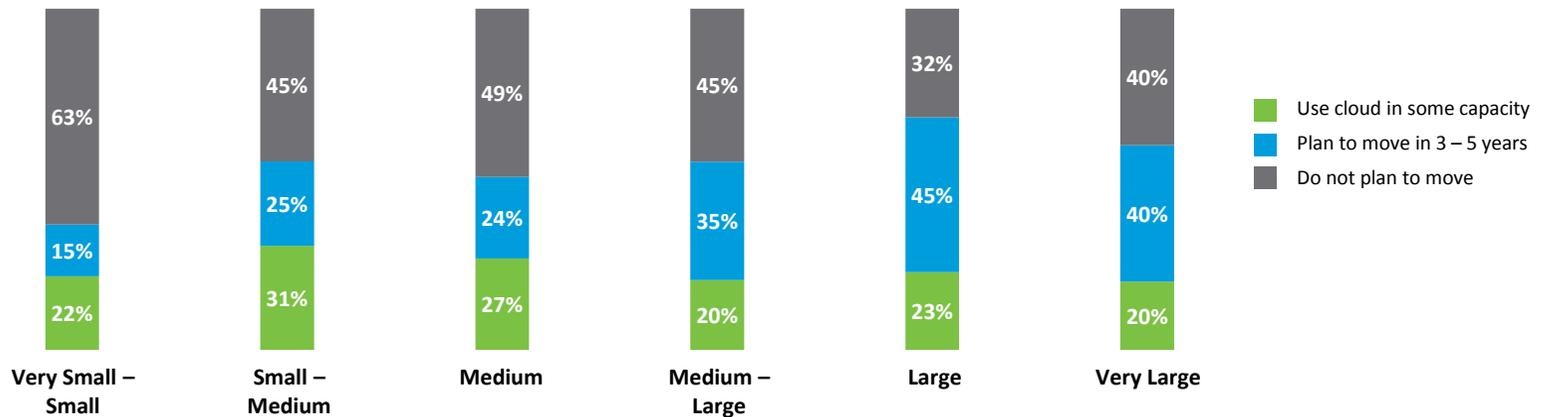
At the lower end, organisations are most dissatisfied with service delivery applications, but they also consider these less important. This potentially affects the level of resources directed towards ensuring these applications are fit for purpose.

Cloud use: The appetite to move to the cloud is greater in larger organisations

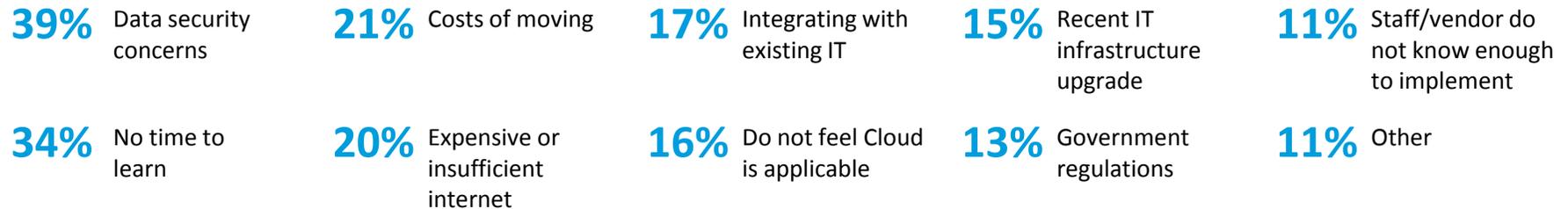


24% of organisations currently use the cloud in some capacity. A further 22% plan to move in the near future, but a large 54% do not plan to move. The proportion of organisations by size that already use cloud in some capacity is consistent.

Appetite to move to the cloud, by organisation size



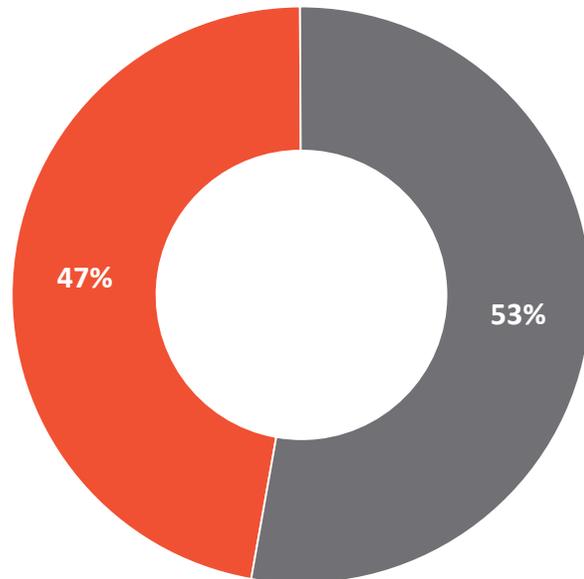
For organisations not planning to move to the cloud, the barriers potentially preventing them from doing so are listed below. Each figure represents a percentage of the organisations not planning to move that have identified the barrier as applicable in their circumstances.



Note: The above information is subject to the following clarifications:

1. The barriers are presented based on the number of organisations that do not plan to move to the cloud. This equates to 313 out of 603 organisations.
2. Respondents were provided with the option to choose multiple applicable barriers, hence the total sum of the percentages across all the barriers is greater than 100%.

Client management: Nearly half of all organisations do not have access to a single client view



- Do not have single client view
- Have single client view

The most common systems used to keep client information are Microsoft Excel (51%), custom developed solutions (21%), Microsoft Access (12%) and paper (6%). Our analysis found that a significant proportion (47%) of all responding organisations do not have access to a single view of their client information. This finding was independent of the organisation size, service area and number of sectors the organisation operates in.

A single view of a client is critical to providing holistic services across programs. Unfortunately many non-profits report that Government mandated systems often prevent organisations from developing a single view of client services, inhibiting the sector's ability to provide quality services and to holistically measure the impact and outcomes from their services.

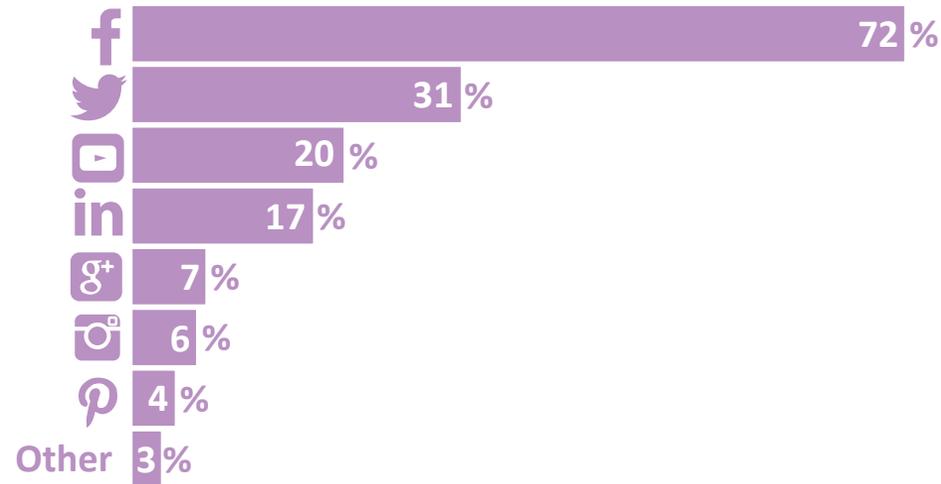
Client management systems can enable NFPs to demonstrate the impact of their activities to funders and a single view of clients is important to optimise service delivery and efficiently understand program outcomes. Better demonstration of impact will enable new levels of investment in the sector, however for this to occur:

- Government client management systems must enable organisations to have a 'single view' of the clients they support, across programs and funders without requiring information to be entered multiple times
- NFPs must invest in package client management systems that can be configured to their needs.

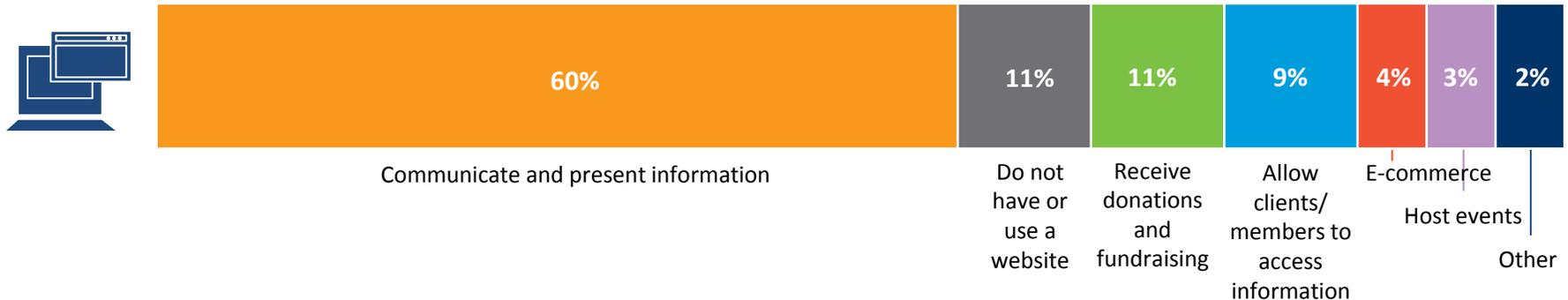
Online presence: Organisations communicate with supporters mostly through Facebook, Twitter and their website



Popularity of social media applications*



Uses of organisational websites*



* Figures represent the percentage of organisations that use each social media application or use their website for each purpose. These figures do not add up to 100% as respondents could choose more than one application or website use.

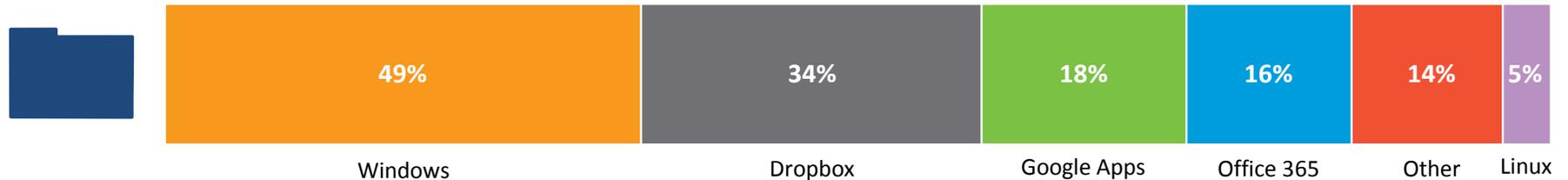
Infrastructure: Microsoft products are most commonly used for PCs, email and file sharing



Types of PCs used*



Popularity of File Sharing applications**



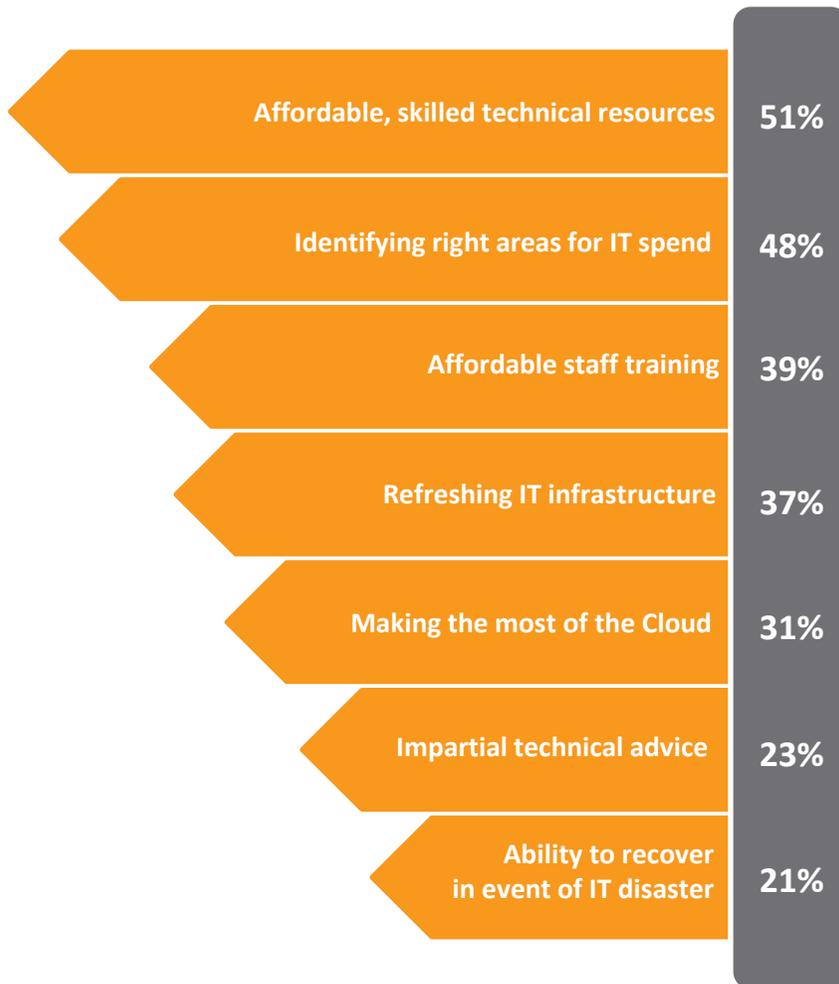
Popularity of Email applications**



* Figures represent a percentage of each type of PC in comparison to the total number of PCs recorded in survey. These figures add up to 100%.

** Figures represent the percentage of organisations that use each application. These figures do not add up to 100% as respondents could choose more than one application.

Challenges: Most organisations have difficulty securing skilled IT resources and determining where to direct their IT spend



For most organisations, the challenge is two-fold: where to improve their IT and how to achieve it. They worry about keeping pace with technology changes to identify where to direct their IT investment, and find it difficult to recruit the right people to implement these changes. This was true for approximately half of all survey respondents.

Most organisations allocate between 1 – 7% of their total operating expenditure to IT, as shown on page 10. The average spend also favours investment in salaries, infrastructure and core applications. However, the challenges identified by survey respondents (left) suggest that while many organisations are investing to build IT capability, the initiatives in place may be having less than the desired effect.

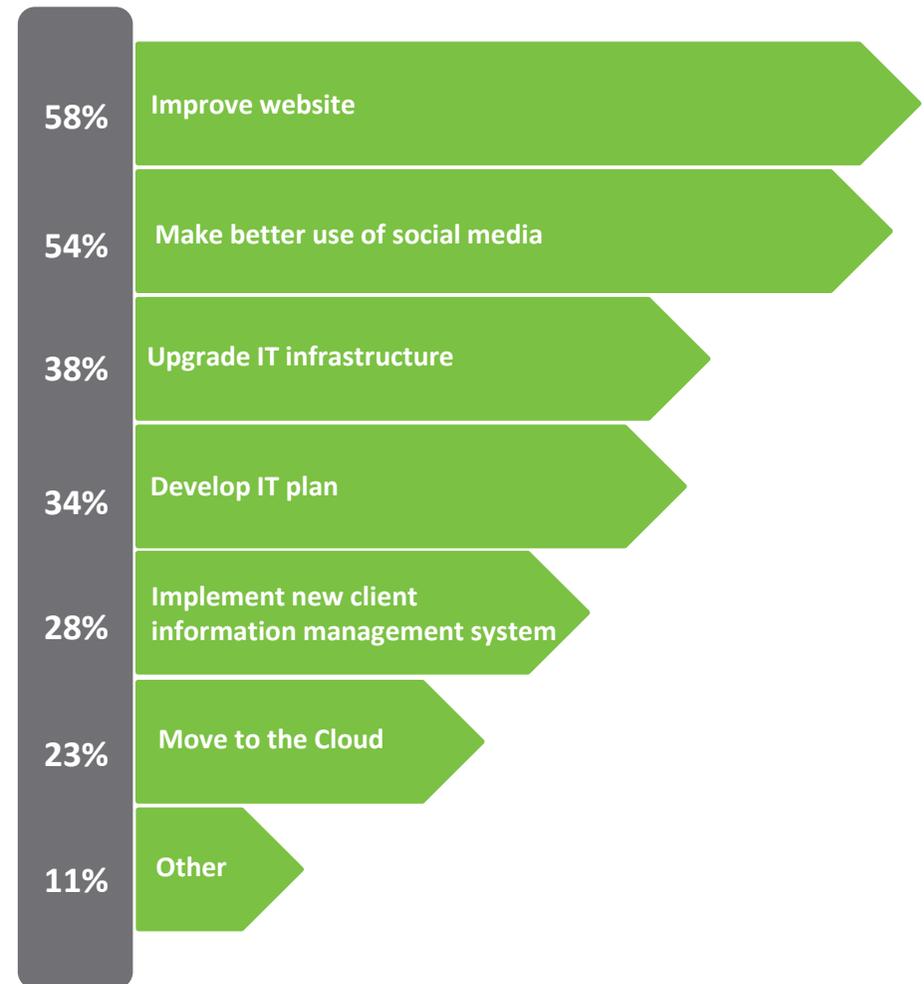
Priorities: Most organisations want to improve their website and make better use of social media



According to the top IT priorities for survey respondents, most organisations are focused on how IT can improve their external presence and engagement with clients and partners. Fewer, but still a reasonable proportion of organisations, are focused on building an internal foundation to improve operational efficiency and effectiveness.

More than half of responding organisations recognise that their website and their use of social media to engage with customers require improvement. This may be a natural response to an increasingly competitive funding environment for NFPs. With more organisations nowadays using technology to reach out to clients and supporters, most NFPs see this as a means to build awareness of their cause.

Initiatives that manage risk and may contribute to increased efficiency, such as infrastructure upgrades, development of an IT plan and implementation of a new information management system are given slightly lower priority by many organisations. Our analysis found that larger organisations tended to prioritise internal improvement more. Priorities such as moving to the cloud, implementing a new information management system and upgrading IT infrastructure grow in importance with organisation size.



Next steps: Infoxchange, Connecting Up and TechSoup have identified five priority areas for the future

Infoxchange, Connecting Up and TechSoup are passionate about helping NFPs use Information Technology effectively. Technology can help organisations work more effectively, reach new clients and funders and strengthen communities. Given your feedback in this survey we will prioritise helping in the following areas.

