The Nonprofit Technology Paradox
Greater efficiency saves money, but requires investing in oneself

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Center for Nonprofit Excellence
Research uncovers a nonprofit technology paradox

Information technology has fostered a global society, increased productivity and efficiencies, and even helped launch revolutions.

It automates processes, streamlines work and organizes information so it can be applied for maximum affect.

Yet making the most of information technology is challenging.

As Fairfield County nonprofits struggle to meet increasing needs with lagging funding, applying information technology to improve efficiencies seems an obvious answer. Yet, understandably, many nonprofits direct funding away from helping themselves in order to help others.

This spring, we surveyed Fairfield County nonprofits to see how they use information technology. We wanted to establish a baseline, uncover challenges, and understand how we could bring about solutions to this paradox.

If you are inspired by what you discover in this report, we invite you to join us in helping Fairfield County nonprofits become even more efficient and effective in our communities. We would welcome your contribution to our Center for Nonprofit Excellence.

Juanita T. James
President & CEO
Fairfield County Community Foundation
2014
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Across the country, nonprofit organizations have embraced information technology to manage, organize, streamline, communicate, measure and analyze.

However, our research found too many Fairfield County nonprofits feel internal and external pressure to direct maximum funding to their program work rather than investing in their own information technology.

The decision to repeatedly under-budget for technology and staff training prevents nonprofits from being as efficient and effective as possible.

In our 2014 survey, 22 percent of nonprofit respondents have no budget for information technology, and 33 percent spend less than $5,000 on information technology annually.
As a result of this underinvestment, some Fairfield County nonprofits cannot adequately train their employees to effectively use technology and support the systems they have in place.

In our survey, 40 percent of respondents regularly experience information technology issues that affect their services and administrative operations.

Since the Fairfield County Community Foundation is itself a nonprofit, we were not surprised by these findings. In fact, we surmised our survey data would highlight this underinvestment.

It did—and it presents clear opportunities to make a difference.
Methodology

This report focuses on how Fairfield County nonprofits are currently using information technology within their organizations. Our findings are a snapshot of technology trends among nonprofits in Fairfield County, Connecticut.

It is not a statistically weighted, representative sample of the Fairfield County nonprofit sector.

Our findings are based on the responses of 80 nonprofit staff leaders in Fairfield County—a 25 percent response rate.

Chart 1: Respondents by Core Service

<table>
<thead>
<tr>
<th>Core Service</th>
<th>Percent of Respondents</th>
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</thead>
<tbody>
<tr>
<td>Advocacy</td>
<td>7%</td>
</tr>
<tr>
<td>Arts, Culture, Humanities</td>
<td>17%</td>
</tr>
<tr>
<td>Education</td>
<td>14%</td>
</tr>
<tr>
<td>Employment</td>
<td>1%</td>
</tr>
<tr>
<td>Environment</td>
<td>7%</td>
</tr>
<tr>
<td>Human Services</td>
<td>17%</td>
</tr>
<tr>
<td>Housing &amp; Shelter</td>
<td>6%</td>
</tr>
<tr>
<td>Mental Health and Crisis Intervention</td>
<td>10%</td>
</tr>
<tr>
<td>Nonprofit Capacity Building</td>
<td>1%</td>
</tr>
<tr>
<td>Volunteerism and Grantmaking</td>
<td>3%</td>
</tr>
<tr>
<td>Youth Development</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
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</tbody>
</table>
We also brought together a small group of nonprofit staff leaders from several nonprofits so they could share their insights on our preliminary data.

This focus group helped us to better understand some of the nuances of the data which were not readily apparent by just the numbers alone.

Survey respondents represented organizations from human services to the arts, with operating budgets ranging from under $250,000 to over $5 million.

See Charts 1 and 2 for detail about our survey respondents.

**Chart 2: Respondents by Size of Operating Budget**
Survey Results and Analysis

For this survey, we defined information technology as: Anything related to your computer network: hardware, software, applications, internet and network capability.

To get a high level perspective on how nonprofits in Fairfield County view themselves with regard to technology use, we simply asked them.

We used descriptions provided by NTEN: The Nonprofit Technology Network, and asked nonprofit leaders to tell us which descriptions most matched their organization’s current approach to technology and technology decisions.

Bright Spots and Trouble Spots

The majority of respondents (54 percent) saw themselves as having stable infrastructures; however, one third of nonprofits characterized their organizations as having basic or failing systems in place.

Eleven percent of nonprofits characterized themselves as innovators—where leadership integrates technology decisions with organizational strategy (Chart 3). This characterization ties into another data point from the survey. Only 15 percent of survey respondents have adopted a written information technology plan for their organizations.

Chart 3: How Nonprofits View Their Use of Technology

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>We’re innovators; we recognize that technology is an investment in our mission, and leadership integrates technology decisions with organizational strategy. Technology responsible staff are involved in overall strategic planning.</td>
<td>11%</td>
</tr>
<tr>
<td>We keep up; we have stable infrastructure and a set of technology policies and practices. Leadership makes technology decisions based on standard levels according to industry/sector information and gathers input from technology staff/consultant.</td>
<td>54%</td>
</tr>
<tr>
<td>We keep the lights on; we have basic systems in place to meet immediate needs. Leadership makes technology decisions based on efficiencies, with little-to-no input from staff/consultant.</td>
<td>22%</td>
</tr>
<tr>
<td>We are struggling; we have a failing infrastructure, and our technology time and budget generally go towards creating workarounds, repairing old equipment, and duplicating tasks.</td>
<td>13%</td>
</tr>
</tbody>
</table>
Nonprofits Underinvest in Technology

Our survey data highlights that nonprofits are investing little money and staff resources in their information technology infrastructure.

Twenty-two percent of respondents have no budget for information technology, and 33 percent spend less than $5,000 on information technology annually.

In our focus group with Fairfield County nonprofit executive staff, some leaders expressed it is difficult to find funding to support information technology expenditures.

They also expressed that spending money on information technology can often be equivalent to “taking money away from program services” (Chart 4).

Chart 4: Annual Budget for Information Technology

22% of respondents have no budget for information technology, and 33% spend less than $5,000 on information technology annually.
33.3% of nonprofits characterized their organizations as having basic or failing systems in place.

**Tech Support is Mixed**

Since there is little financial investment in information technology within nonprofits in Fairfield County, it is not surprising only 5 percent of respondents have a staff member whose sole responsibility is managing their organization's information technology.

Fifty-five percent of nonprofits rely on a combination of outsourced provider and internal staff member to manage their information technology systems (Chart 5).

**Half of Nonprofits Lack Staff Technology Training**

Nearly half—47 percent—of the surveyed nonprofits are not providing information technology training to their staff.

Of the 53 percent providing staff training, 40 percent are Satisfied to Extremely Satisfied with this training.

Some nonprofit leaders who participated in our focus group said their staff are not fully utilizing the information technology software available to them, and many staff are just using the basic capability of that software.

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**Chart 5: Who Manages the Information Technology**

<table>
<thead>
<tr>
<th>Method of Management</th>
<th>Number of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsourced information technology provider/consultant</td>
<td></td>
</tr>
<tr>
<td>Combination of outsourced provider &amp; internal staff members</td>
<td>40</td>
</tr>
<tr>
<td>Staff member whose sole responsibility is managing your information technology network</td>
<td>10</td>
</tr>
<tr>
<td>Staff member with a different primary role other than information technology</td>
<td>15</td>
</tr>
<tr>
<td>Volunteer</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
</tr>
</tbody>
</table>

Number of Response(s)
Underinvestment Exposes Organizations to Risk

When information technology and staff training is inadequately funded, administrative operations and services to clients can be disrupted, work can be lost and time consuming to recover, and client and donor data security can be compromised.

In our survey, 40 percent of respondents regularly experience information technology issues that affect their services and administrative operations.

Good news: 97 percent of organizations backup their data. However, of this group of respondents, 36 percent backup to media located on their premises, such as to removable discs, external hard drives, or a shared drive on the network. This is less secure than backing up to a remote location.

Thirty-seven percent of respondents reported they do not have a disaster recovery plan for their information technology systems.

Ninety-three percent of nonprofits accept credit card payments for services or donations. Of this group, 78 percent are compliant with Payment Card Industry Data Security Standards’ policies and procedures, which are intended to optimize the credit, debit and cash card transaction security and protect cardholders against misuse of their personal information.

97% of organizations backup their data.
Software Picks Among Nonprofit Organizations

Through our research, we sought to better understand the types of software nonprofits use to manage donor data information, financial information and outcomes. We also wanted to capture user satisfaction.

**Donor management software**

No donor management software rose to the top as the most widely used. The most popular software packages include Microsoft Excel, Raisers Edge, Donor Perfect and Giftworks.

Forty-four percent of nonprofits rated their donor management software satisfaction as Satisfied to Extremely Satisfied.

**Financial management software**

Nearly seven out of ten (68 percent) nonprofits use QuickBooks to manage their financial operations (Chart 6). Seventy-two percent of nonprofits rated their satisfaction with their financial management software as Satisfied to Extremely Satisfied.

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**Chart 6: Financial Management Software in Use**

- **QuickBooks**: 68%
- **Sage 100 Fund Accounting**: 9%
- **Blackbaud Fundware, Financial Edge**: 3%
- **Microsoft Excel**: 3%
- **Peachtree**: 8%
- **Other**: 9%
**Outcome Management**

Of the nonprofits we surveyed, 81 percent are required to provide outcome data to their funders. When asked what types of software they use, 35 percent use Microsoft Excel (Chart 7).

Only 31 percent of all respondents rated their satisfaction as Satisfied to Extremely Satisfied with their outcome management software.

Our focus group participants shed some light on how nonprofits are managing their outcome data. Many nonprofits with government contracts are often required to use that governmental organization’s information system to manage their outcome data.

For example, nonprofits that receive funding from the State of Connecticut and provide services to the homeless use the state’s Homelessness Management Information System.

Leaders said these systems often don’t generate all the reports they need. Because of this, organizations have to pull data into Excel to analyze the data.

Other leaders in the mental health field who have transferred to Electronic Medical Records (EMR) also have to pull data from EMR into Excel to analyze it.

These leaders said they felt most organizations use Excel to analyze their data, even when the data may reside in another system.

These leaders also expressed frustration over having to satisfy a host of different funders’ outcome requirements, thus leaving them little time for their own analysis of data for organizational learning.

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**Chart 7: Outcome Data Software in Use**

- **35%** Microsoft Excel
- **5%** Microsoft Access
- **18%** Custom built application
- **23%** Software is not used to track outcome data
- **5%** Salesforce
Challenges, Obstacles to Using Technology More Effectively

Understanding the challenges Fairfield County nonprofits face in applying technology was one of our research goals.

To be blunt, the biggest hurdle is money.

Survey respondents said their biggest challenge to using technology more effectively is the lack of financial resources they could devote to information technology.

This is not surprising. Fifty-five percent of respondents spend less than $5,000 annually on information technology.

Not being able to invest in software and hardware updates was an obstacle, as was not being able to find funders who would support investment in information technology.

In addition, diverting money from program priorities to information technology was noted as “not possible.”

Survey respondents said their biggest challenge to using technology more effectively is the lack of financial resources they could devote to information technology.
**Shared Frustrations**

Staff’s lack of knowledge and the lack of dedicated information technology personnel are also big hurdles. Even when nonprofits have appropriate software, many respondents said they have no budget to train staff in how to make the most of their software.

The nonprofit leaders in our focus group discussed the essential technology skills for every new hire. Many felt all nonprofit staff should be proficient in Microsoft Outlook, Word, PowerPoint and Excel.

These leaders discussed whether testing proficiency levels should be a condition of employment. There was not uniform agreement on this, but all agreed proficiency was necessary for effective operations.

This group of leaders also discussed whether each staff person was responsible for seeking training, or whether the organization was responsible for training staff on technology used within the organization.

Organizations also expressed frustration over systems that were unreliable, and not having any dedicated information technology personnel to address issues as they arise.

Diverting money from program priorities to information technology was noted as “not possible.”
Our research clearly indicates Fairfield County nonprofits are missing efficiencies from information technology due to lack of funding for technology and training, and unsatisfactory software.

This is creating risk for these organizations, and inhibiting their operating at peak levels of efficiency and effectiveness.

They are not alone.

According to the 2014 State of the Nonprofit Sector Survey conducted by the Nonprofit Finance Fund, demand for nonprofit services continues to climb while donations have still not recovered to levels prior to the Great Recession.

According to this national study, 41 percent of Connecticut nonprofits are operating with a deficit, and 52 percent of Connecticut nonprofits have less than three months of cash on hand.

Given the calling of these nonprofits, it is not surprising they choose to drive their dollars to urgent program needs and underinvest in their technology.

41% of Connecticut nonprofits are operating with a deficit, and 52% of Connecticut nonprofits have less than 3 months of cash on hand, according to 2014 State of the Nonprofit Sector Survey.
Doing More with Less is Unsustainable

The consequences of underinvesting in nonprofit operations have been documented in “The Nonprofit Starvation Cycle,” published in the *Stanford Social Innovation Review* in the fall of 2009, and, more recently, by Dan Pallotta in his March 2013 TED Talk, “The Way We Think About Charity is Dead Wrong.”

These works are shifting how the public evaluates nonprofits. In 2013, the leaders of the country’s three leading sources of information on nonprofits—GuideStar, Charity Navigator, and BBB Wise Giving Alliance—wrote an open letter on a new website, www.overheadmyth.com. They wrote:

“Overhead costs include important investments charities make to improve their work: investments in training, planning, evaluation, and internal systems—as well as their efforts to raise money so they can operate their programs. When we focus solely or predominantly on overhead...we starve charities of the freedom they need to best help the people and communities they are trying to serve.”

While there has been a national shift in how nonprofit work is evaluated, and growing recognition that investing in nonprofit operations is critical for effectiveness, advocating for this at the local level is vitally important.

What’s Ahead

We hope these research findings will create awareness about this issue. We also hope donors and funders recognize the need to invest in nonprofit operations/overhead as well as their mission-related work.

At the Fairfield County Community Foundation, we are exploring ways we can specifically help in this area. We envision creating a flexible pool of funds we can use to strengthen nonprofit technology systems in Fairfield County.

Through our Center for Nonprofit Excellence, we are exploring providing peer learning forums to guide organizations as they choose new software applications, workshops on information technology planning, and assessing information technology infrastructure.

As we consider these and other solutions, we invite like-minded donors and funders to join us in helping Fairfield County nonprofits escape the information technology paradox. When nonprofits run more efficiently, they make a greater impact.
Thank You, Thank You

The Fairfield County Community Foundation thanks these individuals who participated in a small focus group on May 6, 2014 to discuss our preliminary results to the survey:

Kim DiBella-Farber, Chief Operating Officer - Child Guidance Center of Southern CT
Camille Guthrie, Director of Operations - Social Venture Partners CT
Tripp Killin, Executive Director - Jeniam Foundation and Social Venture Partners CT
Anahaita Kotval, Chief Operating Officer - Inspirica
Ceci Maher, Executive Director - Person to Person
Novelette Peterkin, Executive Director - Carver Center
John Reid, Executive Director - Fairfield Theatre Company
Leigh Shemitz, Executive Director - Soundwaters
Ted Yang, Social Venture Partners CT

Technology Resources for Nonprofits:

Idealware – www.idealware.org - offers product reviews and reports on software of interest to nonprofits.

NPower - www.npower.org - Mobilizes the tech community and provides individuals, nonprofits and schools access and opportunity to build tech skills and achieve their potential.

NTEN - www.nten.org - Membership organization of nonprofit technology professionals. Members share the common goal of helping nonprofits use all aspects of technology more effectively.

TechImpact – www.techimpact.org - Mission is to ensure that all nonprofits can use technology to better serve our world.

TechSoup - www.techsoup.org - connects your nonprofits, charities, or public libraries with discounted tech products and services, plus learning resources to make informed decisions about technology.
The Fairfield County Community Foundation created the Center for Nonprofit Excellence (CNE) to enhance the effectiveness of Fairfield County nonprofit organizations. Services provided to local nonprofits include:

- High quality, affordable professional development workshops for Fairfield County nonprofit executive directors, senior staff and board members
- Gatherings for nonprofit leaders from across Fairfield County, so they can learn from each other, exchange best practices, and explore collaborations to better serve the community
- Leadership training and coaching to the rising leaders in Fairfield County
- Expert, one-on-one technical assistance to nonprofit executives and board members who call us with specific management questions. The CNE serves as a one-stop clearinghouse for nonprofit management information
- Deeply discounted subscription rate for an online database of 1,000+ grant makers across the United States
- A countywide calendar for scheduling nonprofit fundraising events, and free meeting space for Fairfield County nonprofits.

In addition to Community Foundation support, the CNE is generously funded by the Albert and Helen Meserve Memorial Fund, The Bluenose Fund at the Fairfield County Community Foundation, First County Bank Foundation, JP Morgan Chase Foundation, Main Street Resources, Newman’s Own Foundation, People’s United Community Foundation, Pitney Bowes Foundation, Purdue Pharma, Savings Bank of Danbury Foundation, The Ruth Brown Foundation, and Wells Fargo.

**How You Can Help**

Support The Center for Nonprofit Excellence at the Fairfield County Community Foundation.

**It’s easy to make a secure, online donation**
1. Go to www.FCCFoundation.org
2. Click on Donate Now
3. Select “The Center for Nonprofit Excellence”
4. Choose your gift amount

Your tax-deductible gift will join donations from people like you who recognize the importance of helping Fairfield County’s nonprofits become more efficient and therefore more effective in the community.
About the Fairfield County Community Foundation

Our vision is to foster a vital and inclusive community where every individual has the opportunity to thrive.

We promote philanthropy as a means to create change in Fairfield County, focusing on innovative and collaborative solutions to critical issues impacting the community. We bring together passionate people and trusted resources to create lasting change.

We are in compliance with the Council on Foundations’ 41 national standards for community foundations. The Community Foundation has awarded over $168 million in grants to nonprofits in Fairfield County and beyond.

To learn more about The Fairfield County Community Foundation and its Center for Nonprofit Excellence, visit www.FCCFoundation.org.