

The road to digital transformation in nonprofits: From operations to strategy

In Fall 2017, Russell Reynolds Associates surveyed more than 1,300 senior executives across all industries to understand their views on digital transformation within their organization. The findings below summarize the unique perspective of nonprofit executives.

Nonprofits accept the importance and potential of digital...



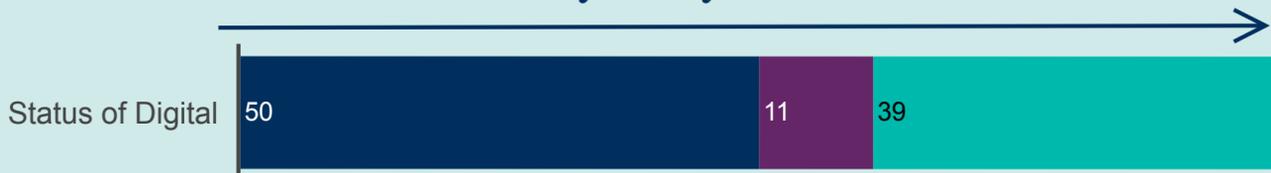
74%

agree that their org. has been at least somewhat disrupted by digital to date.

71%

agree that their org. will continue to be at least somewhat disrupted by digital in the next 12 months.

... But have not yet fully embedded it.

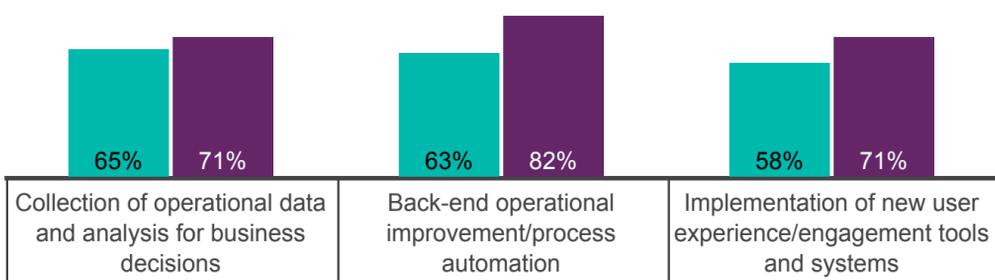


● Technology but no strategy ● Strategy but not yet embedded ● Fully embedded digital strategy

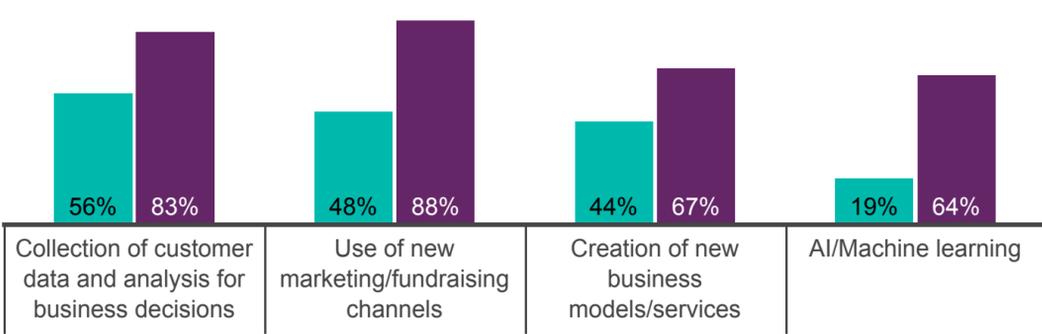
There is a bifurcation in maturity of digital transformation, with organisations split between opposing ends of the strategy integration spectrum.

Digital technologies are not being used where they are seen as being most important. This discrepancy suggests a desire for more strategic applications, but an inability to do so.

For more operational and back-end uses, there is alignment between current initiatives and their perceived importance.



● Digital initiatives currently being undertaken (% nonprofit respondents)
● Digital initiatives deemed very or extremely important (% nonprofit respondents)



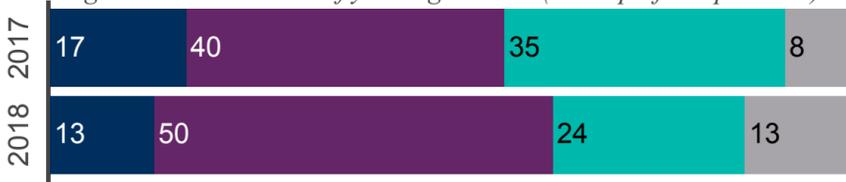
For more strategic and front-end uses, there are significant differences between current initiatives and their perceived importance.

3 barriers to full digital optimization

1. Organizational structures and ownership

PLACE WITHIN THE ORGANIZATION

Organizational structure of your digital team (% nonprofit respondents)

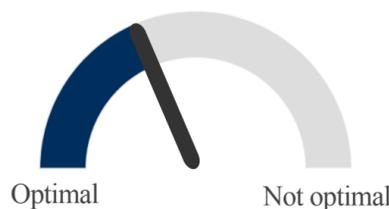


● Decentralized ● Hybrid ● Centralized ● Other

There is no single optimal organizational structure for digital but hybrid models - which allow for both integration and customization - are becoming more predominant.

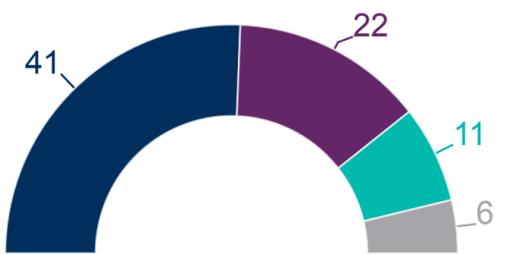
While this trend applies across sectors and allows to maximize the benefits of both centralized and decentralized structures, only about a third of respondents agree that their org. is structured to optimize digital opportunities.

My org. is structured effectively to optimize digital opportunities (% nonprofit respondents who agree)



OWNERSHIP ON THE SENIOR MANAGEMENT TEAM

Who is responsible for setting digital strategy? (% nonprofit respondents)



● CEO ● CTO/CIO ● CMO ● CDO

Key questions to consider:

- Does the CEO have the **time, expertise, guidance and support required** to define and sponsor an effective digital strategy?
- Do your technology leaders have the **strategic skills** required to lead a **full scale transformation**?

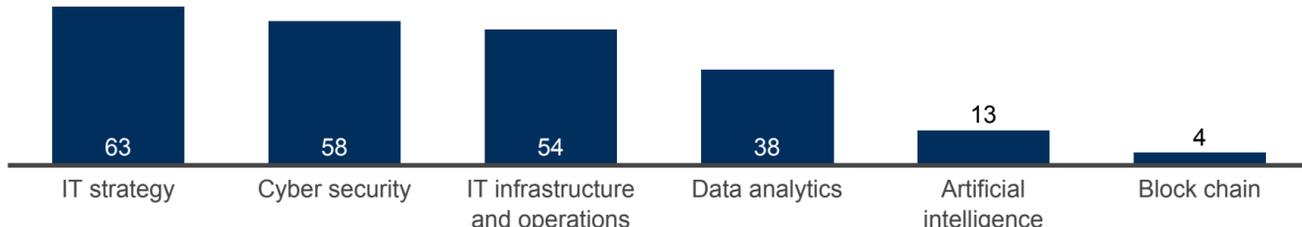
REPRESENTATION ON THE BOARD



Frequency of digital discussions at board meetings

● Never ● Occasional ● Majority ● Always

Topics discussed at board meetings



Digital discussions at board meetings are rare and tend to focus on infrastructure rather than innovation. This lack of consideration is no doubt facilitated and compounded by a lack of digital expertise on the board and a reluctance to fill this skills gap.

56%

do not have a digital specialist on their board.

17%

are willing to consider recruiting NEDs with digital expertise.

2. Organizational culture



92% of respondents believe that their org.'s **culture impacts the success** of its transformation efforts...



... But only about half agree that they have the **right culture** to achieve digital strategy and that their culture has been **changed to enable digital transformation**.



Cite **organizational inertia** as a very or extremely significant barrier to digital optimization.

While this is low compared to other sectors, it nonetheless suggests that **departments are too fixed in their ways**.



Cite **insufficient investment** as a very or extremely significant barrier to digital optimization.

Not prioritized from a cultural perspective, digital is not allocated the **financial capital** needed to reach its potential.

Hallmarks of a digital culture:



Innovation

Support for ideation and placing value on creative ideas and solutions



Agility

Emphasis on being nimble and functioning collaboratively



Insight

Proactive in identifying strengths and opportunities across key priorities



Future orientation

Significant value placed on a bold strategy and competitive spirit

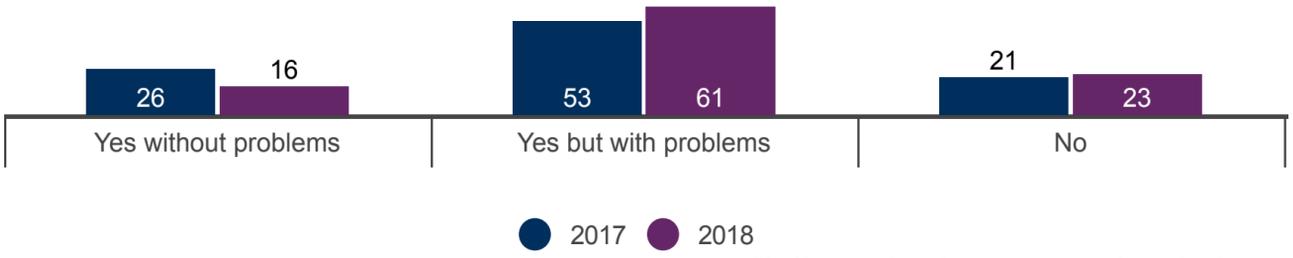
3. Access to and availability of talent



Cite **lack of integrated digital expertise** as a very or extremely significant barrier to digital optimization.

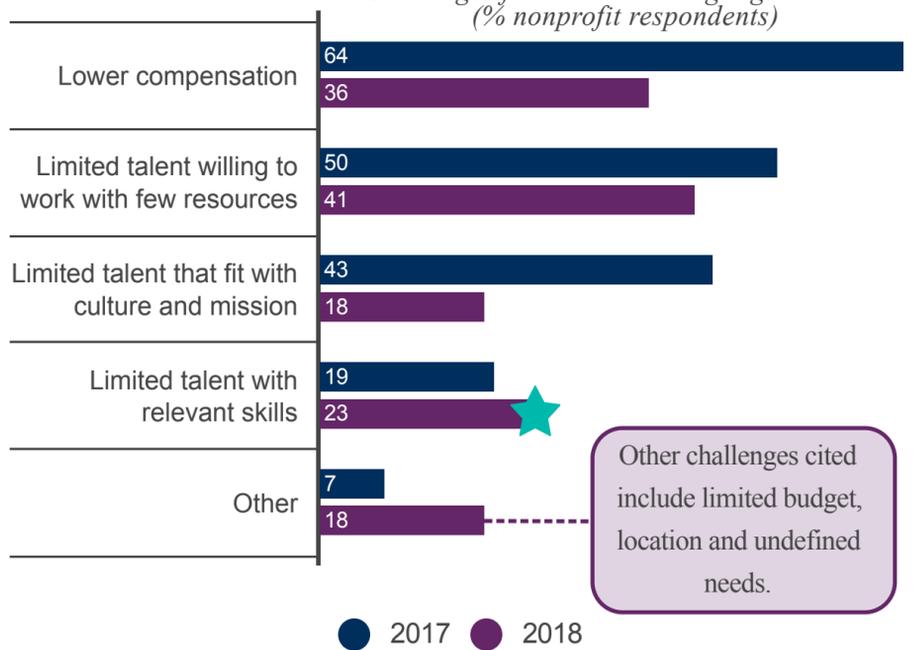
This challenge is compounded by **increased difficulty accessing digital talent**.

Do you have access to digital talent? (% nonprofit respondents)



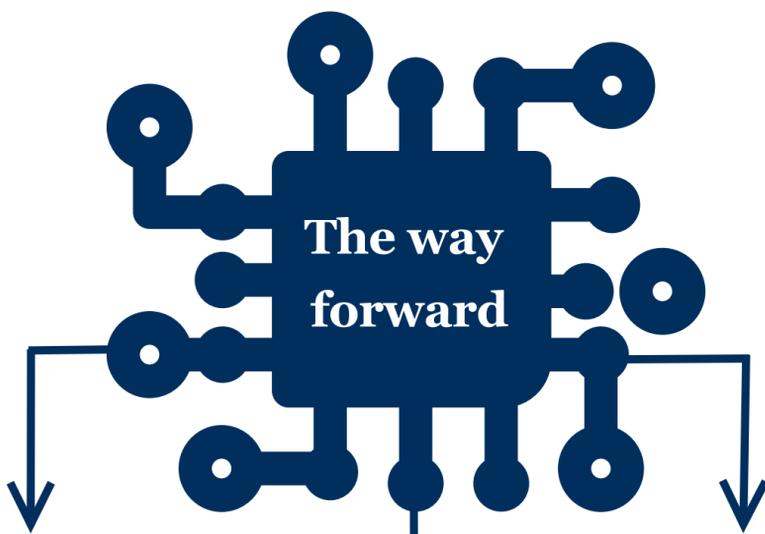
While more organizations are reporting difficulty accessing digital talent than last year, the **specific challenges have changed**.

Whereas compensation was historically the main hurdle, it has now become a matter of **supply and demand**: talent with relevant expertise has not increased alongside willingness to work in the often resource-constrained nonprofit sector.



This limited supply of talent is likely compounded by **preferred candidate pools**, which skew towards the private sector.

Where do you look for digital talent? (% nonprofit respondents)



Integrating expertise

- Streamline decision-making:** Even with a hybrid model, adopt a reporting structure which flows all digital decisions through an expertly qualified CDO, who reports to the org.'s CEO.
- Equip the board:** Recruit digital talent to the board to ensure it is capable of fulfilling its strategic role effectively.
- Guarantee buy-in:** Educate all team members on digital successes and create a culture of innovation.

Combating inertia

- Disrupt productively:** Use new projects to bridge together siloed functional departments.
- Institutionalize collaboration:** Revisit the traditional division of labor and identify barriers to collaboration so that cross-departmental partnerships become the norm.
- Create accountability:** Establish expectations around the org.'s digital aspirations and individuals' responsibilities towards meeting these.

Recruiting successfully

- Broaden horizons of candidate pools:** Look beyond the currently favoured media/tech. companies for digital talent. Candidates from relevant nonprofits in particular may be savvy at navigating sector-specific digital challenges.
- Increase investment:** Set yearly targets for digital investment and earmark funds accordingly, thereby signalling to candidates a commitment to innovation.