REGION FOCUS: NORTH AMERICA

Modernize Workflow and Financial Systems to Improve Financial Stewardship for North American Nonprofit Organizations

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Table of Contents

CLICK BELOW TO NAVIGATE TO EACH SECTION IN THIS DOCUMENT.

In This InfoBrief

This InfoBrief discusses how nonprofit organizations in North America can make strategic and proactive decisions about financial systems modernization to maximize the benefits of available public cloud offerings that are purpose-built for the nonprofit sector.

All data from IDC's *Workday Multi-Industry Study,* June 2023

Nonprofits rely on the ability to track and manage funding as well as projects to ensure financial compliance and sustainable delivery of services. Nonprofits must prioritize strategic planning with up-to-date visibility into resources from grants to workforce, as essential capabilities to deliver on their mission. Today, nonprofit organizations face challenges due to a lack of insight into resources and operations, and slow and cumbersome manual financial processes.

Nonprofits need to consider purpose-built solutions to meet their needs in resource management (capacity/forecasting) and project visibility to manage risks and maximize the impact of every dollar. Modernizing financial applications and IT operations can reduce costs and enable use of resources more strategically and effectively. Nonprofits can leverage advancements in AI, automation, and data intelligence to drive decisioning and enhance community, donor and employee experiences in the context of complex compliance environments.

The Top Organizational Priority for Nonprofits Is Easy and Accurate Funds Management

Funds management and reporting for compliance and donor accountability are fundamental to nonprofit operations. These processes, along with insights to support decision making, and having the right staff, must enable nonprofits to respond to:

- ✓ New policies and regulations that often accompany grants and new funding

- ✓ Donor requirements for accountability and transparency

- ✓ Employee expectations for upgraded work environments, especially those in the field or in demanding service positions

- ✓ Staffing and skills shortages in IT and specialized functions

What are your organization's top priorities for improving or competing in the nonprofit sector?

46%
Easy and accurate funds management, tracking and reporting for compliance and donor accountability

36%
Using accurate and easily sourced data insights for effective and impactful organizational decision making

34%
Attracting and retaining the right talent to deliver the high-impact services

34%
More effective resource management (financial, human, etc.)

33%
Improving visibility into operations for better strategic planning

Modernizing Finance and Planning Systems Is a Key Priority for Nonprofits

Nonprofit organizations typically operate in an environment that requires a high level of financial stewardship and careful planning to efficiently and effectively deliver services and meet organizational mission.

53% of nonprofit executives are mixed on the health of nonprofit organizations and whether they can pivot as needed to survive.

To achieve organizational goals focused on funds management, data insights and staffing, finance and planning are top priorities for improvements.

61% of North American nonprofits report that improving the finance function is the most critical and/or top priority.

76% report that improving financial planning is the most critical and/or top priority.

The Need for Deeper Insights, Information, and Faster Decision Making Drives Finance Improvements

The drivers for improvement in financial systems are strategic.

Nonprofits are interested in the business outcomes improved systems can provide; cost control and lowering costs are less important in driving modernization efforts.

Changing economic and work environments require agile finance and planning systems for responsive decision making and action.

What are the main factors driving the view that improving finance is a top priority?

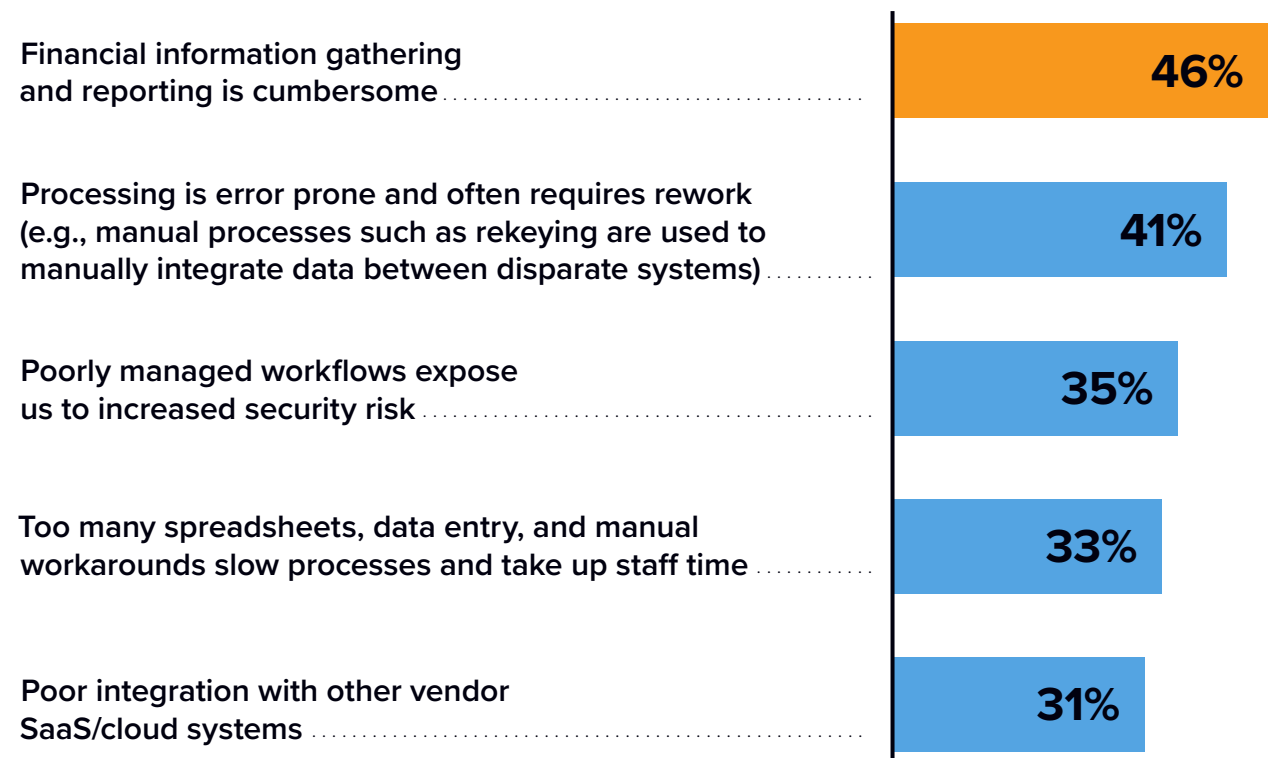| 63%	51%	48%	23%	17%	12%
Need for deeper business insights	Need for better information	Need for faster decision making	Need to lower costs	Pressure from executive management	Don't have the resources to invest

Cumbersome, Manual, and Error-Prone Processes Burden Staff and Limit Agility and Efficiency

Manual processes in functions such as capacity planning, donor and grants management and financial close are time consuming, costly and inefficient.

46%
of nonprofits report that financial information gathering and reporting is cumbersome. The manual processes to rekey data and/or merge data means financial processes are error prone as well as slow.

Which of the following are significant frustrations your organization has with its current finance and planning systems?

Financial information gathering and reporting is cumbersome	**46%**
Processing is error prone and often requires rework (e.g., manual processes such as rekeying are used to manually integrate data between disparate systems)	**41%**
Poorly managed workflows expose us to increased security risk	**35%**
Too many spreadsheets, data entry, and manual workarounds slow processes and take up staff time	**33%**
Poor integration with other vendor SaaS/cloud systems	**31%**

Financial Data Requires Significant Staff Effort to Reconcile and Doesn't Support Quick Decision Making

48% of North American nonprofits report that it requires **significant effort to reconcile data issues.**

44% of North American nonprofits report that it requires **more than five days to complete monthly financial reports after month-end close.**

Cloud Services Provide Benefits That Address Key Challenges

The majority of nonprofit organizations that embrace cloud services for financial management and planning realize significant benefits.

67% **Improved decision making:**
Access to trusted data provides the insights needed to make better decisions

65% **Increased efficiency and agility:**
Streamlined processes enable response to changing market conditions through digital transformation

61% **Improved compliance and accountability:**
Leveraging built-in controls and automation reduces risk of overspending/underspending

56% **Enhanced customer experience:**
Tailored offerings deliver seamless service

51% **Reduced IT maintenance:**
Less maintenance tasks frees up IT to focus on strategic projects and uptake new innovations

▶ Updated financial management systems can provide digital workflows for financial management which reduce errors and free up staff from manual processes.

▶ Financial systems that provide a common view and can enable insights across departments help organizations manage projects better, find issues earlier, track overspending or underspending, support compliance, and deliver improved services.

Cloud-Based Systems Provide Access to AI and AI Automation Tools

Cloud applications have embedded analytics and AI that can provide important new capabilities for employees from recommendations engines and automation of manual processes to anomaly and error detection.

Nonprofit organizations are using or considering using AI in a variety of ways in financial processes, from anomaly detection to automation such as scanning receipts.

In addition, organizations are planning to leverage AI significantly over the next 1–2 years as **40%** of non-profit organizations **plan to use AI for recommendations such as intelligent resource management, skills inventory matching, staffing and scheduling, and talent search.**

40%
Recommendations
(Intelligent resource management, skills inventory matching, staffing and scheduling)

26%
Automation
(Receipt scanning for expenses, time tracking, auto-skip approvals, self-reconciling accounts)

26%
Anomaly detection
(Journal entries, expense reports)
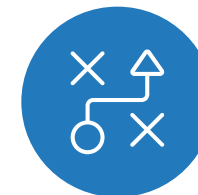
8%
Not considering any of these options

Objectives for New Investment Show Improved Data, User Experiences and More Automation Are Common Goals
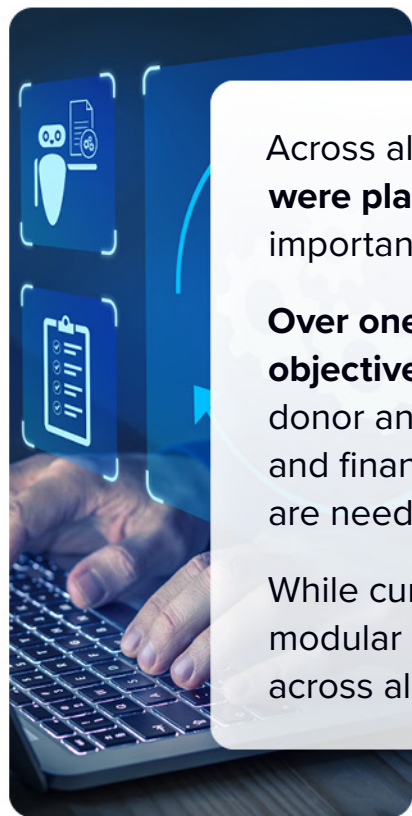
Across all functions, more than **95% of nonprofit organizations were planning new investments.** However, objectives varied in their importance by function.

Over one-third of nonprofits report improved data quality is a top objective for resource management, time and expense tracking, donor and grants management, financial close and consolidations, and financial reporting and analysis. More intuitive user experiences are needed in time and expense tracking, and billing and invoicing.

While current finance applications can provide all of these benefits, modular cloud services allow for purpose-built processes across all functions.

What is your top objective for new investments in each of these processes?
(Average response across processes)
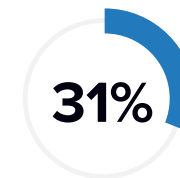
31% Improved data quality and quantity

29% More intuitive user experiences
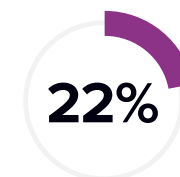
22% More automation

Key Takeaways

For nonprofits in North America, accurate and faster financial processes are essential for better-informed planning, decision making, and financial stewardship.

Time is of the essence; consider investments now as your teams are prepared to make changes. North American nonprofit organizations are ready to make investments to modernize their finance and planning systems — 73% report being prepared/completely prepared to make changes in finance and 86% are prepared/completely prepared to make changes in planning over the next 18 months.

Plan for significant change management and training to move employees to a new system. Introducing automation and new work processes can be like assigning a new job to an employee; 45% of nonprofits report that getting people to accept changes will be a key challenge to implementing improvements in finance and planning. Ensure that staff are supported as improvements are introduced. Workflows and software that are known and comfortable doesn't mean they are the right choices for the future.

Data needs to move away from being siloed in various formats and in different systems to provide useful insights quickly. Work processes need to be reconsidered to eliminate manual, repetitive and error-prone tasks. Systems that enable data sharing and offer automation are essential to get the value out of data, extract important insights, and empower the workforce to make decisions.

Cloud services exist today that can solve challenges with purpose-built solutions for nonprofit financial systems. Consider moving away from heavily customized systems to cloud services for nonprofit organizations that have built-in process improvements, compliance tracking, and user-centered interfaces, as well as embedded AI tools.

About the IDC Analysts

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Ruthbea Yesner is the Vice President of Government Insights at IDC. In this practice, Ruthbea manages the U.S. Federal Government, Education, and the Worldwide Smart Cities and Communities Global practices. Ruthbea's research discusses the strategies and execution of relevant technologies and best practice areas, such as governance, innovation, partnerships, and business models that are essential for government and education transformation. Ruthbea's research includes analytics, artificial intelligence, open data and data exchanges, digital twins, artificial intelligence, the Internet of Things, cloud computing, and mobile solutions in the areas of economic development and civic engagement, urban planning and administration, smart campus, transportation, and energy and infrastructure. Ruthbea contributes to consulting engagements to support K–12 and higher education institutions, state and local governments, and IT vendors' overall Smart City market strategies.

More about Ruthbea Yesner

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Workday provides enterprise cloud applications for finance, human resources, payroll, budgeting, and analytics to help bring the entire Nonprofit organization together under one agile, easy-to-use system.

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