

Nonprofit Software: Determining the Return on Investment (ROI) for Core Solutions

Having the appropriate technology tools can make all the difference for nonprofits as demand for services continually increases.

For decades, organizations have made do with complicated assemblages of software solutions: disparate tools used by different departments (or even disparate tools used within a single department). Unfortunately, operating in that way is inefficient and can quickly drain a team's time, energy, and money, thus reducing a nonprofit's capacity to serve the growing needs in its communities.

Fortunately, there is an alternative: **streamlined solutions that are specifically designed to manage the core functions of your nonprofit.**

While your nonprofit may not be able to meet *all* of its needs with one system, focusing on core functions that need to share data and working towards fewer solutions that address *many* needs will save time and money in the long run—ultimately enabling increased efficiency and greater efficacy in fulfilling your mission.

We invite you to use this guide to help evaluate whether a core software solution is right for your organization and will offer a good return on investment (ROI).

Created in partnership with [Erika Orsulak, MPA](#)





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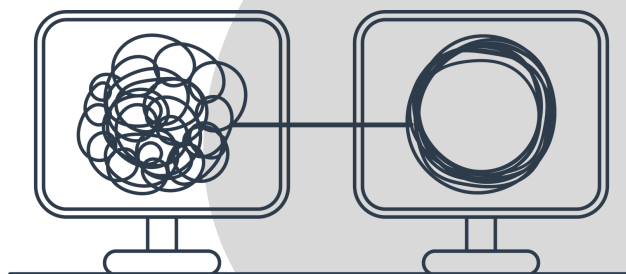
Recognizing the Need for Change

With the right software, a nonprofit organization's executive leadership, staff, board members, and even donors can quickly and easily understand the organization's health and plan for growth.

For some organizations or staff, the idea of a streamlined core solution might resonate right away. For others, the pros and cons of making such a transition might warrant a great deal of thought and assessment.

While due diligence takes time, it pays dividends in the end when making a decision about technology tools. Return on investment (ROI) calculations can be a helpful part of this selection process by providing a way to measure the gain or loss generated by an investment relative to the initial cost.

The first step is recognizing if your nonprofit needs to make a change in its tech stack. Different organizations come to this realization in many different ways. In some cases, a specific event can precipitate the move.





Example:

At the start of the COVID-19 pandemic, a small nonprofit serving recent refugees to the United States pivoted from making handcrafted home goods to personal protective equipment (PPE). Media coverage exploded, and demand followed.

To meet demand, the organization shifted its focus from administrative priorities to responding to incoming orders and their clients' rapidly changing circumstances.

Unfortunately, in striving to be nimble, their capacity was greatly diminished as financial management, relationship management, donor stewardship, and program development and evaluation dropped far down their to-do list.

From the outside, the organization appeared dynamic and responsive. However, staff and volunteers felt anything but as they spent precious time repeatedly entering data and managing information across multiple software systems that didn't communicate with each other and weren't designed to meet the nonprofit's needs.

While the organization's PPE-making endeavor proved to be wildly successful and evolved into new lines of business for the refugee artisans, it also illuminated significant issues in the technology solutions underpinning their efforts. Systems were siloed from one another and staff were required to perform duplicative tasks; overall, they lacked a software solution—accessible by all—that would enable them to quickly pivot and respond to a crisis or take advantage of a timely opportunity.

After an honest assessment of both the highs and lows of this experience, they acknowledged one significant opportunity: implementing a solution that focuses on their core functions and allows for greater responsiveness, efficiency, and effectiveness.



Collaborative Tech Tools Support Human Collaboration

In numerous ways, this nonprofit's story outlines the importance of **collaboration**: working together to achieve a common purpose.

Nonprofits understand collaboration is critical to creating greater impact. These collaborations can be with external individuals, groups, or organizations. They might also include informal or formal partnerships with community-based organizations serving similar constituent groups, or mutually beneficial relationships with donors, funders, government, or corporations.

Internal collaboration is just as important to an organization's mission fulfillment. Collaboration among the refugee organization's internal personnel reached an all-time high as they adapted to changing conditions forced by the COVID-19 pandemic. Staff and volunteers jumped feet-first into innovative, valuable program work. Team members communicated constantly about emergent issues and fully committed their time, energy, and resources.

Unfortunately, their technology tools weren't collaborating as successfully. Each department's administrative management system remained siloed, none communicating with the others. When a development coordinator or finance manager, for instance, had a few quiet moments to update records, those records were only updated in one system, not shared cross-functionally. Not only were colleagues in the dark about revisions to a constituent's profile or donation record, but each staff person was required to input nearly duplicative information into a separate solution.

Saddled with technology that created more work than efficiency, they struggled to effectively track resources, relationships, and activities. In fact, nearly a year after they launched their PPE-making program, they were still matching constituents and reconciling income and expenses across multiple solutions.

What a burden for an organization attempting agility and resilience in a time of great need!



The Challenges of Multiple Disconnected Systems

Like the organization described in the example, most nonprofits invest in separate systems to enable their varied organizational functions including CRM, fundraising, donor relations, financial management, event management, volunteer management, and program management.

But maintaining unique platforms for each core function has significant disadvantages. Those often include:

- Maintaining multiple systems of record
- Duplicating data entry
- Tracking data that is often inaccessible, unavailable, or unreliable across platforms
- Paying for multiple systems (both one-time and ongoing costs)
- Training staff to use multiple solutions
- Accessing support for multiple systems
- Managing relationships with multiple vendors





Overall, organizations that rely on five, ten, fifteen—or even more—solutions to run their operations and administer their programs often cite the following as their greatest concerns:



Efficiency

- Simply put, multiple software solutions require more work. Users must log into numerous systems and maintain credentials for each. Staff often need to re-enter the same information into different systems, resulting in multiple systems of record. To ensure information is consistent, organizations often add steps to their processes to reconcile these separate systems, which requires even more time. Team members' expertise and competencies are spread across many platforms. Frequently, it takes time or asking the right questions of the right person to access information.



Effectiveness

- Burdened by such inefficiencies, users struggle to focus their time, energy, and resources on strategic and mission-driven efforts. Organizational and programmatic goals and intended outcomes become lesser priorities as staff attempt to keep up with everyday administration.



Considering the ROI of Core Software Solutions

Fortunately, today's software vendors are becoming acutely aware of pain points like those described above. Some are responding accordingly, offering solutions that seamlessly incorporate nonprofits' core functions into one platform. These solutions aim to create organizational and programmatic efficiencies, allowing nonprofits to do more to realize their missions.

For organizations that may be considering the transition from multiple software solutions to a more streamlined core system, thinking about the ROI may prove valuable.

It's important to remember ROI isn't only about money. As explained in Tech Impact's report, [Return on Investment \(ROI\) in Nonprofit Technology Decisions](#), "It's a way of thinking about whether you're getting the benefits you need out of whatever you're investing."

The Tech Impact team explains:

"There's no easy formula that gets you to the right 'return' number if you're factoring in mission, revenue, operational growth and efficiencies, and an increase in engagement. Even strictly financial calculations can be tricky if you calculate opportunity costs along with expenditures..."

"Regardless of whether you try to assign financial measures or come at 'return' in a different way, it's important for every organization to think about what technology does for it and to weigh those benefits against what it costs in terms of dollars, time, and opportunities."



Assessing Possible Benefits and Costs

Practically speaking, it may prove difficult for an organization to develop exact ROI metrics, but an evaluation of possible benefits and costs may aid with your efforts.

The staff and volunteers at the refugee organization used Tech Impact's list of common benefits and costs to guide their own evaluation:

Save money

- **How:** Facilitate greater volunteer engagement, thereby maintaining or reducing paid staff. Reduce the number of technology solutions and all associated fees including the cost of the annual subscription, training and support, legal consulting for contract negotiations, etc.

Save time

- **How:** Eliminate the need for duplicative data entry. Allow permissioned users access to dynamically updated, real-time information. Reduce the time required for training and skill-building in multiple platforms. Collaborate with fewer vendors.

Increase revenue

- **How:** Streamline fundraising and donor stewardship activities. Increase staff availability to pursue revenue-generating activities and/or program development activities. Increase resources to hire development or executive staff.



Increase capacity

- **How:** Eliminate staff members' duplicative work, freeing up their time and energy to commit to other efforts.

Increase reach

- **How:** Streamline development, marketing, and communication activities. Increase resources to hire marketing or communications staff.

Increase impact

- **How:** Increase efficiencies to free up more time and resources to pursue the organization's mission and maximize impact.

Improve security

- **How:** Prevent inconsistent permissioning and a multitude of passwords and login credentials. Identify potential threats more quickly and easily.

Increase reliability of data

- **How:** Prevent the potential for errors created by duplicative data entry and storage. Provide all stakeholders with dynamically updated, real-time information.

Improve morale

- **How:** Create efficiencies and improve user experience. Increase organizational effectiveness.



Worksheet: Possible Benefits and Costs of a Core Software Solution

Use the space below to brainstorm all the benefits a core solution potentially brings to your organization. Then, consider the possible costs of a core solution. If the costs far outweigh the benefits, then you might not be ready for this journey. However, if this activity highlights a significant net benefit outcome, you may be ready to evaluate a core solution.

Benefits

Can a streamlined core solution help our organization:

Save money?

Save time?

Increase revenue?

Increase capacity?

Increase reach?



Increase impact?

Improve security?

Increase reliability of data?

Improve morale?

Costs

What are the possible costs of transitioning to a core solution:

Hardware?

Software?



Data migration?

Training?

Support?

Staff time?

Opportunity?

Disruption?

Morale?



Potential Stakeholder Gains

As you conduct your ROI, consider the benefits that could be realized by key stakeholders and functional groups:

Executive Leadership



Executive directors, development directors, finance directors, and other organizational leadership staff collectively oversee an organization's health and growth.

If a core software solution—especially one that incorporates accounting, fundraising, and CRM functionality—could provide leaders with an organizational overview supported by accurate, timely data, they could make quick, insightful decisions.

They could, for instance, identify potential fundraising or programmatic opportunities and thus focus their time accordingly on activities such as revenue generation, relationship building, or program development.

A reliable system of record would also help them capture and manage precious information, reducing the opportunity costs of lost donor or partner conversions.



Development

Many fundraisers and grant professionals report splitting their valuable time between donor and funder meetings, solicitations, program site visits, and administrative tasks such as data entry and reporting.

A core software solution could certainly increase the automation and efficiency of these development and stewardship activities.

It could also strengthen donor retention and long-term organizational resilience by enabling cross-departmental knowledge of fundraising activities, donors, and resources. This could also create greater capacity for new donor cultivation.



Finance

Most finance team members already maintain a dogged focus on accuracy and efficiency.

A core system could offer them even greater results. For example, a solution that manages accounting and CRM could simplify and speed up paying invoices or managing payroll.



Programs

In the aforementioned example, the refugee organization rapidly pivoted from its typical programming to an emergent program opportunity.

A core solution could allow program team members such as theirs to create and implement new programs while monitoring and managing critical inputs such as budget availability, volunteer distribution lists, and more.

A system with accounting and CRM functionality would also help ensure quick development and delivery, especially in times of crisis. A solution including comprehensive organizational and programmatic information could also speed up the generation of funder and community reporting.



Board of Directors

Nonprofits can more readily engage board members when they can quickly and easily offer a complete overview of the organization. Whether for regular board meetings or impromptu donor cultivation activities, it is important to equip them with the information they need to make decisions and act.

A core solution could reduce the need for several staff members—or departments—to pitch in, enabling fewer representatives to rapidly respond with a current, compelling picture.

A streamlined system could also simplify board members' fundraising obligations, enabling ready access to donor relationship information for cultivation activities.

A core solution could also offer financial snapshots for new board member recruitment.



Donors

Executive leaders, development staff, and board members can show great respect to donors by having relevant information readily available.

A solution that supports an organization's core functions, such as fundraising, accounting, and CRM, could aid in customizing gifts based on donors' capacities and interests.

A nonprofit could steward their generosity with automated tasks, and staff or board members could see important donor attributes at a glance.

All of this could result in future revenue.



Summary

When making a technology decision, it's helpful to think about what your organization can gain by moving from multiple disconnected systems to a streamlined core solution designed specifically for nonprofits, and to weigh those benefits against the costs. You're likely to discover the investment will produce a positive return.

Consider these key issues as you and your team decide whether a core software solution is right for your organization:

- Managing multiple disconnected software solutions often results in significant inefficiencies and reduced organizational effectiveness.
- A core software solution can help maximize your time and resources, and ultimately your impact.
- Nonprofits that use streamlined solutions specifically designed to manage their core functions report cost and time savings, increased revenue and capacity, improved client services, and improved security among their greatest benefits.
- Your organization's ROI for an investment in technology depends on the specific benefits it needs.

May whatever path you take maximize the benefits for your organization's stakeholders, including—perhaps most importantly—those whose lives you aim to improve.

“Words may inspire but action creates change.”
~Simon Sinek

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