

MODERNIZING FINANCE OPERATIONS: HOW NON-PROFITS CAN PREPARE FOR FUTURE SUCCESS

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Despite the economic downturn currently affecting the world in 2020, non-profit organizations are continuing or increasing their spend on new and existing technology to set themselves up for success in the post-pandemic business environment. One of the main systems non-profits should target first is their outdated, labor-intensive finance technology. This report reveals the modern tools and capabilities, such as AI and robotic process automation, that leading non-profit organizations are utilizing to streamline core finance functions and prepare their organizations to scale operations effectively.

The Need to Revitalize Financial Operations

Non-profit organizations are unique in their desire to serve the needs of their community. Non-profits are also unique in their financial characteristics. Between donation management, government funding, and tax-exempt accounting, finance departments within non-profits face a different set of challenges than those in other industries. Aberdeen's 2020 benchmark survey, which focused on performance amid uncertainty, revealed that 81% of non-profit organizations are continuing or increasing their spend on new and existing technology to address these challenges.

For finance technology specifically, non-profits are looking to eliminate time-consuming, document-based processes. Without proper funding, many non-profit organizations have relied on spreadsheets and other manual methods for keeping track of finances. This has led to a lack of accuracy in financial reporting, a lack of automation for repetitive processes, a lack of proper governance, and a lack of efficiency across the organization. Modernizing finance back-office processes can help companies free up resources that can be utilized elsewhere and help design predictive and prescriptive models for future planning and budgeting.

The Aberdeen maturity class framework for industry subgroups is comprised of two groups of survey respondents. This data is used to determine overall company performance. Classified by their self-reported performance across several key metrics, each respondent falls into one of two categories:

► **Leaders**

Top 35% of respondents based on performance

► **Followers**

Bottom 65% of respondents based on performance

81%

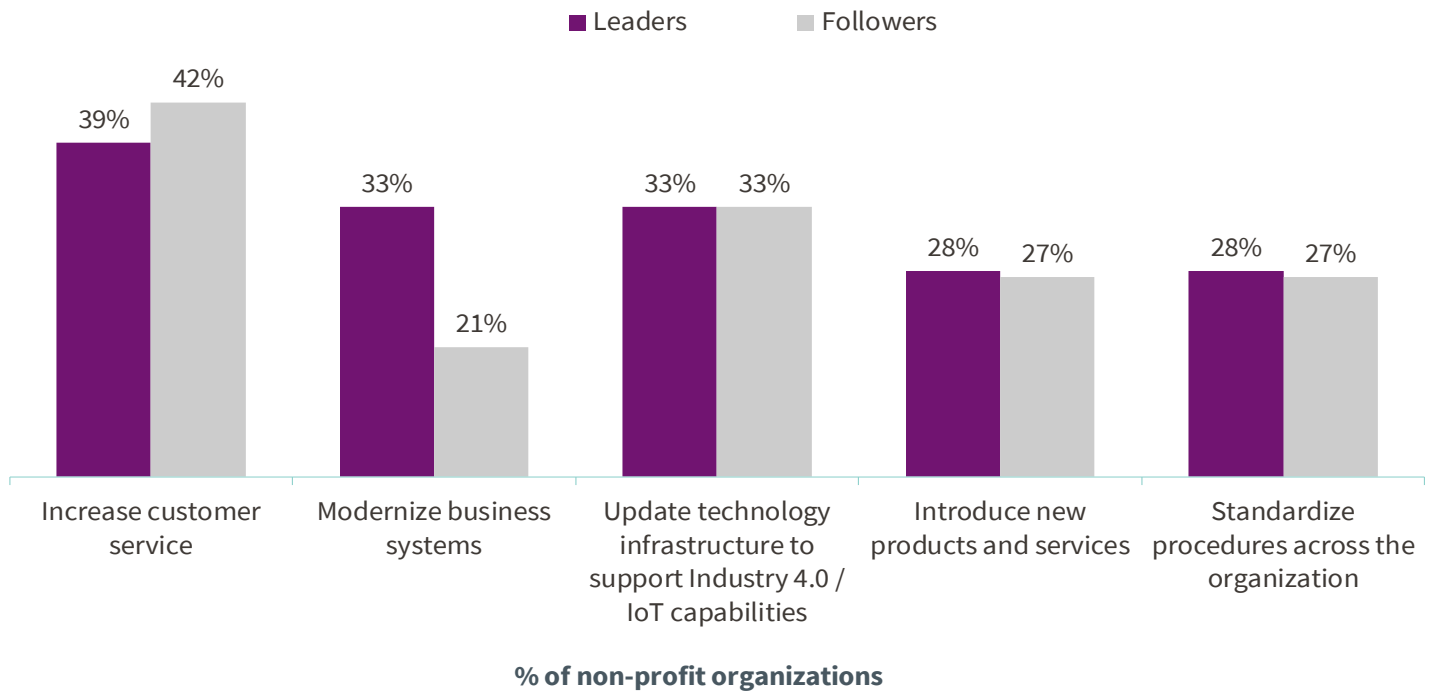
of non-profit organizations are continuing or increasing their spend on new and existing technology.

To understand the best practices and most efficient course of action for transforming finance operations, we will first review the goals non-profits have for 2020 and the challenges preventing them from achieving those goals. We will then describe the role of automation and specific technology enablers and processes that leading non-profit organizations have implemented for streamlining finance operations.

Non-Profit Goals for 2020

Aberdeen’s latest ERP survey revealed that modernizing business systems and updating technology infrastructure are two of the top three goals non-profit leaders have in 2020 (Figure 1).

Figure 1: Top Goals for 2020



n = 528, Source: Aberdeen, July 2020

Leaders are 57% more likely to target the modernization of business systems as a key initiative. Modernizing business systems to evolve from a document-based company into an automated, agile organization powered by innovative technology is a big objective for non-profit leaders. They recognize the importance of comprehensive enterprise software for building a solid infrastructure throughout 2020.

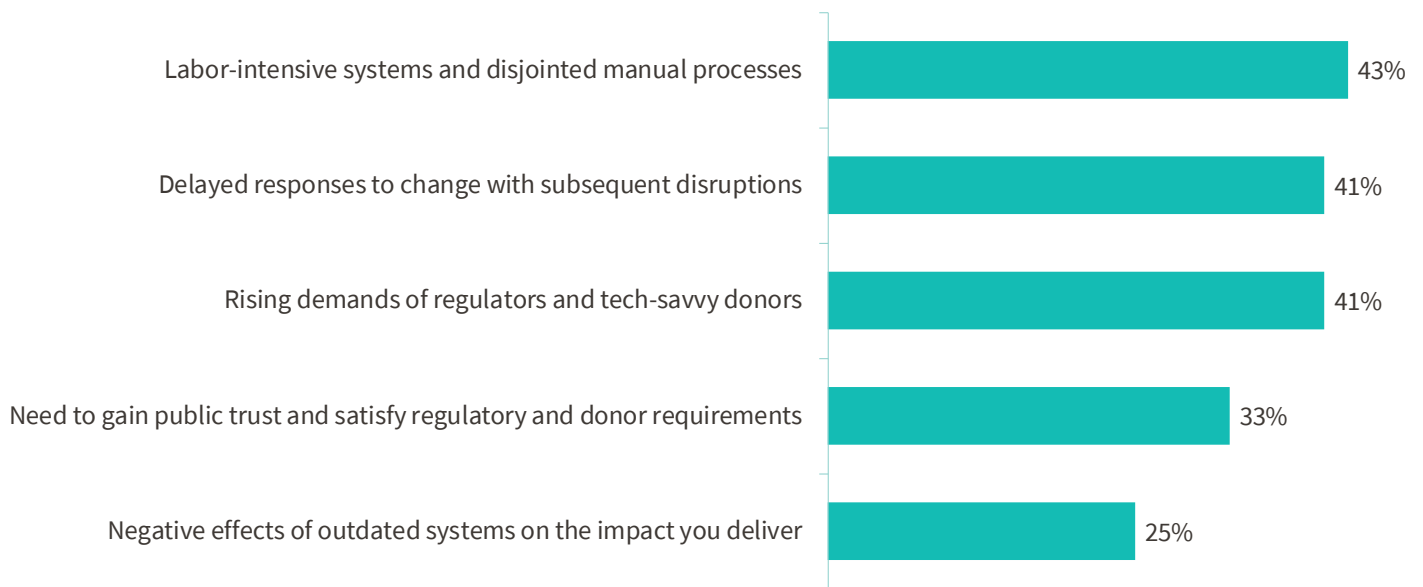
Increasing customer service is the number one goal for all non-profit organizations. A formidable ERP system offers a full, 360-degree view of the enterprise — providing companies with insights that can help them prioritize their customer’s needs with the resources at hand and ultimately improve service. Standardizing procedures across the organization is another common goal. ERP software can provide a cohesive base for planning and collaboration so companies can maintain standardized processes and seamlessly make adjustments.

But achieving these goals is no small task. Non-profit organizations struggle with many aspects of their current data controls that prevent them from modernizing, standardizing, and integrating their systems.

Challenges with Data Systems

Fragmented internal operations often lead to negative customer experiences. Without a centralized data system to connect various teams, organizations struggle to keep workflows running smoothly and deliver high-quality projects on-time. Manual processes are the root of many challenges for non-profit organizations (Figure 2).

Figure 2: Most Difficult Data System Challenges for Non-Profits



% of non-profit organizations

n = 528, Source: Aberdeen, July 2020

Manual processes are extremely labor intensive and must be repeated constantly — costing the organization valuable time and money that could be utilized elsewhere. Also, manual data entry is more error-prone and can cause issues with non-quality. The additional time and attention to detail required for these manual processes impact a company’s ability to respond to changes quickly and inexpensively — 49% of non-profit organizations do not have the ability to automatically notify decision-makers when scheduled activities fail to occur on time or when certain conditions occur. This lack of visibility into the changing business landscape makes decreases in demand and disruptions in workflows difficult to detect, leaving unprepared organizations vulnerable to financial uncertainty.

Non-profits have also recognized the negative effects their outdated financial systems have on their customers. Without innovative tools to identify and reduce potential issues, notify decision-makers, and plan a course of action, non-profit organizations are struggling to execute on projects and keep their customers happy.

Simplify Operations with Automation

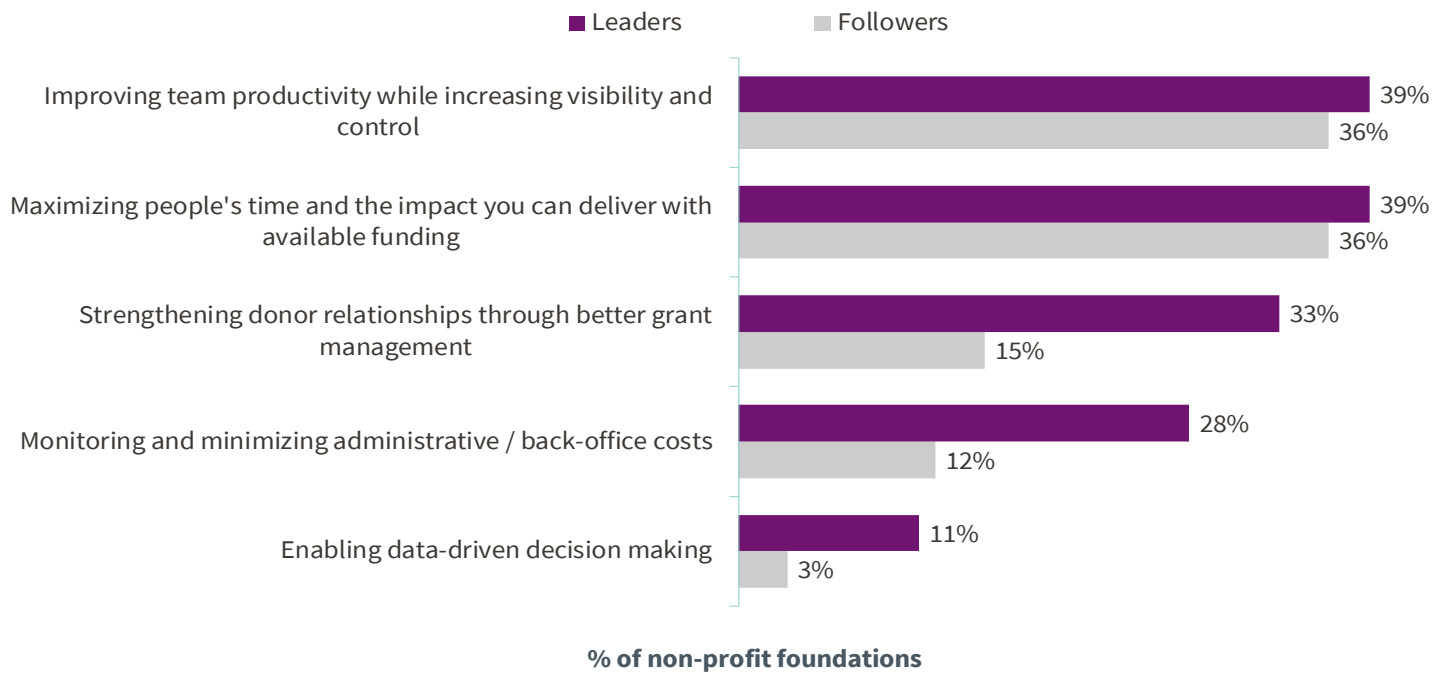
It is clear that non-profit organizations are suffering from disjointed processes and outdated, labor-intensive systems. To determine best practices for solving these problems, it is important to examine the actions of leading non-profits. Leaders are addressing these challenges through strategic initiatives to improve productivity and maximize people’s time (Figure 3).

Leading non-profit organizations are finding ways to increase visibility and control along with productivity. Implementing real-time visibility into project management, cash-flow, and donation statuses along with advanced predictive measures can improve agility and help prevent disruptions. Updating data systems to establish these capabilities can decrease downtime and promote greater accessibility and productivity for all teams. Greater productivity stemming from fluid processes rather than disjointed ones results in better customer experiences and people experiences for non-profit staff.

49%

of non-profit organizations **do not have the ability to automatically notify decision-makers** when scheduled activities fail to occur on time or when

Figure 3: Actions Leaders Are Taking to Address Challenges



n = 528, Source: Aberdeen, July 2020

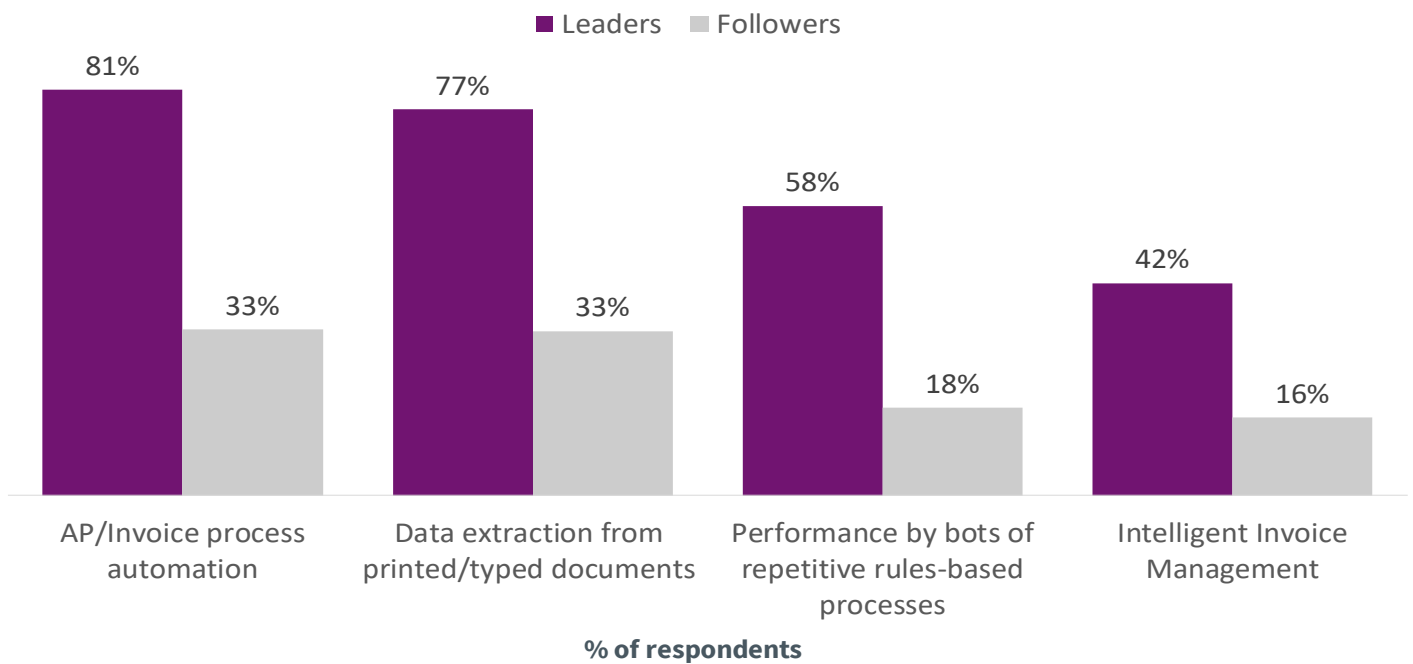
Leaders are also optimizing processes to increase the impact they can deliver with available funding. Resource allocation is a large part of financial operations within non-profit organizations. Solutions that include field service management and operational reporting tools can aid in proper donation distribution both externally and internally. Top non-profit organizations are also 2x more likely than Followers to work toward minimizing back-office costs and strengthening donor relationships. Streamlined operations complete with automated processes and efficient grant management procedures have contributed to the success of these actions.

Using AI and RPA in Finance Operations

As automation is a broad term encompassing a variety of tools, it is important to note the most effective means of automating back-office operations. Many companies are utilizing AI and robotic process automation (RPA) to achieve the goals in Figure 3. These tools allow finance teams to free-up coveted resources that can be used elsewhere in the company, which optimizes productivity and decreases costs.

Artificial intelligence and machine learning are instrumental in simplifying operations because they power predictive and prescriptive analytics for future planning. These capabilities can minimize the time and money spent laboring over financial models. Robotic process automation also saves time and money by augmenting your workforce to carry out tedious administrative tasks quicker and more effectively. Leaders are far more likely than Followers to implement AI and RPA functions within their finance operations (Figure 4).

Figure 4: Use of AI and RPA in Financial Processes



n = 142, Source: Aberdeen, July 2020

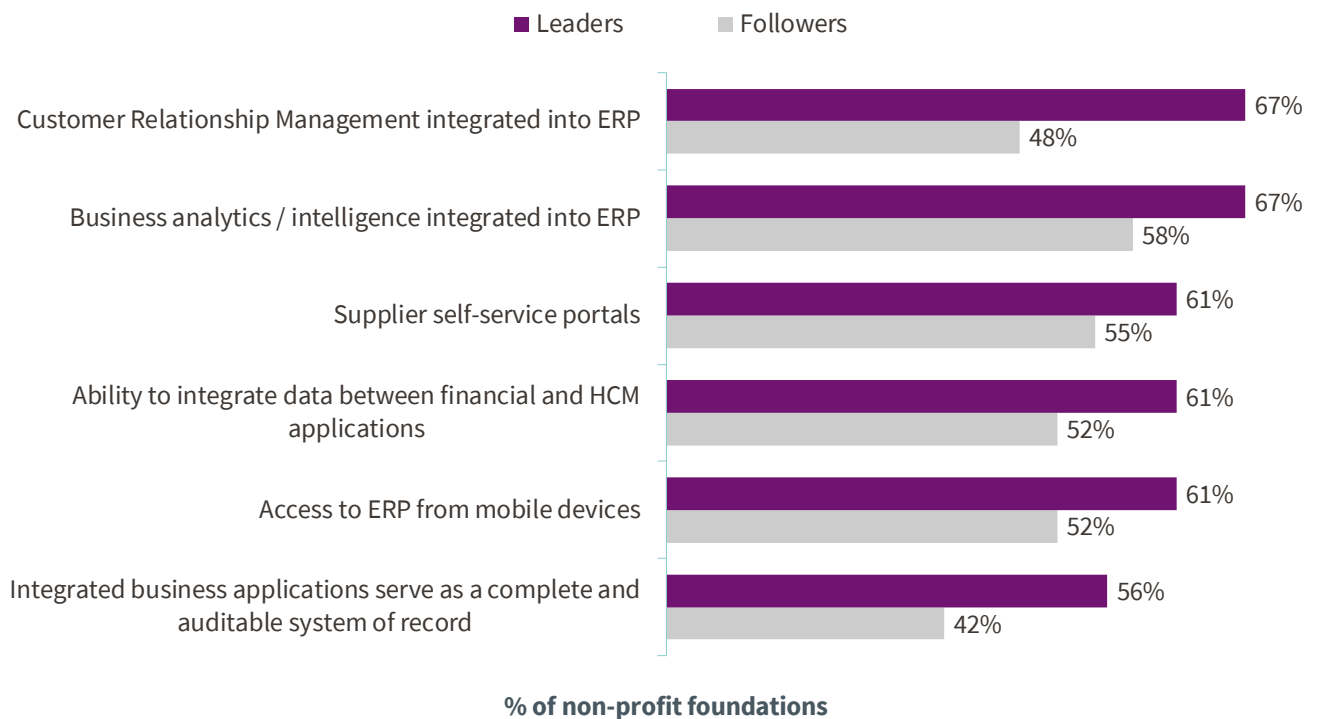
With many non-profits still transitioning into the digital age, the ability to extract data from printed and typed documents is critical. Leaders have recognized the importance of automated scraping and data extraction tools and are 1.3x more likely to currently have these tools on hand.

Additionally, there are many repetitive, rules-based financial processes, such as accounting calculations, financial planning and analysis, and reporting, that AI bots can speed up and make more accurate.

Modernized Finance Technologies

Automation is not the only solution for improving finance operations; integration and accessibility are also useful strategies that leaders are employing to revamp their back-office capabilities (Figure 5).

Figure 5: Technology Enablers for a Modernized Finance Office



n = 528, Source: Aberdeen, June 2020

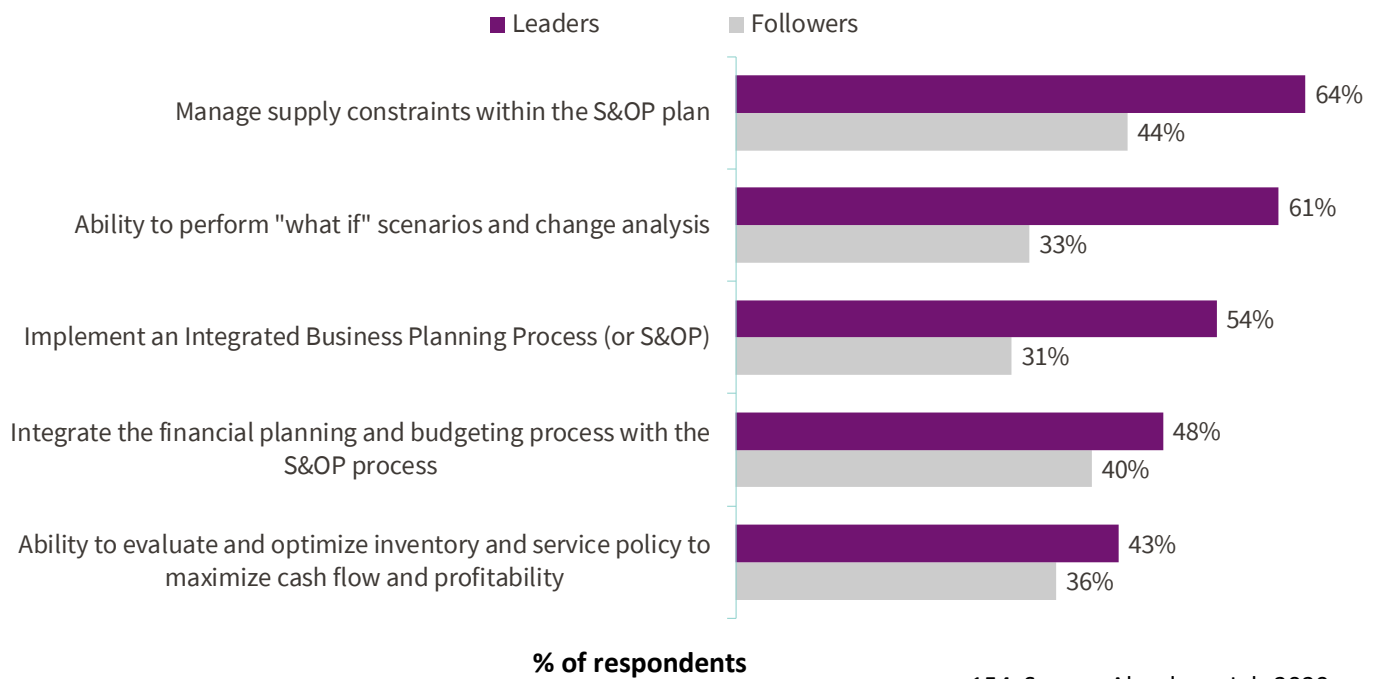
Integration with CRM, BI, and HCM systems is a common strategy for non-profit leaders. BI and ERP integration allows for greater visibility into operations and reveals opportunities to standardize and optimize processes. Integration between finance and HCM applications creates a centralized access point for all back-office data. Simplifying operations with integration helps companies get ahead of the pack with improved productivity, and better serve their customers and donors.

Employees are another group of stakeholders that should be incorporated into ERP initiatives. Access to ERP data from mobile devices improves the employee experience. Employees can be notified to take action based on data-driven insights from AI or RPA tools. Digital assistants can also be helpful for getting the right data to the right people at the right time.

In addition to integrating their ERP and financial data with other internal data systems, leaders are integrating their budgeting processes with their planning processes. Uniting these two processes is more important than ever during this time of economic volatility, because decisions and performance related to operations should be based off financial planning and analysis. To do what is necessary to run the business side of the organization, there may be some operational changes that have to be made to stay on budget. A unified strategy that connects the financial plan with the operations plan provides a holistic view of the financial impact and the best path forward. Leaders have acknowledged this fact and have begun to implement synchronous planning for S&OP (Sales and Operations Planning) and budgeting (Figure 5).

Sales and Operations Planning (S&OP): a process designed to uncover a supply / demand match and generate a feasible plan with predicted financial results

Figure 5: Most Effective Planning Capabilities



n = 154, Source: Aberdeen, July 2020

Concurrently adjusting the S&OP plan and the financial plan allows organizations to build a strong base for future success. As non-profits grow and take advantage of new opportunities, a harmonious relationship between operations and finance provides order and control as well as full visibility into the state of the organization.

Integrated financial planning and budgeting comes in handy again for performing "what if" scenarios and change analysis. Predictive and

prescriptive analytics, fueled by AI, will help organizations assess these scenarios and prepare to meet financial expectations. Incorporating these analytical capabilities opens the door for complex modelling and tactful, data-driven decisions, especially in times of great uncertainty.

Integration remains a common theme when looking at the top criteria non-profit organizations use when choosing an ERP vendor (see sidebar). Integrating finance operations into a single, enterprise-wide system removes the unnecessary stress stemming from inorganization and relieves the pressure that finance teams at non-profits handle on a daily basis.

Industry-specific solutions with templated implementations are crucial for non-profit organizations to achieve faster time to value and focus on best practices. Operational reporting with features designed for the non-profit industry will help organizations more easily identify, process, and respond to errors and bottlenecks.

Funds are closely monitored for non-profits, so cost is a strong motivator for many of these organizations. Nevertheless, the concern of rising costs of ERP systems can be addressed with SaaS solutions, which provide flexible payment options based on storage and usage. Non-profit organizations tend to gravitate toward SaaS solutions more so than other industries.

Non-Profits Are Inclined Toward SaaS ERP

Compared to only 36% for other industries, 63% of non-profit organizations with ERP systems installed use SaaS or On Demand platforms to deploy their ERP software. When asked what their top reasons were for implementing ERP in the cloud, non-profit organizations answered more favorably for all options (Figure 5).

Again, cost is a significant driver for non-profits and other industries to utilize SaaS ERP. Every dollar counts for non-profits, so the cost savings associated with cloud ERP versus on-premise can have a positive impact. Companies are better equipped to scale their operations with a cloud platform, because storage is paid for on an as-needed basis. On-premise solutions, on the other hand, either result in greater investments to purchase physical servers to store more data or sunk costs for empty space when companies are downsizing. SaaS solutions can also lower costs for maintenance and IT talent due to the support and user-friendliness cloud ERP vendors provide. Non-profit organizations have greater control over IT costs when they choose SaaS ERP solutions.

Top Criteria Non-Profit Organizations Consider When Choosing an ERP Vendor

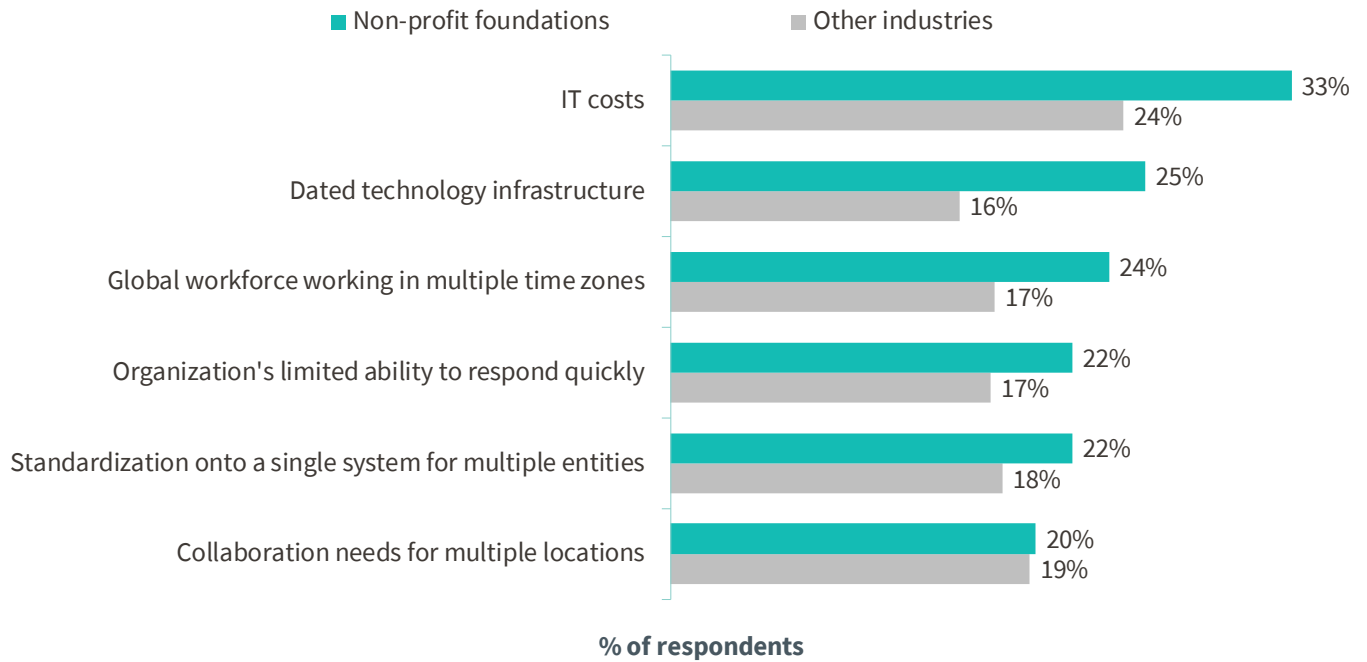
- ▶ Integration technologies and capabilities: **25%**
- ▶ Software costs: **24%**
- ▶ Quality and availability of technical support: **22%**
- ▶ Industry-specific solution: **22%**
- ▶ Support of internal collaboration: **22%**

% of non-profit organizations

63%

of non-profit organizations with ERP systems installed **use SaaS or On Demand platforms to deploy their ERP software.**

Figure 5: Reasons to Implement ERP in the Cloud




n = 528, Source: Aberdeen, July 2020

Dated technology infrastructure is another main driver pushing non-profits toward cloud ERP systems. SaaS solutions have many innovative AI models already built into the platforms, which reduces the need for data scientists and enables line-of-business workers to handle machine learning capabilities. These models along with other system updates can be set up automatically on a cloud platform. Ongoing development from SaaS ERP vendors reduces the experience of painful, point-in-time upgrades that on-premise solutions suffer from. Furthermore, less customization in SaaS means staff can more easily learn, use, and configure the system. Greater employee empowerment contributes to strong relationships with donors and customers and the overall success of the company.

Key Takeaways

SaaS usage, along with automation and integration, can significantly impact financial operations for non-profits. Finance teams that are looking to modernize their archaic back-office capabilities should start with these strategies that non-profit leaders have already begun to act on. Doing so can help solve the problems non-profit organizations are having with their



data systems and help them achieve their 2020 goals of modernization and standardization. When reflecting on these strategies and their impact across the enterprise, there are three ideas to keep in mind:

- ▶ **Non-profit organizations are struggling with labor-intensive, outdated technology systems.** Non-profit organizations thrive off agility and efficiency and are governed by donor expectations and outdated technology. Removing the barrier of archaic technology will lead non-profits to have greater visibility into operations and handle donations more effectively.
- ▶ **Automation, integration, and Cloud are strong strategies to build modernized finance operations.** AI and RPA are extremely influential in simplifying operations and freeing up resources that can be reallocated elsewhere. The flexibility of a cloud environment for ERP can aid non-profits in cost savings by providing additional functionality and storage when needed.
- ▶ **Streamlining core finance functions prepares organizations for success.** Automating finance operations and eliminating document-based communication provides non-profits with the solid infrastructure they need to grow. Innovative modelling capabilities allow organizations to scale their finance operations effectively and keep up with changing business environments.

Employing best practices and rejuvenating finance teams prepares companies to scale their operations and deliver a greater impact to their communities. As non-profit organizations thrive, their reach in the community expands and allows them to have the greatest influence possible. When non-profits are experiencing success, they have the ability to revolutionize populations and change lives for the better.

Related Research

- ▶ Post-Economic Downturn: Professional Service Back Office Improvement Increases Agility, Project Performance, and Business Profitability; June 2020
- ▶ Now is the Time to Elevate Your Business with an EPM Cloud Suite; August 2019
- ▶ Enterprise Applications and the Cloud: Increasing Agility and Lowering Costs; May 2019

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