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Digitalization of the non-profit sector: readiness, barriers and effects

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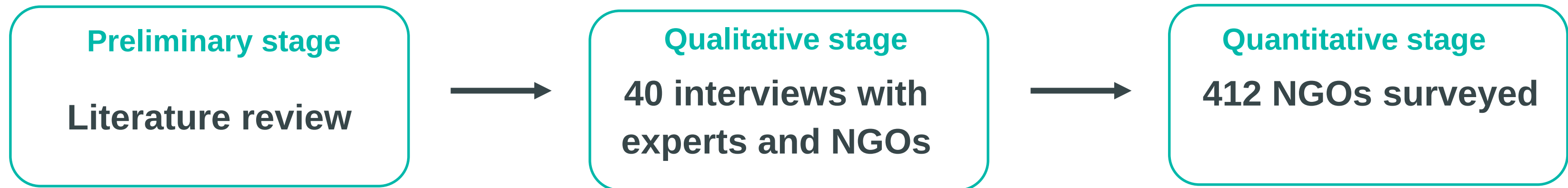
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About this study

The **goal of the study** is to identify digital practices, key barriers and incentives for digitalization of Russian NGOs



Objectives of the study:

- ① Form an inventory of digitalization practices amongst Russian NGOs and assess their prevalence
- ② Identify key barriers to digital adoption and integration in NGO operations, including in terms of staff digital competency and NGOs' resource capabilities
- ③ Identify the existence and nature of the effects of digitalization practices on individual aspects of the organization
- ④ Identify the impact of COVID-19 pandemic on digitalization of NGOs
- ⑤ Compile an inventory of best digital practices for NGOs (including by organization size and activity area) and develop recommendations for digitalization of the non-profit sector

Sample description



Organizational and legal format:

- public organizations: 38 %
- autonomous non-profit organization: 28 %
- Foundations: 18 %



Registration region:

- 63 Russian regions, only 30 % of NGOs are registered in Moscow



NGO age:

- up to 5 years: 29 %
- 6-15 years: 37 %
- over 15 years: 29 %



Territory of work:

- local level: 22 %
- one constituent entity (region): 36 %
- several constituent entities (regions): 12 %
- national level: 22 %



Areas of activity:

- social services and support for certain groups: 25 %
- culture, art, protection of cultural and historical heritage: 10 %
- education and research – 10 %



Funding sources:

- presidential grants: 38 %
- cash donations from private individuals: 33 %
- income from the sale of the organization's services or goods: 28 %
- cash donations from Russian for-profit companies: 27 %



The concept of digitalization

What is digitalization in theory?

[Gartner Glossary](#) — three interrelated concepts, three stages in the evolution of the digital environment

✓ [Digitization](#)

✓ [Digitalization](#)

✓ [Digital transformation](#)

Research on digitalization of NGOs

- frequency of digitalization
- features and effects of various technologies for NGOs
- digital skills
- NGOs' digital maturity levels
- impact of the global digital transformation processes and spread of digital technologies on NGOs

Digitalization of an NGO is mainly understood as the use of digital technology to improve its effectiveness and help it achieve its social mission

How do Russian NGOs understand digitalization?

1 Digitalization as using digital technology to automate, replace manual work, and simplify work processes

- List of specific technologies
- CRM as the "magic pill", a sign of digitalization



Digitalization includes a website, fundraising online, automating some reporting and data storage. It is also a database for working with beneficiaries: CRM or DRM, online services that everyone is already using now: accounting, banking. It is also data banks.

Respondent 17, NGO+, fundraising foundations

2 Digitalization for communication, visibility, brand building

3 Data handling as a necessary element of digitalization (for 'advanced' NGOs)

4 Digitalization as a sign of competitiveness

- 78 % agree that "NGOs that neglect the development of digital solutions in their work become less competitive".



So it is an evolutionary process. But it does not exclude a certain fashion for all things digital... It has become, I don't know, fashionable to have, in addition to a page on one social media, pages on two social media. Or it has become fashionable to use even CRM—it is, by and large, a fashionable tool ... However, there are still some gaps which do not fall under either one or the other. Because evolution is a slow process, you can't develop everything at the same time.

Respondent 13, expert, grant-making foundations

5 "We can do it ourselves, but we can't do it without you"

- 74 % agree that "digitalization in our organization depends on our own efforts and not on external factors"
- 64 % agree that "digitalization of NGOs can only be achieved with external support, NGOs will not manage on their own"



Digitalization levels

Three clusters

Methodology:
cluster analysis. 17 statements with a 5-point agreement scale and 1 question on the frequency of technology use (list of 24 technologies). Part of the statements borrowed and adapted from the [Digital Maturity Matrix](#) questionnaire.



There is, of course, this stratification... I can see Moscow-based foundations digitalizing well, and those in the regions not so well... Although there are some examples in the regions that can beat many of the Muscovites. Digitalization is an inevitable trend, and the weak ones will be eventually pulled up as well.

Respondent 9, NGO+, social services

	More often than not these are:	Average agreement with statements	Average number of solutions used
LEADERS (13 %): high level of digitalization of NGOs	<ul style="list-style-type: none"> • foundations • NGOs operating at the national level • having a large number of staff (10+) and volunteers (30+), • with a CEO aged 40 or younger • NGOs with a diversified funding structure (5+) 	4.4	18
CATCHING UP (71 %): average level of digitalization of NGOs	<ul style="list-style-type: none"> • autonomous non-profit organizations • NGOs with up to 10 employees • with a CEO aged 51-60 • having no funding 	3.5	12
LEFT BEHIND (16 %): low level of digitalization of NGOs	<ul style="list-style-type: none"> • engaged in activities on a local level • having no employees or volunteers • With a CEO aged over 60 	2.4	9

Clusterization questions

Planning

1. Our organization has a clear understanding how digital solutions can help achieve our mission and goals
2. Without digitalization, we cannot effectively deliver on our social mission
3. We have a concrete plan to implement digital solutions in the coming year

Budget

4. We have the funds to successfully implement our digitalization plans
5. The organization has budgeted for digital solutions

Culture and staff

6. Our organization's culture is open to new things and encourages employees to try new digital solutions in their work
7. We constantly keep up-to-date with developments in digital technology and try to incorporate them into our work
8. Management and staff in our organization are constantly developing the knowledge and skills required for digitalization
9. When making human resources decisions (hiring, promotion, termination), we care about the employee's digital competence

Communications

10. We have a clear content plan for our website and social media
11. We think about how people will search for information about us online, how user-friendly our website is, whether our social media accounts are interesting, in order to improve our online presence
12. We do our best to make digital communications easy for our target audiences (e.g. donors, beneficiaries, volunteers)

Data security

13. The data we collect is stored safely and securely
14. Our managers and employees understand cybersecurity and are committed to keeping our data secure

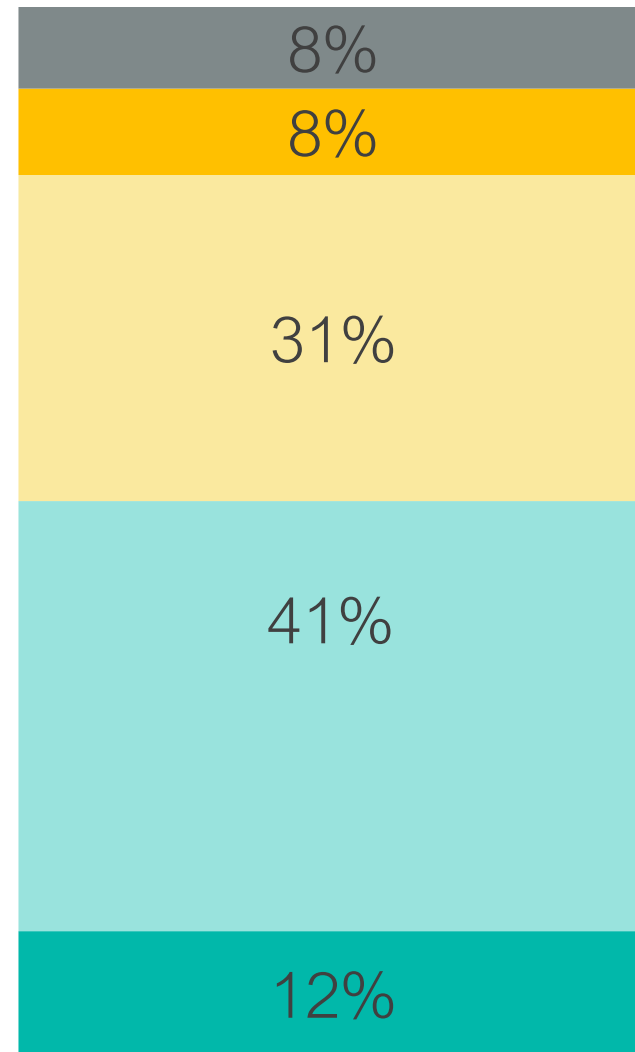
Data handling

15. We conduct research on our target audiences to use this information to improve our work
16. We make decisions based on data
17. Employees in our organization have free access to the internal data, analytics and reports they need in their work

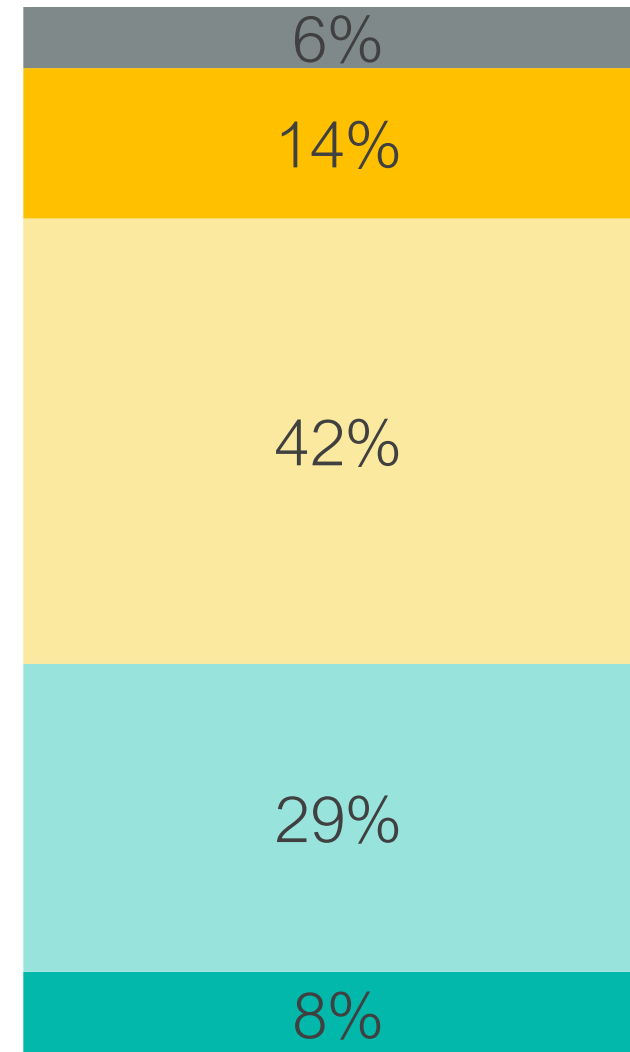
+ Practices

Which of these digital solutions do you use in your work?

Is there a digital divide?



Digitalization of the sector may lead to growing digital inequality among NGOs: strong organizations will become even stronger, and weak ones even weaker



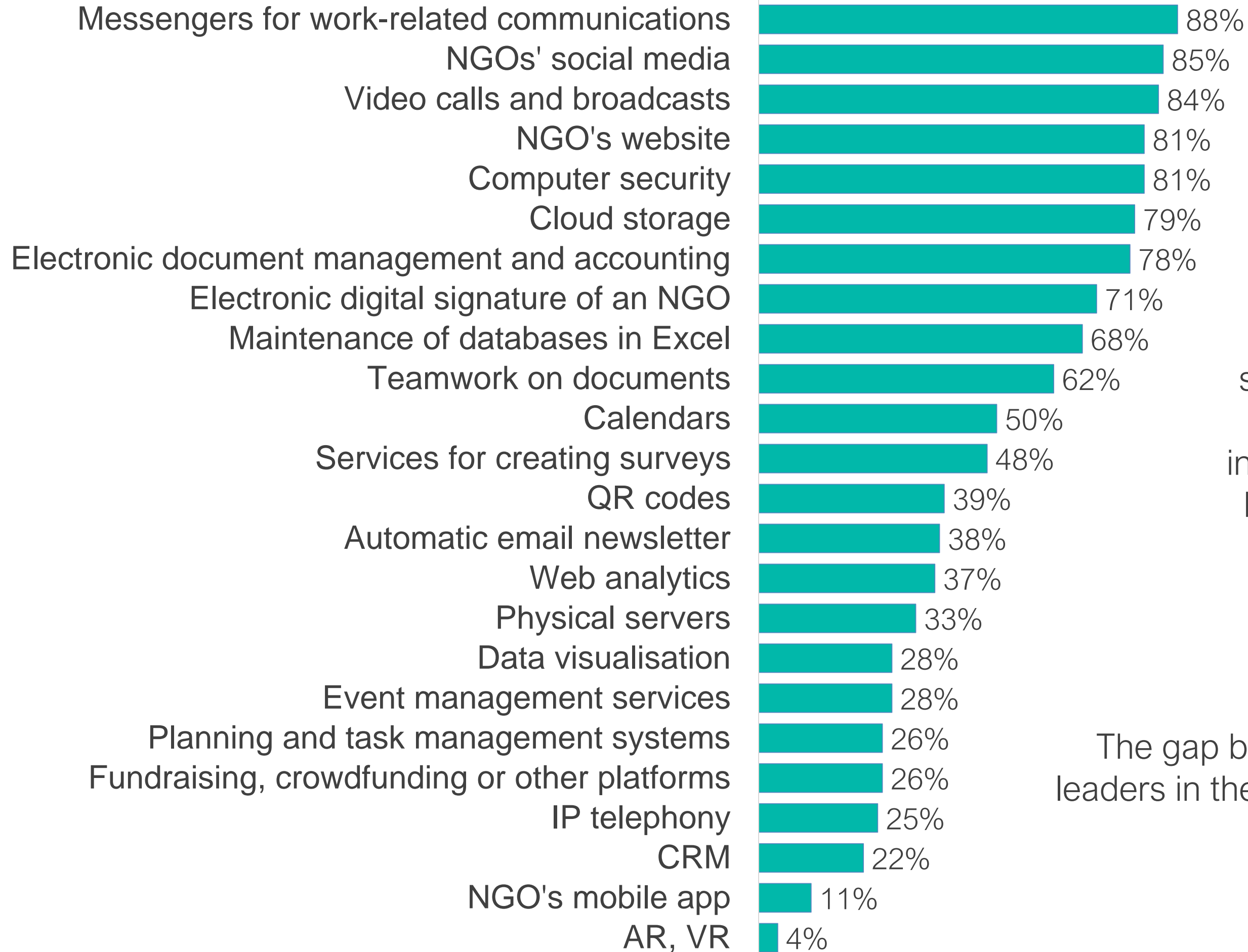
Digitalization is attainable for the "elite" of the non-profit sector only

- Completely agree
- Quite agree
- Quite disagree
- Completely disagree
- Can't say



Digitalization practices

Digital solutions used by NGOs



66 % of NGOs deploy 10 or more IT solutions simultaneously

The frequency of use of an IT-solution (other than fundraising platforms and cloud storage) increases smoothly from the left behind to the catching up, and from the catching up to the leaders

The gap between the left behind and the leaders in the use of a particular IT-solution may range from 6 % to 73 %



Managing digitalization

Digitalization planning

76 %	NGOs realize the need for digitalization
70 %	NGOs have an understanding of how exactly technology can help realize their social mission
61 %	Are keeping an eye on the development of technology
44 %	Have a concrete plan for implementing digital solutions in the coming year
30 %	Have budgeted costs for digital solutions in the organization's budget
25 %	Have funds for successful implementation of digitalization plans (mostly fundraising foundations)

While the importance of digitalization in the work of NGOs is clear to most, in practice only large NGOs, particularly fundraising and charitable foundations, can afford a separate budget for it

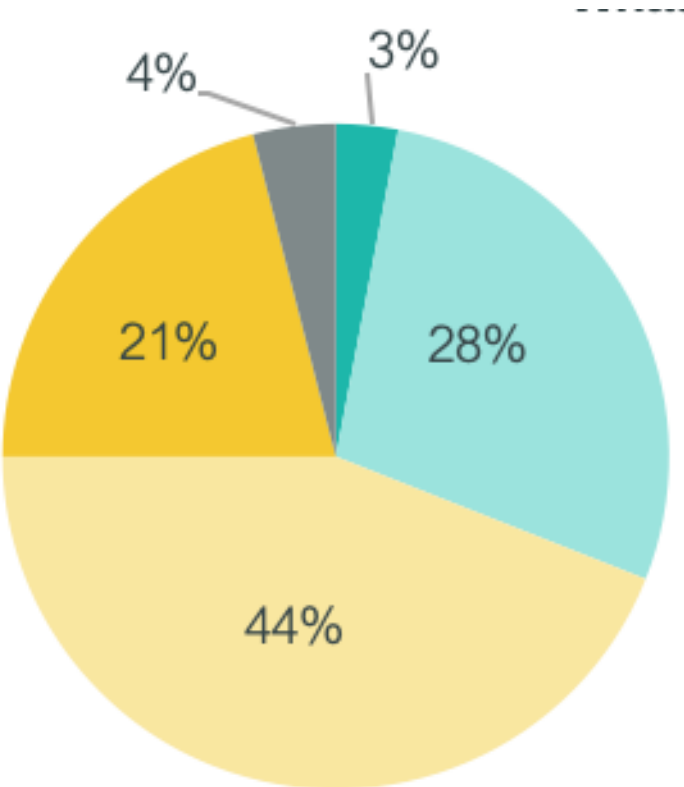
- Many donors => forced to automate
- Private donors => financial sustainability and independence => "long" investments in digitalization

The glass ceiling?

Culture and digital knowledge

- **80 %** encourage employees to try new digital solutions in their work
- **70 %** are constantly developing knowledge and skills required for digitalization
- **58 %** consider the level of digital competence of employees important when making personnel decisions

What is the level of digital expertise among key staff in your organization?



- High: professional knowledge and experience in the digital sphere
- Good: knowledge and use of digital products and solutions
- Medium: some basic digital knowledge and skills
- Low: little knowledge and skills in using IT products and solutions
- Can't say

TOP-5 digital skills NGOs lack:

38 %

social media promotion

34 %

use of digital technology in fundraising

34 %

data management skills (data collection, analysis, management)

33 %

knowledge of existing digital products and services and their cost

32 %

creating and developing own digital products

IT staff, contractors and volunteers

CEO as initiator (75 %) and responsible staff member (47 %)

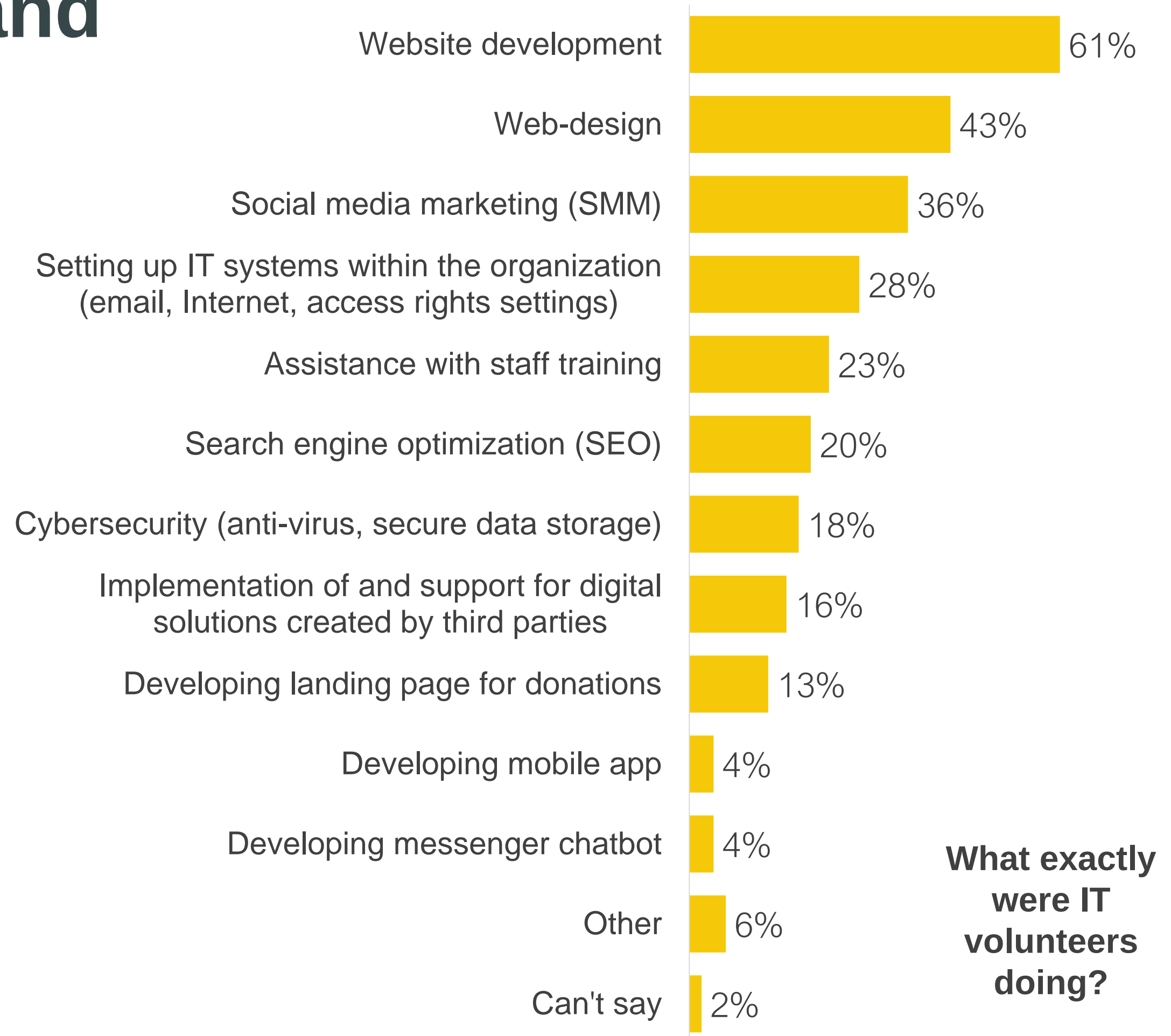
Collective initiative (35 %) and responsibility (30 %)

24 % have their own IT staff

53 % have bought digital solutions, outsourced contractors and IT professionals on a commercial basis

- 27 % have bought a ready-to-use package solution
- 15 % paid for designing their own IT tool

31 % engaged IT volunteers





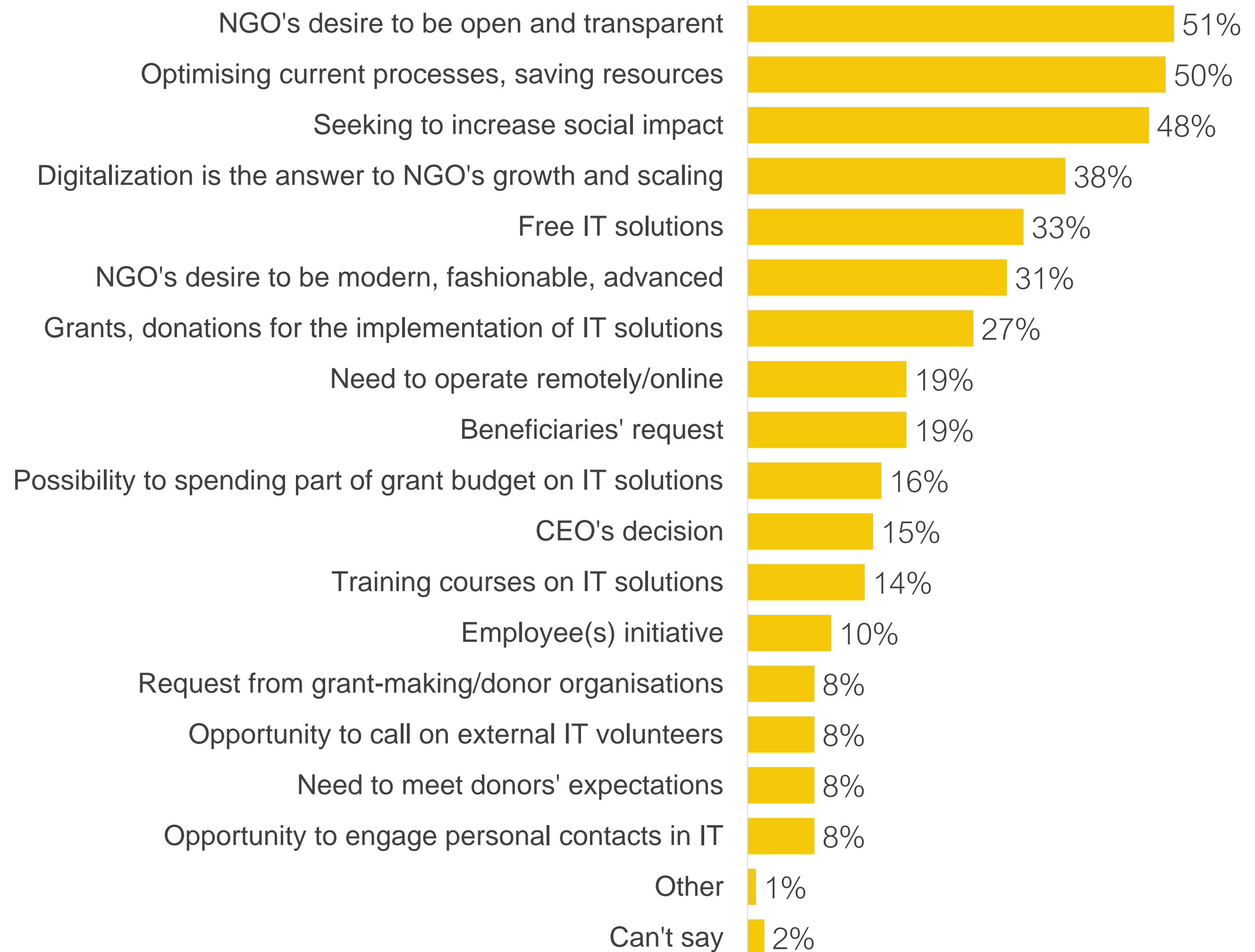
Incentives

Incentives

Internal incentives for digitalization matter most for NGOs

Incentives vary among NGOs with different levels of digitalization:

- Leading NGOs are more focused on internal incentives
- External incentives in the form of infrastructure support are more relevant for NGOs with a low level of digitalization





Barriers

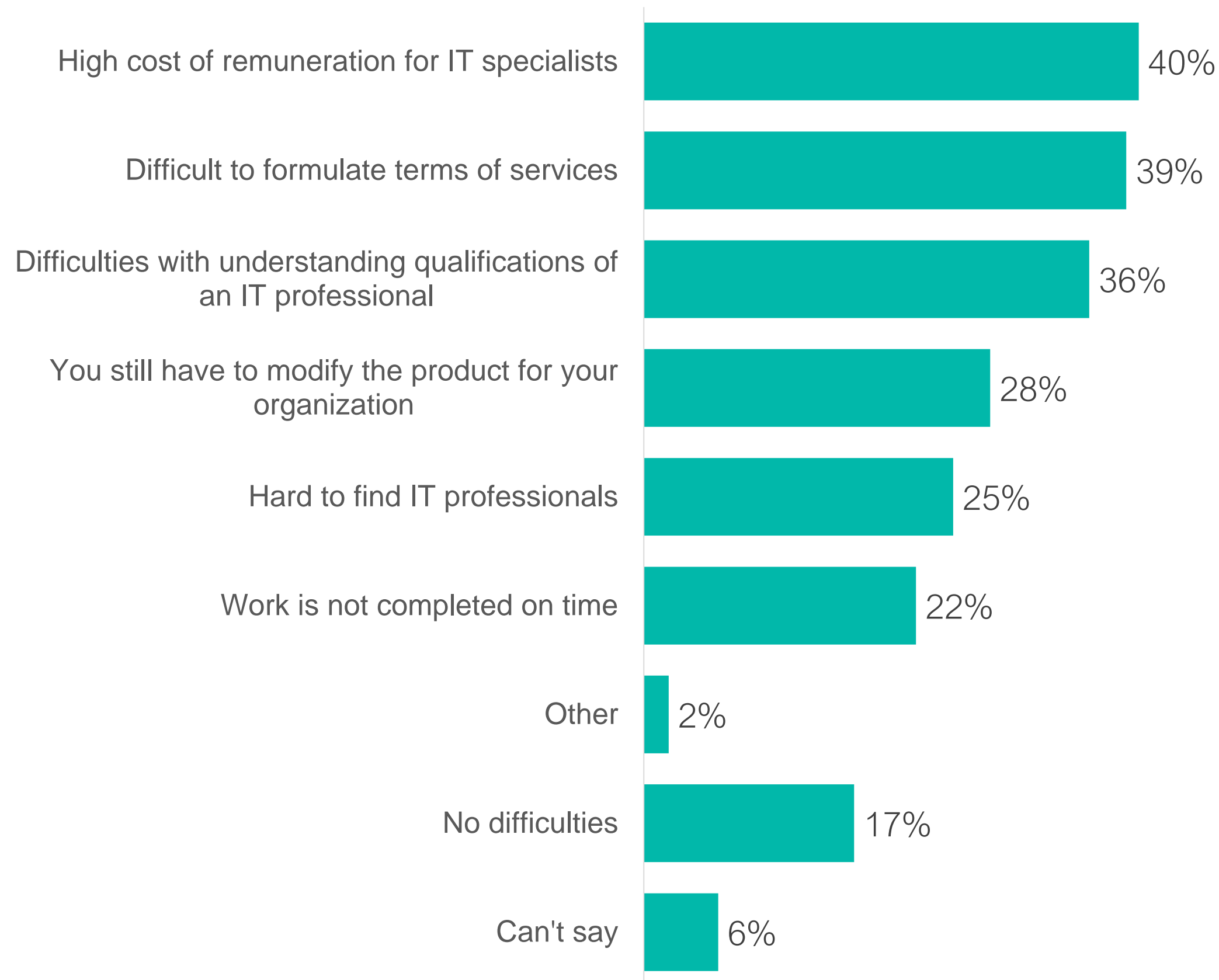
Barriers



The barriers to digitalization are not perceived as insurmountable obstacles, but as difficulties, which in most cases can be resolved with their own resources if necessary

- NGO leaders: lack of packaged solutions and unwillingness of staff to restructure their work
- Catch-up NGOs: the funding gap
- Lagging NGOs: lack of digital competence, lack of understanding of what digitalization will bring, lack of leadership initiative, lack of knowledge of the digital solutions market

Difficulties with IT specialists



It's not always possible to explain what you want, for example, or you don't even know what the possibilities are... In order to communicate with a programmer, I asked for advice from Teplitsa: "[...] I need to put this over there, so that it would be like this." Of course I'm exaggerating, but in fact that's roughly how you communicate. There are not enough skills and knowledge

Respondent 20, NGO, social services

Effects

The effects of digitalization

Increased openness and better image rather than automation and acceleration

Only a few NGOs surveyed cited the impact of digitalization in terms of increased funding (7 %)

The "dark side" of digitalization

- data storage
- secure access to data within the organization
- secure information exchange and communications
- compliance with the law on personal data
- lack of personal communications





The impact of the --- pandemic

The impact of the pandemic

67 % of NGOs noticed negative effects of the pandemic on their work

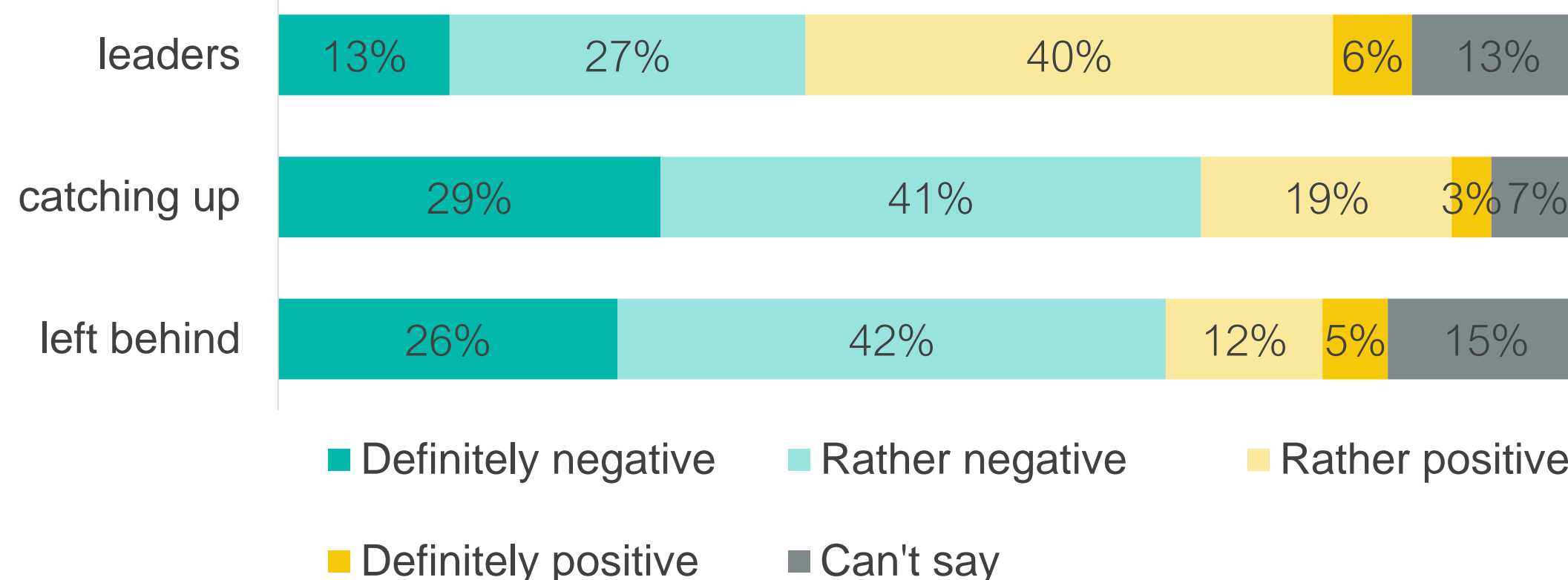
- Impact of starting positions in digitalization: leading NGOs had easier times
- Specificity of beneficiaries: not everyone was equally able to go online
- A new form of communications



We became clearer about the problems we were facing. Although we did roughly understand before that it would be good to digitize our documents, it would be good to do this, to do that... And now we realized that it was not only good, it was crucial... This made us, firstly, aware of the problem. Secondly, it made us think about how to solve it, i.e. to start looking at the tools which will enable us to do this.

Respondent 33, NGO+, social services

Assessing the impact of the pandemic on NGOs depending on the level of their digitalization

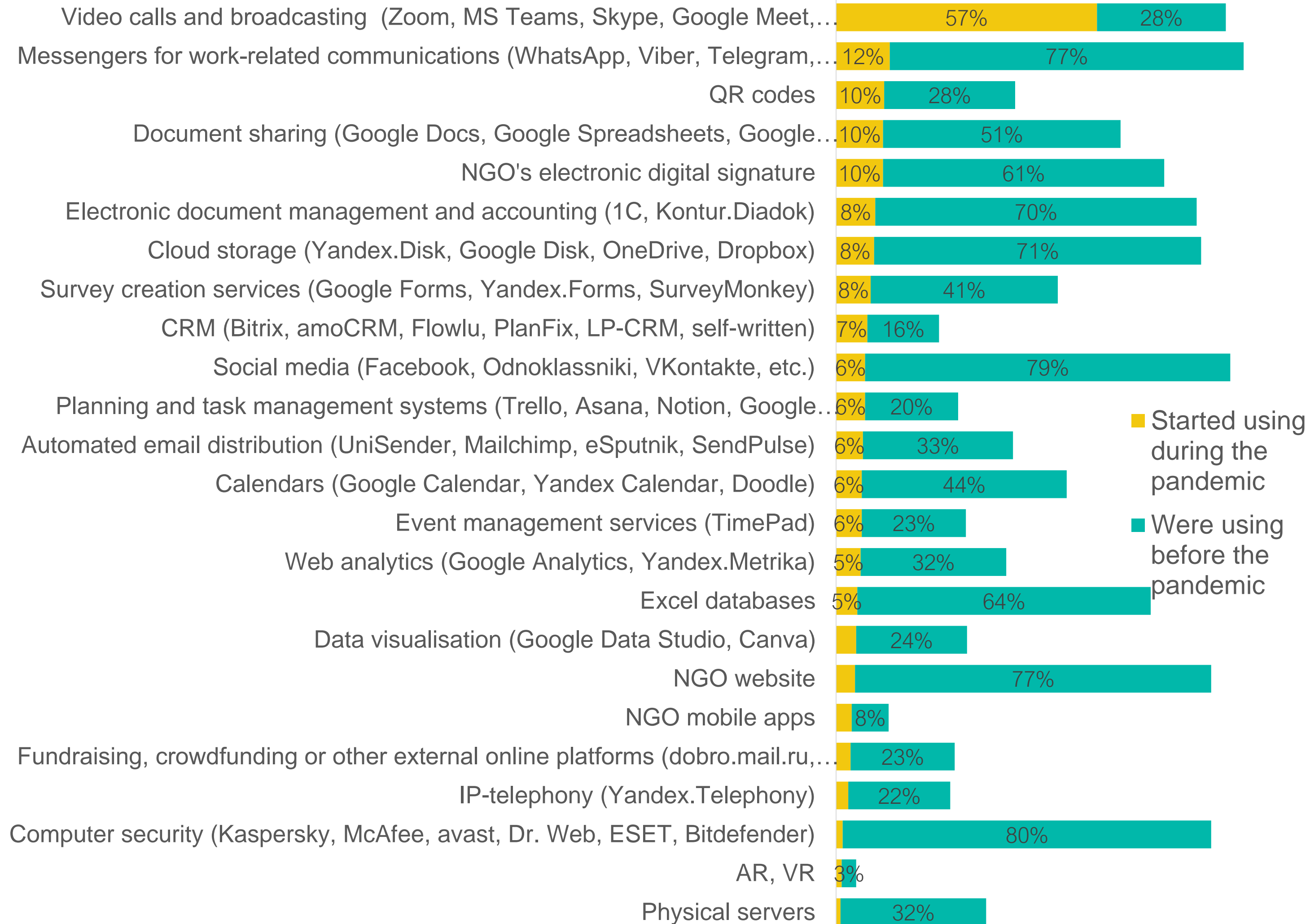


24 % of NGOs rate the impact of the pandemic as rather or definitely positive

- Awareness of digital failures
- Need to be flexible in practice, not in theory
- Increased confidence in staff
- New skills
- New horizons and scope

Technologies "before" and "after"

The pandemic has become an impetus for the adoption of new technologies on a very limited scale. As the survey results indicate, with the exception of video calls, there was no widespread adoption of digital solutions in the work of NGOs





Recommendations

Who can help and how?

50 %
donor organizations

- Provide grants for the development and implementation of IT solutions
- Ensure that "standard" grants can include budgets for the development and implementation of IT solutions

“*Digitalization is a capital-intensive process, NGOs do not have opportunities to try and experiment. A great incentive would be grant programs for implementation, adaptation, selection of such solutions, when you can try things, and the support process will be funded by someone.*

Respondent 30, NGO+, social services

48 %
NGOs
themselves

- Develop staff digital skills, build a culture of digital skills as the new normal
 - keep track of current skill levels
 - provide training
 - develop an organizational management and data culture
- Integrate digitalization in planning and budgeting
- Highlight digitalization as a new area of staff responsibility

Who can help and how?

37 %


IT companies and specialists

- Develop off-the-shelf package IT solutions for NGOs that can be used without tweaking
- Provide NGOs with free or discounted demos of IT solutions
- Inform NGOs more fully about existing products and what tasks they can address
- Offer NGOs practice-oriented courses to learn about specific IT solutions

35 %

public authorities

- Include digitalization of NGOs in government programs seeking to develop and support the non-profit sector. Work with experts to develop necessary measures
- Digitize government-NGO communications, including those related to grant programs implementation or reporting
- Don't intervene

 *On the part of the IT business, I would like them to finally see us as some kind of a market, some new niche. And to start creating some products for NGOs, to immerse themselves in our subject area.*

Respondent 9, NGO+, social services

Who can help and how?

12 %
IT volunteers

- Formalize engagement with NGOs as much as possible: ask for clear terms of reference, refuse tasks before they start if the task is not suited to their skills and qualifications

23 %
Large leading
NGOs

- Share digitalization experiences, showcase best and worst practices
- Jointly develop or share IT solutions for the benefit of several NGOs with similar needs
- Promote digitalization of the non-profit sector in relevant discussion forums in a language that is accessible to the majority of NGOs

12 %
Business

- In addition to funding NGOs' programmatic activities, allow funds to be spent on organizational development and digitalization
- Provide pro bono services through in-house specialists, such as programmers, designers, journalists, copywriters, photo editors, etc., to address NGOs' digital needs. Develop pro bono volunteering programs

““ If several foundations, for example, could get together and devise a sizeable ToR, I am sure that there would be a contractor who would be happy to develop this CRM system for us.

Respondent 32, NGO+, Environment

Action plan for NGOs

General comments:

- Two conditions are critical for digitalization: informed willingness and understanding the potential of technology
- Potential growth in digital donations is possible as a result of a set of actions by NGOs, where digitalization is only one of the solutions; introduction of digital solutions in the fundraising process alone is unlikely to lead to an increase in donations
- Lack of money cannot be the primary barrier to digitalization: money is first and foremost a means to an end

Action plan for NGOs

Preparatory stage:

- Define the organization's strategy for the next 3-5 years. Understand where it wants to go and to what extent digitalization and the implementation of various digital solutions are needed to achieve these goals
- Conduct an assessment of your work and an audit of current business processes to identify potential points of growth and development for the organization, and the place of digital solutions in the process
- Do benchmarking: compare your organization's performance with similar organizations in terms of number of staff, scope of operations, age, type of service provided, etc.
- Discuss and explain to all staff the importance of the proposed changes, collect and take account of their feedback and show examples of concrete digitalization results

Moving towards practical work on digitalization:

- Organizations need to research the market for IT services in order to make an informed choice of provider
- Try to communicate with the supplier in a language they understand in order to minimize misunderstandings
- Engage with digital service providers as a customer and act based on your own interest, including your team's
- Test each technology among the organization's staff prior to implementation, taking into account their comments and technical errors when refining it
- Provide comprehensive training on the use of the digital technologies implemented
- When ordering IT solutions, look for opportunities for cooperation between NGOs with similar profiles and needs



Thank you!

<http://digitalnonprofit.ru/>

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