3 NONPROFIT STRATEGIES FOR TECHNOLOGY BUDGETING:

HOW TO DECREASE COSTS WHILE INCREASING PERFORMANCE

TECHIMPACT℠

The Annual Cost of Technology for Nonprofits

Technology consumes an average of 3.2% of a nonprofit's budget for all nonprofit sizes. For smaller nonprofits, this average is higher, reaching around 4.2%, while larger nonprofits only allocate an average of 1.7% of their annual budget to information technologies (IT).3

All nonprofits look for opportunities to decrease their IT budget, so that more funds can benefit their mission directly. However, many nonprofits either do not have the staff resources or the knowledge of the digital marketplace to make strategic investments in technology that will decrease costs over time. This is especially true for smaller organizations.

In fact, smaller nonprofits only have an average of 1.7 technology staff, and nonprofits of all sizes average around 4.4 IT staff members, according to the 8th Annual Nonprofit Technology Staffing and Investment Report from NTEN.

Facing limited support and tight budgets, nonprofits are looking for answers that we seek to provide in this report.

Due to the dynamic technological environment, nonprofit boards and technology staff members should review several key technology indicators annually when budget planning:

- The health of current systems
- Strategic plans for new technologies and upgrades
- Cost-effective alternatives

5 Tips for Annual Technology Planning

1. **Prioritize - What products or services absolutely need to be upgraded?**
The most important thing to consider is your organization's "need" when it comes to technology. If your server is on its last legs or your software is no longer supported, it's time to upgrade or suffer even greater costs such as losing data if the server dies, or an information security breach if your software no longer receives patch updates and bug fixes.

2. **Innovate - What new technology would be a strategic investment?**
Keeping your organization functional and effective nowadays means staying ahead of the technology curve. And often, that means paying a larger price up-front for the latest and greatest service to save more money in the long run. Many nonprofits invest in technology, such as cloud services, that will limit maintenance costs or software such as a client relationship management (CRM) system, which will improve service and data integrity.

3. **Commit - Can your organization invest the time and money into properly training users?**
Technology is only as good as the time and money you can commit to it. Especially when adopting a new system or service, user training could make or break an investment. If users are not adequately trained on the new technology then your nonprofit will miss out on many new feature that would optimize workflow, communication, and effectiveness, essentially negating the investment. What's the point of upgrading or implementing new technologies if staff do not have the resources to make the best-use of them?

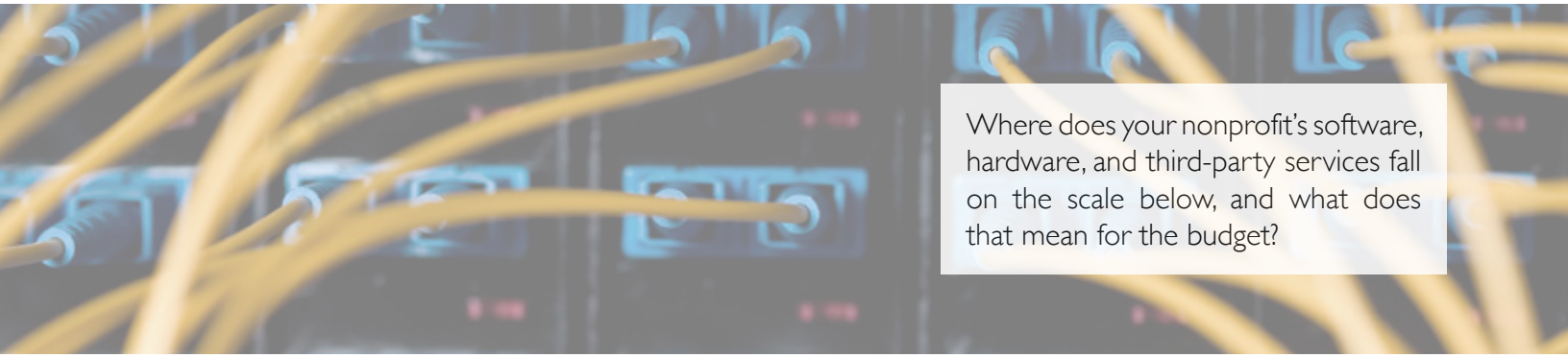
4. **Support - Can your organization provide adequate support for technology?**
Staff using the new software or service are not the only ones who require training; IT support staff require a working knowledge of the technology's back-end to troubleshoot bugs or any issues that arise.

For services provided by a third-party, your organization should have a contract with the service provider for support to ensure consistent service and response times.

5. **Retire - Does your organization have a retirement or disaster recovery plan for certain technologies?**
The inevitable plague of all hardware; deterioration. Always find out the average lifespan of a new piece of equipment and have a timeline, along with a long-term budget, in place for replacing the unit. For example, the average laptop has starts to age after 2-3 years[2], pushing the device into the Functional to High Maintenance range in terms of health. Of course a computer could last longer or, even, die sooner, but that's where a disaster recovery plan comes into play.

Before buying technology, your organization should always thoroughly research the product and any known bugs or defects associated with it to avoid data loss, but also make sure you have a secondary plan, such as scheduled server back-ups, to avoid any unforeseen issues that might crop up.

Gauging the Health of your Nonprofit's Existing Technologies



Where does your nonprofit's software, hardware, and third-party services fall on the scale below, and what does that mean for the budget?

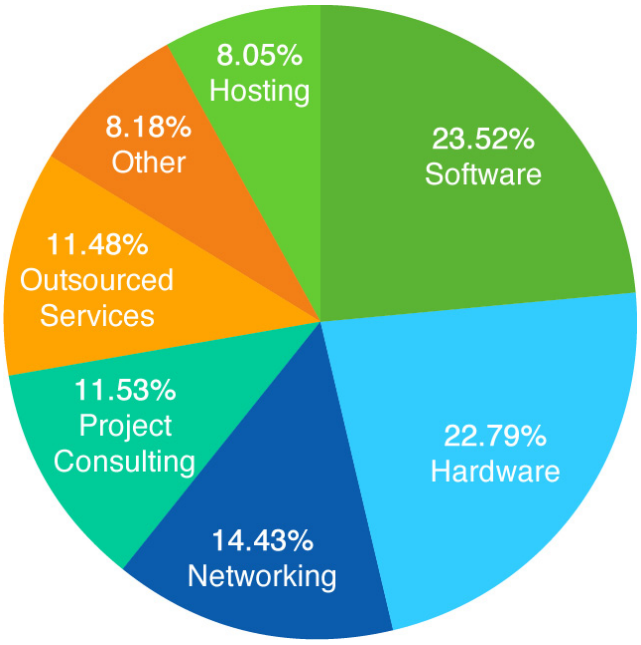
State	Description	Implications
Optimal	Possibly new, or within the warranty period. System receives regular updates to fix bugs and patch vulnerabilities. Support is available from the vendor or service provider. User-experience is fluid. The product serves a valuable purpose/function that provide value to the organization.	A fully-operational technology resource that needs little to no maintenance and is highly supported, providing continuous value to your organization. Continue to keep the system up-to-date and always back-up the information.
Functional	Likely used or nearing the end of warranty. System is still supported by the vendor or service provider and receives updates/patches, but is possibly a later version/model. The product is beginning to slow or glitch when matched with newer technologies, but is still valuable to the daily work-flow. Most major repairs are either covered by warranty or a guaranteed, one-time cost.	A functional piece of software or hardware that might not be the latest product, but is still highly relevant to day-to-day business needs. Continue to keep the system up-to-date and always back-up the information. Additionally, perform system and user audits to track degradation and relevance to operational needs. If the system is ineffective in it's current capacity, try repurposing it as it's still usable.
High Maintenance	Likely out-of-warranty, been in use for a prolonged period of time, or shoddy product (if recently adopted). System receives little-to-no consistent support, and is likely several generations behind the latest version/model. The product is noticeably lagging and requires more frequent data back-ups and repairs that are becoming costly. Users are becoming frustrated with the device or program and find it is not compatible with newer technologies.	Likely out-of-warranty, been in use for a prolonged period of time, or shoddy product (if recently adopted). System receives little-to-no consistent support, and is likely several generations behind the latest version/model. The product is noticeably lagging and requires more frequent data back-ups and repairs that are becoming costly. Users are becoming frustrated with the device or program and find it is not compatible with newer technologies.
Degraded	Likely a technology that received excessive or prolonged use and is now nearing the end of it's lifespan, or a damaged piece of technology. The product is likely unsupported and not the newest version/model. Backups are daily or more numerous. Security and daily operation is a high concern. Users are finding it difficult to do work using the technology, and may be using other methods that have not been approved by your organization to handle daily work.	A technology that is on its last legs and needs immediate replacing. If your organization started planning for this at the High-Maintenance level, a new product should already be budgeted for.

Low-Cost Alternatives to Software, Hardware, and IT Support

Software

In past years, hardware was the most expensive up-front and overhead cost for nonprofits, excluding salaries, however this year, software is the most expensive technology, with an average cost of $30,807.75 annually. Smaller nonprofits tend to spend just over $2,000 on software and larger nonprofits average upwards of $120,000.3

Average Nonprofit IT Budget Allocations[3]



It's not hard to guess what software nonprofits might be interested in:

- Newer operating systems
- Client relationship management (CRM) software
- Fundraising software
- Email marketing software
- Graphic and web development software
- Analytics software
- Financial & accounting software
- Word & business processing software
- Antivirus & malware software

The examples above vary in importance depending on your nonprofit's mission and organizational goals, but all are highly relevant and frequently used by nonprofit organizations to conduct business.

Low-cost alternative: SaaS

Software is one of the easiest forms of technology to consolidate in terms of services and costs .SaaS, the cloud computing term for Software as a Service, is a great way to combine multiple programs into one package and scale services as your nonprofit grows and matures.The cloud requires only an internet connected device to operate and most software updates are completed by the service provider, who hosts your software. Also, some cloud services integrate seamlessly with each other, such as Salesforce CRM, MailChimp, Constant Contact, Google Analytics, Social media, email, and other tools.

SaaS saves nonprofits money by bundling services, reducing wear-n-tear on hardware by transferring computing data via a network rather than directly on the device, and by providing support as part of the package since the software is hosted by a third-party.

Hardware

Costing nonprofits an average of $29,862.68 per year, hardware is the second most-expensive type of technology. For smaller nonprofits, the average is closer to $2,000 and for larger nonprofits it's over $100,000.3

Racking up a large hardware bill is fairly easy, as devices such as servers and personal computers are expensive up-front costs, and often require maintenance, replacement parts, and have expensive power needs. On average, a server's lifespan is 3-5 years, depending on what you use the server for[1]; a DNS server will last a lot longer than a server that is used for file sharing, hosting, or testing.

Low-cost alternative: IaaS

Infrastructure as a Service (IaaS) is another type of cloud-based technology that allows individuals and organizations to "virtualize" everything from a computer desktop to a server. IaaS is becoming increasingly popular because it allows organizations to transfer the financial burden of server maintenance, information security, parts replacement, and full server replacement to the hosting company.

55 % of nonprofits use an email cloud service.

60 % of nonprofits don't use the cloud due to lack of knowledge or support.

79 % of nonprofits report the cloud as an administrative advantage.

47 % of nonprofits note the reduced cost as a motivator for moving to the cloud.

TechSoup Global, The Cloud Report Executive Summary

This solution is particularly ideal for smaller organizations that have only a few or no IT personnel to support the hardware. Larger organizations with a full IT division can also find a benefit from IaaS in the time their staff save on maintenance and systems monitoring, allowing more time for innovation in other technological areas.

Additionally, IaaS, when used to virtualize desktops, can increase the usable life-expectancy of laptop and desktop computers by moving the computing power from the device's hard drive to the hosting company's servers. And since a virtual desktop is located in the cloud, staff can connect to a shared desktop or their own individual hosted desktop from any internet-connected computer that is set up to operate using a virtual environment.

IT Support

While you can't physically host an IT expert in the cloud (yet), there are services that attempt to alleviate the cost of hiring multiple IT experts to cover the vast areas of the technological landscape your nonprofit occupies.

Managed IT services can provide nonprofits of all sizes with the support and knowledge that an entire IT department would have, but at a fraction of what you'd pay for one expert in a year. Similar to cloud services, managed IT services operate remotely, but allow users to instantly connect when the service is needed. Even at a distance, an IT support service team can use software to remotely connect to your organization's devices to investigate problems and keep your devices running smoothly.

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Reference

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