Using Data to Create an Infrastructure of Success

By Matthew Becker, CPA, BDO USA

In today's digital economy, every business is driven by data, and nonprofit organizations are no exception. For too long, many nonprofit organizations have lacked the incentive to innovate due to chronic underfunding or insufficient resources as a result of the starvation cycle. Additionally, the COVID-19 pandemic disrupted the way all organizations work and brought with it a clarion call for nonprofits to redouble their commitment to innovative strategy. While the heart of any good strategy begins with data, investing in and leveraging effective data analytics can lead to improvements across multiple areas of performance including the revenue cycle, spending and planning, donor habit knowledge, and improved definition of organizational success.

To build an inimitable data strategy, it is crucial to first look within and ask what you already know about your organization before collecting data to ensure meaningful insight and actionable analytics. Data can be collected from a vast array of sources, and the Internet of Things (IoT) has transformed the way we access and use data. Nonprofits must be able to leverage data from various sources to create an infrastructure of success both internally and externally.

For example, actionable data analytics can rapidly identify donor spending habits from data collected via donations through paper check, website, wire transfer, and mobile device. This allows you to tailor a marketing campaign during the most effective time periods for donations. Further analysis can determine the effectiveness of these campaigns and allow for additional refinements, which may also increase revenues from donations.

Nonprofits must be able to leverage data from various sources to create an infrastructure of success both internally and externally.

It is important to note that a robust data governance framework is a vital bulwark for data-driven impact. As outlined in more detail in BDO's Comprehensive Guide to Data Governance, adopting a foundation of governance, risk, and compliance is needed to springboard data strategy.

Once relevant organizational data has been inventoried, each organization must ask itself critical questions to develop an effective data impact strategy:

- Can your current technology provide for the integrity of your data? If not, consider a cloud-based solution with a lower total cost of ownership.

- Do you have a clear definition of what success looks like and what data is used to measure that? If not, consider application/data mapping to identify your organization's relevant and actionable data.

- How do you engage with the stakeholders of your organization? Leveraging data will tell your organization's story and communicate success to donors and other key stakeholders.

- What correlations can you develop from the data? This helps you identify the types of data analytics that will have the most impact.

- How does spending further the mission and contribute to the overall revenue of the organization and provide future revenue streams? How your organization deploys capital will measure return on investment for critical spending.

- What key performance indicators (KPI) provide critical financial insight? Identifying the critical KPI will allow you to monitor and modify the most crucial financial aspects of your organization.

- How are you securing your sensitive data, given increased data privacy concerns and regulations? Failure to comply with data protection regulations can

result in steep financial penalties from regulatory bodies.

- How are you measuring operational efficiency? Identifying this will allow you to monitor and modify the most crucial operational aspects of your organization.

- What can you learn about achieving your goals and how will you know when you achieved success? Such results will provide management and those charged with governance the information necessary to monitor the success of programs and identify potential loss leaders.

Internally, answering these questions will help drive your data strategy. Data collection and analytics can help you develop quantitative evidence and help you determine what programs are working and where improvements might be needed. Building a successful data strategy can even drive healthy competition internally where programs can use comparative data to measure each other or even for fundraising to challenge revenue goals. Actionable data also will build correlations and a profile of excellence as your data gets stronger. This will provide a higher level of confidence, allowing you to make stronger strategic decisions.

Externally, using data to make your philanthropic endeavors and guiding principles stand out can help win the fight for critical funding and lead to organizational success. Communicating your mission through data-based stories will continue to attract stakeholders and promote your mission through evidence-based analyses, which help your organization thrive.

About CapinCrouse

As a national full-service CPA and consulting firm devoted to serving nonprofit organizations, CapinCrouse provides professional solutions to organizations whose outcomes are measured in lives changed. Since 1972, the firm has served domestic and international outreach organizations, universities and seminaries, foundations, media ministries, rescue missions, relief and development organizations, churches and denominations, and many others by providing support in the key areas of financial integrity and security. With a network of offices across the nation, CapinCrouse has the resources of a large firm and the personal touch of a local firm. Learn more at capincrouse.com.

CapinCrouse is an independent member of the BDO Alliance USA.

AN INDEPENDENT MEMBER OF
BDO
ALLIANCE USA

Communicating your mission through data-based stories will continue to attract stakeholders and promote your mission through evidence-based analyses.