

# Data Analytics Provides Solutions to Myriad Nonprofit Challenges

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If your nonprofit wants to improve its budgeting, forecasting, fundraising or other functions but is having a hard time identifying both problems and solutions, data analytics can help. This form of business intelligence is already considered invaluable in the for-profit world. But it can be just as useful to nonprofits.

## Goal: informed decision making

Data analytics is the science of collecting and analyzing sets of data to develop useful insights, connections and patterns that can lead to more informed decision making. It produces such metrics as program efficacy, outcomes vs. efforts, and membership renewal that can reflect past and current performance and, in turn, predict and guide future performance. The process incorporates statistics, computer programming and operations research.

The data usually comes from two sources:

1. **Internal.** Examples include your organization's databases of detailed information on donors, beneficiaries or members.
2. **External.** This type of information can be obtained from government databases, social media and other organizations, both non- and for-profit.

## Applied advantages

Because nonprofits often operate with limited resources, data analytics offers many potential advantages. This technology can help your organization validate trends, uncover root causes, take a holistic view of performance and improve transparency. For example, analysis of certain fundraising data makes it easier to target those individuals most likely to contribute to your nonprofit.

Data analytics typically facilitates fact-based discussions and planning, which is helpful when considering new initiatives or cost-cutting measures that stir political or emotional waters. The ability to predict outcomes can support sensitive programming decisions by considering data on a wide range of factors, such as:

- At-risk populations,
- Funding restrictions,
- Past financial and operational performance,
- Offerings available from other organizations, and
- Grantmaker priorities.

Used correctly, data analytics allows your management team to focus on your primary objectives, communicate them effectively and improve performance without wasting resources.

## Let needs dictate your purchase

In general, your organization's informational needs should dictate what data analytics package you buy. Thousands of potential performance metrics can be produced, but not all of them will be useful. So keeping in mind your most important programs, identify those metrics that matter most to stakeholders and that truly drive decisions.

Also ensure that the technology solution you choose complies with any applicable privacy and security regulations, as well as your organization's ethical standards. Security considerations are particularly important if you opt for a cloud-based technology. In addition, the analytics package must integrate with your nonprofit's other applications and data.

## Your staff's role

You can adopt the most cutting-edge software and comprehensive data resources but, if your staff aren't on board, data analytics will be of little benefit. Because its introduction may require a shift in your organization's existing culture, manage the rollout process carefully. Employees need to understand why their commitment to your mission should extend to a commitment to data analytics.

You may also need to hire or develop qualified staff to conduct data analytics and convert the results into actionable intelligence. Such intelligence requires knowledge — not only of the nuts and bolts of data analytics but also your nonprofit, its mission and values, and its financial and other capabilities. Without that insight, you could end up with irrelevant, and thus useless, information.

## Making the most of it

Many data analytics packages are affordable — and in some cases, free to qualified charities. Your fellow nonprofits and financial



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advisors can help steer you in the right direction. But before you choose a technology, make sure your organization, including its staff, is ready to make the most of it.

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