

Network for Good™

The ROI Question:
Demonstrating the value of technology
to your organization



Introduction

- Why I care
- Why do you care?
- The ROI Equation
- Problem with ROI for NPOs
- Frameworks for understanding R
- Articulating ROI to Leadership – Biz Case vs. Back of Envelope



ARTHUR ANDERSEN

National Geographic Society



**Senior Management
Technology Strategy Session**

- WELCOME
- LOGOUT
- SPONSOR A RUNNER
- MY CHARITY CENTER
- INCENTIVES AND COMMITMENTS
- WAYS TO GIVE
- YOU ASK, WE'LL ANSWER
- LAST YEAR'S EVENT
- ABOUT THE AMERICAN CANCER SOCIETY
- TELL A FRIEND ABOUT THIS PAGE

Sponsored By:



2004 Charity Runner

I am running the Chicago Marathon for Mom. Thanks for your support!

Donate



Bill Strathmann

Goal: \$750.00
Achieved: \$1,765.00

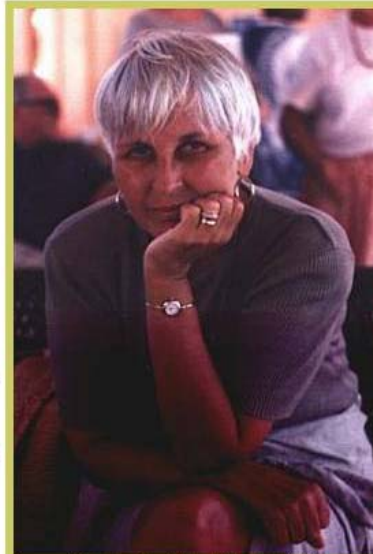
[Make a gift!](#)

This marathon is for Leslie Strathmann, my mom.

If you know me, you know my mom died of cancer on April 13, 1996. You also know what an incredible person she was.

She originally had colon cancer which ultimately took over her liver and took her life.

The year she died I ran my first marathon in DC. Then, in '98, I ran the NYC Marathon on her birthday, Nov. 1st.



Mom in St. John, February 1996

Now, I have the chance to actually raise money for the American Cancer Society in her name by running my fifth marathon and my first Chicago Marathon.

My goal is to raise \$750 and finish in under 3 hours or in the top 3% of the runners. I would really appreciate your support.

Cancer facts

*Everyone is at risk of developing cancer.

*This year, the ACS estimates that 555,500 Americans will die from cancer - more than 1,500 a day.

*In the U.S., one out of every two men and one out of every three women will develop cancer in their lifetime.

*Since 1946, the American Cancer Society has contributed nearly \$2.5 BILLION towards understanding the causes of cancer and identifying ways in which to prevent and treat the disease.

Please help me cross that finish line on October 12th by supporting the American Cancer Society with your pledge today.

If you think this page contains objectionable content, please [inform the system administrator](#).



Helping nonprofits enhance their effectiveness through online technology.

HOME

FUNDRAISING

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FOR INDIVIDUALS

Short Cuts



GO

receive online donations

Receive donations via your website using the Donate Now button.

[get started »](#)

recruit volunteers

List your organization's volunteer opportunities through Network for Good.

[post opportunities »](#)



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> TECH FINDER

CONNECTING NONPROFITS WITH TECHNOLOGY PROVIDERS

KEYWORDS

WITHIN

0-10 Miles

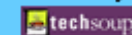


ZIP CODE

of

> GO!

Brought to you by



TECHNOLOGY

Working with Technology

Technology can improve your organization's capacity and extend your reach to new donors and volunteers. Answers to these common questions will help you make the most of technology.

1. [What is ePhilanthropy?](#)
2. [How do I get my organization online?](#)
3. [Technology planning. Where do I start?](#)
4. [How can I find technology funding?](#)
5. [Where can I find discounted hardware, software, Web and consulting services?](#)
6. [How can I use the Internet to help my organization communicate online?](#)
7. [How do I create a Web site for my organization?](#)
8. [How do I get technology training and support?](#)
9. [How can I use the Internet to raise money?](#)
10. [How do I recruit volunteers online?](#)
11. [How do I use the Internet to encourage advocacy online?](#)
12. [Where can I find more general nonprofit resources?](#)

General Nonprofit Resources

- [About the nonprofit sector](#)
- [Starting a nonprofit](#)
- [Managing a nonprofit](#)
- [Nonprofit news](#)
- [Upcoming nonprofit events](#)
- [Nonprofit jobs](#)
- [Other nonprofit resources](#)

Why do you care?



**Inspiration + Ability + Tools =
Change the World**



“Help us, Obi-Wan-Kenobi, you’re our only hope”



Good news/Bad news

- Majority of professionals feel it is difficult to quantify ROI on IT investments.
- Only 1/3 of companies calculate ROI on all IT investments.
- Decision makers say that ROI calculations fail to capture the full value of the project.
- Nonprofit leaders do not have EPS

**Good news though:
Majority say when they *do* calculate ROI
it is greater than anticipated**

www.tgilt.com

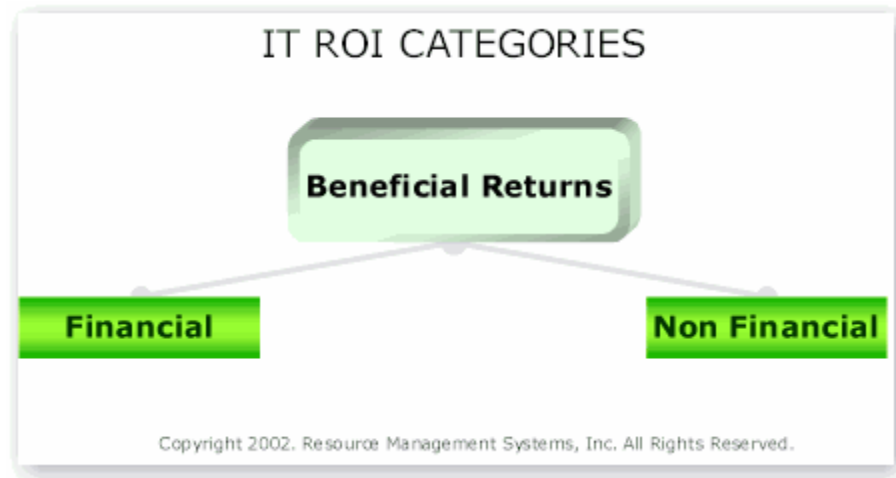


WHAT IS ROI?



IT ROI Definition

1. Financial investments and returns
2. Non-financial investments and returns



http://www.rms.net/lc_faq_other_roi.htm



Few ROI Equations

A - Return on Investment – Standard Equation

$$\text{ROI} = \frac{\text{net benefits}}{\text{costs}} \times 100 \%$$

net benefits: Benefits minus costs.

costs: Initial and recurring (or ongoing) costs.

Time Period: The standard ROI equation is usually calculated for the first year of the investment.

B - Return on Invested Capital (ROIC)

$$\text{ROIC} = \frac{\text{NOPAT}}{\text{invested capital}} \times 100 \%$$

Definition of Terms

NOPAT: Net operating profit after taxes.

invested capital: Initial and recurring (or ongoing) costs.

C - Return on Investment - Financial Definition

$$\text{ROI} = \frac{\text{Profits}}{\text{Firm Assets}} \times 100 \%$$

D - Return on Investment - Best View

$$\text{ROI}_{\text{best view}} = \frac{\text{total net benefits}}{\text{costs}} \times 100 \%$$

<http://www.odellion.com>



Defining “I”: Financial Investments

“I” is Easy...

Capital Investments vs. Operating Expenses

- Hardware
- Software
- Staff
- Contractors

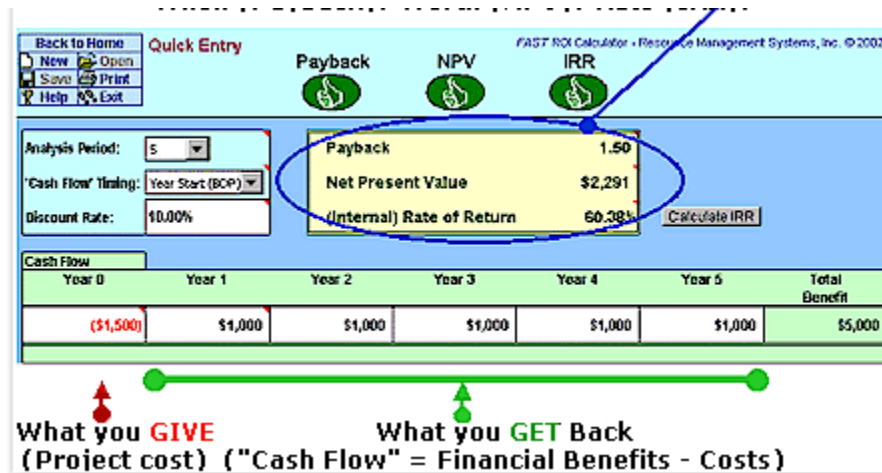
Items often overlooked:

- Training
- Maintenance
- Change in business processes



ROI Illustration with simple \$Returns

Suppose that you have a project that will cost \$1,500 and will save you \$1,000 a year over 5-years. What is the ROI of this project?



Payback Period. The simple payback period is 1.5 years.

NPV. The value of the benefits is \$2,291.

IRR. The equivalent internal rate of return is 60.38%.

As the three green "thumbs up" indicate, this project would be worth considering from a financial perspective.

http://www.rms.net/lc_faq_other_roi.htm



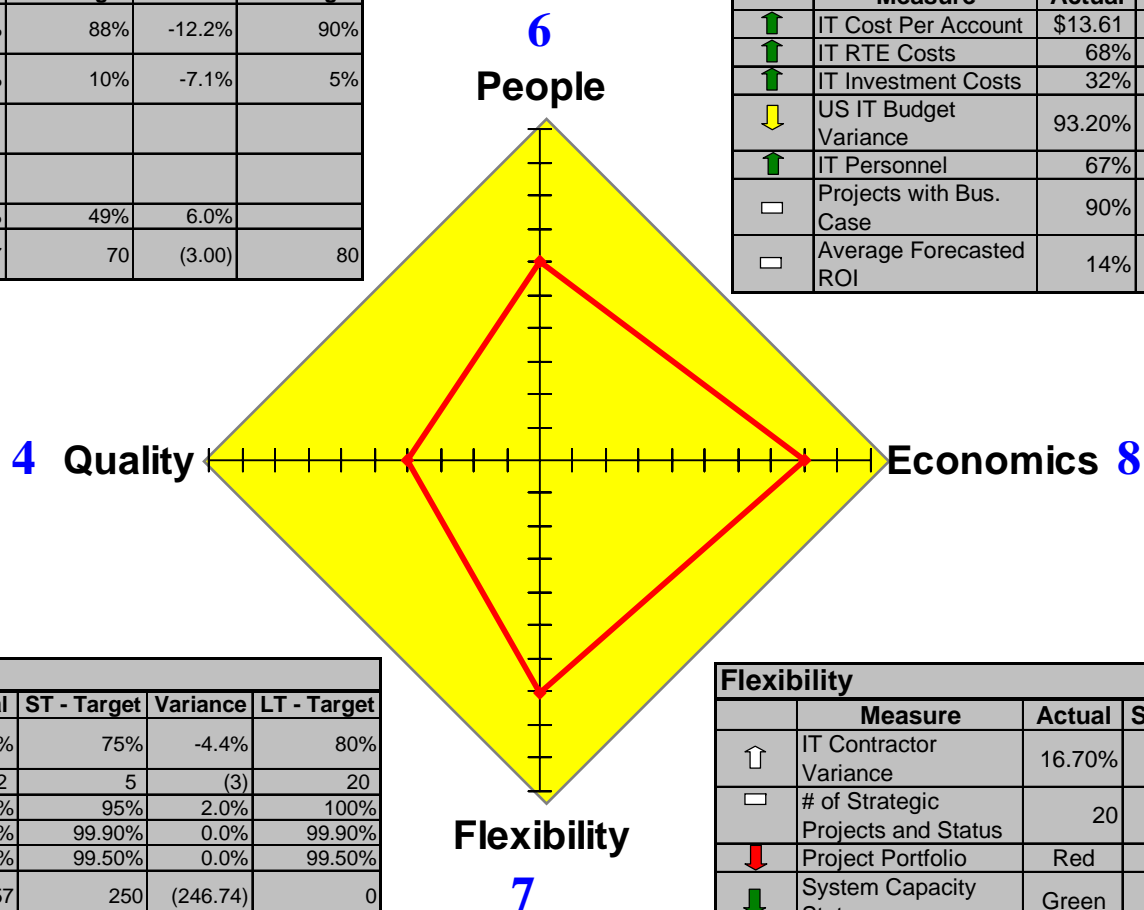
So what about R for Nonprofits?



September 2001 IT Dashboard

People					
	Measure	Actual	ST - Target	Variance	LT - Target
↓	IT Associate Satisfaction	75.80%	88%	-12.2%	90%
↑	Attrition of IT Personnel	2.95%	10%	-7.1%	5%
↓	Attrition of >4- Rated IT Personnel				
↓	IT Personnel by Tier Level				
▢	% Accepts to Offers	55%	49%	6.0%	
▢	Avg. # Training Hours/IT FTE	67	70	(3.00)	80

Economics					
	Measure	Actual	ST - Target	Variance	LT - Target
↑	IT Cost Per Account	\$13.61	\$14.00	\$ (0.39)	\$12.60
↑	IT RTE Costs	68%	70%	-2.0%	65%
↑	IT Investment Costs	32%	30%	2.0%	35%
↓	US IT Budget Variance	93.20%	98%-102%	4.8%	100%
↑	IT Personnel	67%	65%	2.0%	70%
▢	Projects with Bus. Case	90%	90%	0.0%	100%
▢	Average Forecasted ROI	14%	14%	0.0%	16%



Service Quality					
	Measure	Actual	ST - Target	Variance	LT - Target
↑	IT Customer Satisfaction %	70.64%	75%	-4.4%	80%
↓	# SLAs in Place	2	5	(3)	20
↓	% SLAs Met	97%	95%	2.0%	100%
↓	Systems Availability	99.92%	99.90%	0.0%	99.90%
↓	Application	99.52%	99.50%	0.0%	99.50%
↑	#Accounts Affected by QRTs (in 000s)	3.257	250	(246.74)	0
↓	Severity 1&2 Resolution Rate	56%	60%	-4.0%	75%
▢	BIO Compliance with QA Process	95%	95%	0.0%	100%

Flexibility					
	Measure	Actual	ST - Target	Variance	LT - Target
↑	IT Contractor Variance	16.70%	17%	-0.3%	20%
▢	# of Strategic Projects and Status	20	20	-	20
↓	Project Portfolio	Red	Green		Green
↓	System Capacity Status	Green	Green		Green

█ Exceeding
 ▢ Expected
 █ Warning
 █ Critical
 ↑ Improving
 ▬ No Change
 ↓ Declining



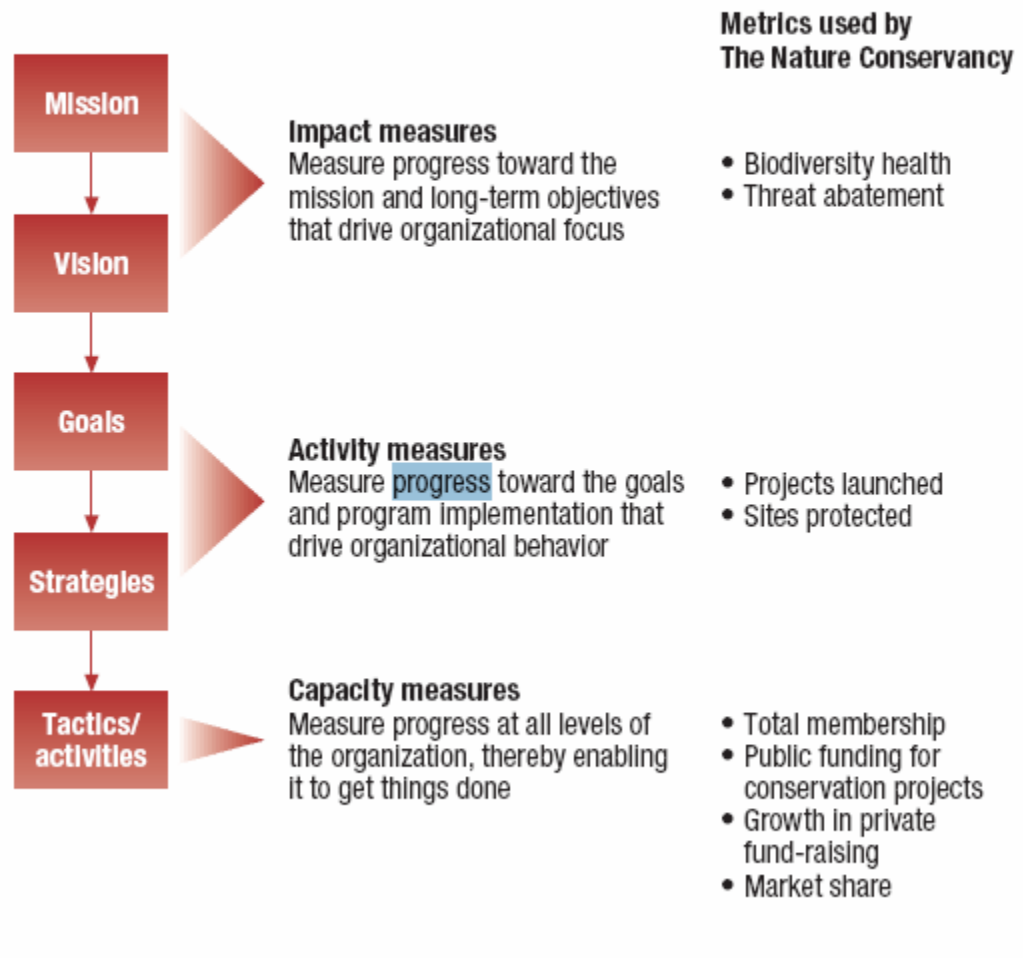
Measuring what matters in nonprofits

John Sawhill and David Williamson

Every nonprofit organization should measure its progress in fulfilling its mission, its success in mobilizing its resources, and its staff's effectiveness on the job.

EXHIBIT 2

The family of measures



Network for Good Strategy Articulation Map

Vision

To increase the ability of charitable organizations to do good by inspiring and serving a more connected and generous society

Mission

To drive donations and volunteers to nonprofits and to increase the ability of nonprofits to get resources for themselves –all via one of the most efficient means possible, the Internet

Values

- Charitable/Helping/Altruistic
- Central/Accessible
- Easy-to-use and Place to Go
- Safe/Secure/Trustworthy/Integrity
- Internet leader

Market Differentiators

Greatest number of citizens *and* nonprofits engaged in charitable giving in one place

Unmatched low cost transaction processing system and nonprofit status

Limited technological and financial barriers to essential NPO tools

Unprecedented and inexpensive distribution to citizens through media partners

Dedicated organization with competencies in nonprofit management, internet business, and technology development

Goals

Increase Charitable Giving

Increase Nonprofit Efficiency

Level the Playing Field

Strategic Objectives

Increase NPO Exposure

Increase NPO Adoption

Increase NPO Performance

Make Network for Good a Household Name

Make giving easy, safe and efficient

Create well-timed and well-informed giving

Ensure sustainability of online giving and Network for Good

Key Performance Indicators

NPOs Served

Consumer Reach

Site Visits

Site uptime

Average cost of fundraising

Unique Donors

Donations Processed

Volunteer Referrals

Earned Income/ Expenses

Articulating ROI to Leadership



Business Case Development

Preliminary business cases will be prepared for each potential strategic initiative to evaluate relative impact and cost. The following describe the impacts, costs and high-level action plan of each initiative, using the following template:

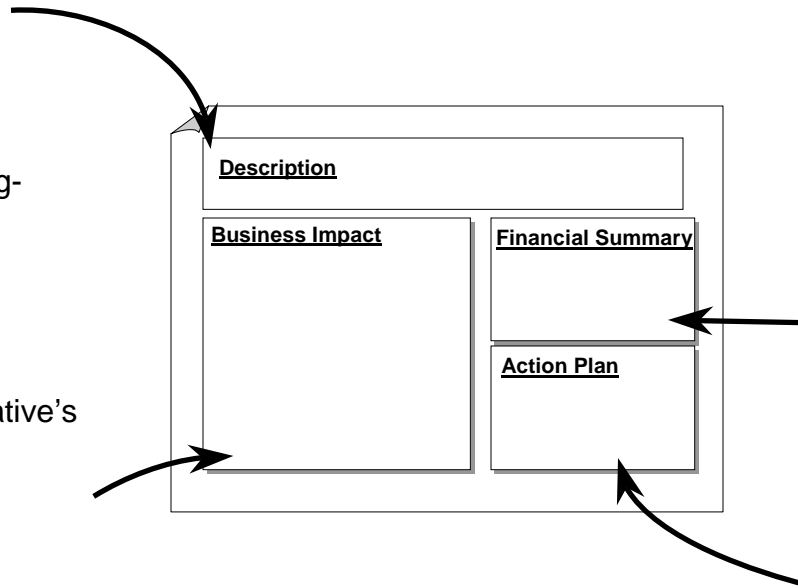
Description

An explanation of the initiative's purpose and scope (short-term and long-term). This includes a rationale of the "why"

Business Impact

An explanation of the initiative's impact:

- Expected traffic
- Donations
- Testing
- News worthiness (wow factor)
- Earned and contributed revenue



Financial Summary

A breakdown of the initiative's financial components including:

- Earned Revenue
- Contributed revenue (sponsorships)

As well as an assessment of expected costs:

- Additional new FTEs
- Other costs/investments

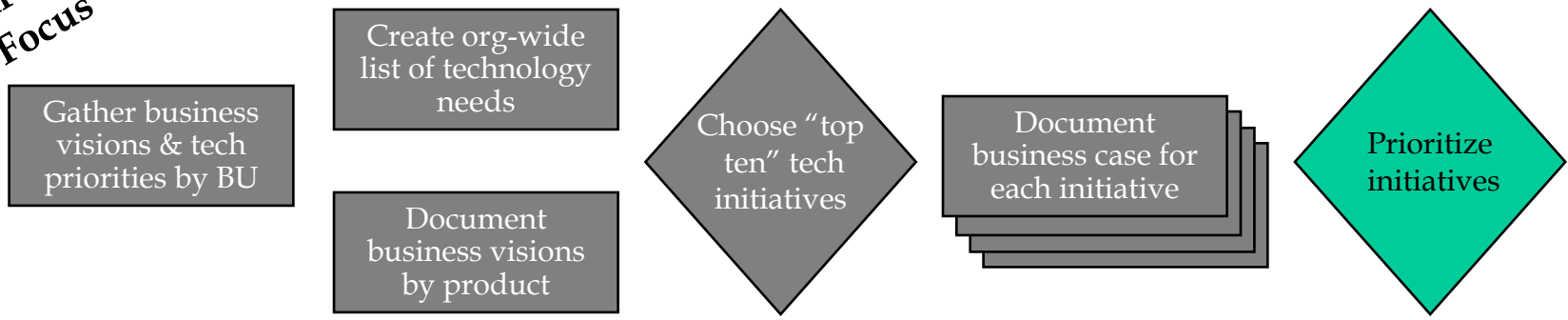
Action Plan & Partners

A high-level action plan that describes the major activities required to complete the initiative as well as any partnerships needed/desired.

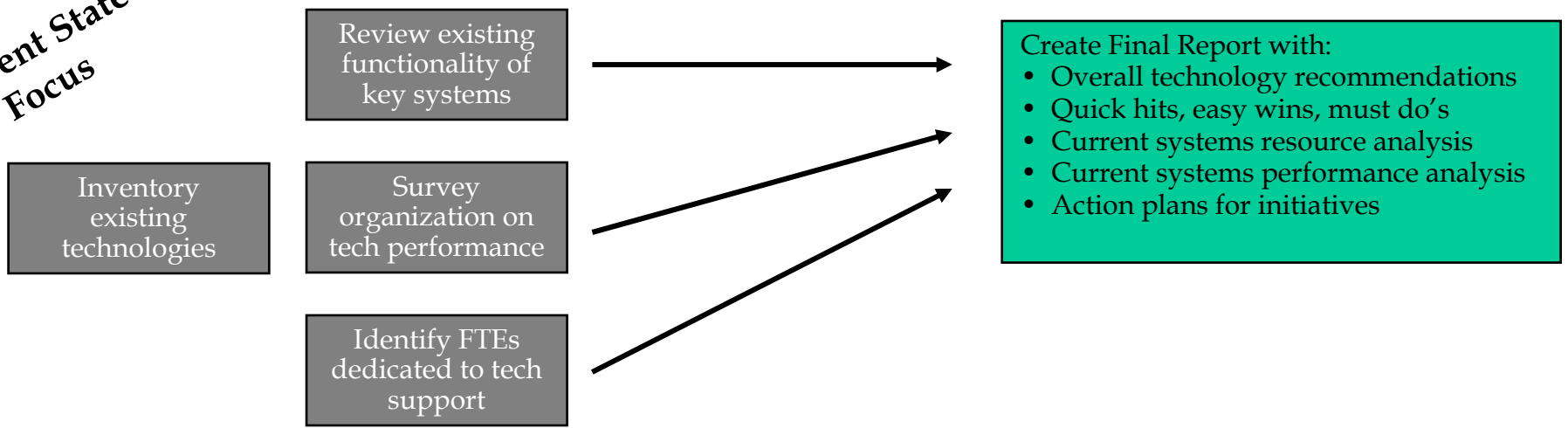


Technology Strategy Process

Future State Focus

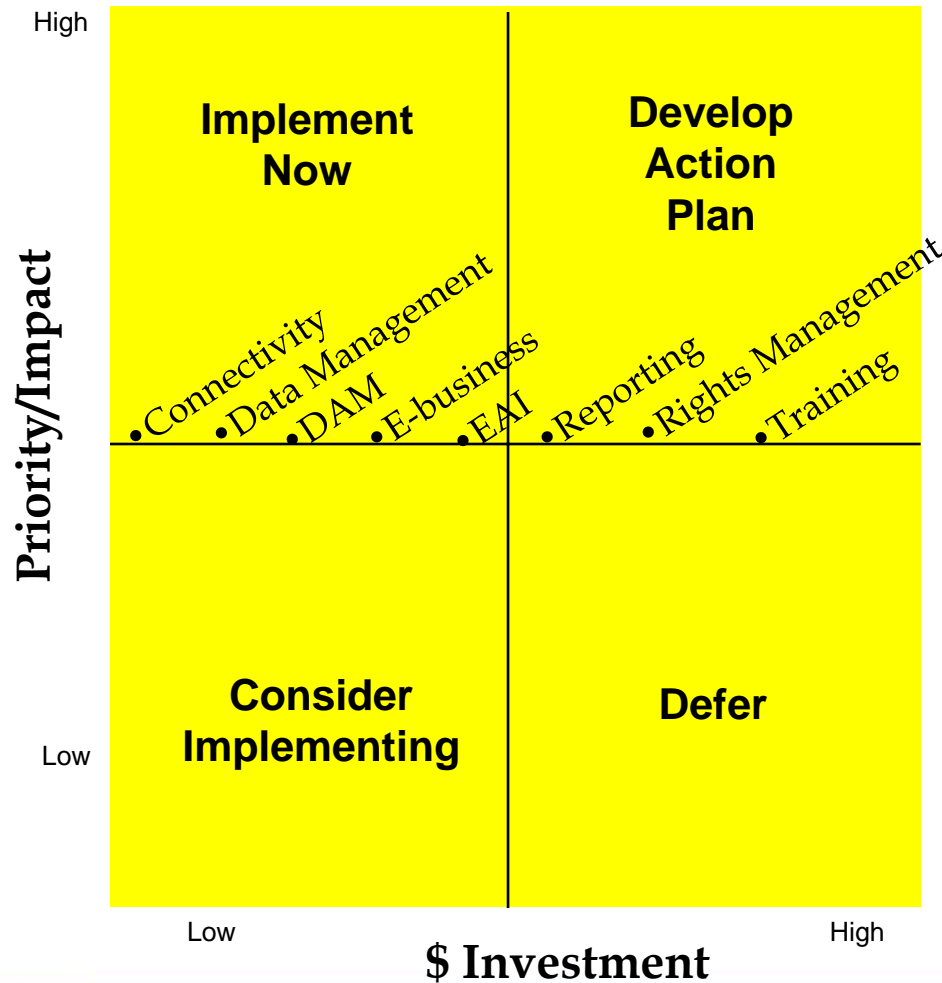


Current State Focus



Prioritizing Technology Initiatives

Importance vs. Cost



Articulating ROI to Leadership

- Know your audience
- Know the elevator pitch
- Know the risks and rewards
- Do the business case (for yourself)
- Keep it simple



What do I get?

Why do they care?

- Mission Advancement
- Revenue Enhancement
- Cost Reduction
- Time Savings
- Quality Improvement
- Risk Mitigation
- Flexibility
- Opportunity Cost
- Benchmark/Competition



flickr KatColoraro



KISS and Tell (the story)

Give me \$1 and I will give you \$6
I spend 20 minutes a day authenticating
Invest \$1 and it will mean \$10 for the sector
If we spend \$12k it will deliver the project 2 weeks
earlier

Keep It Simple

“Many ROI models fail because they become overly complex,“:
Stephen Andriole, an MIS professor at Villanova University

What is the cost of doing nothing vs.
the cost of making an IT investment?



**Questions?
Comments?**

