

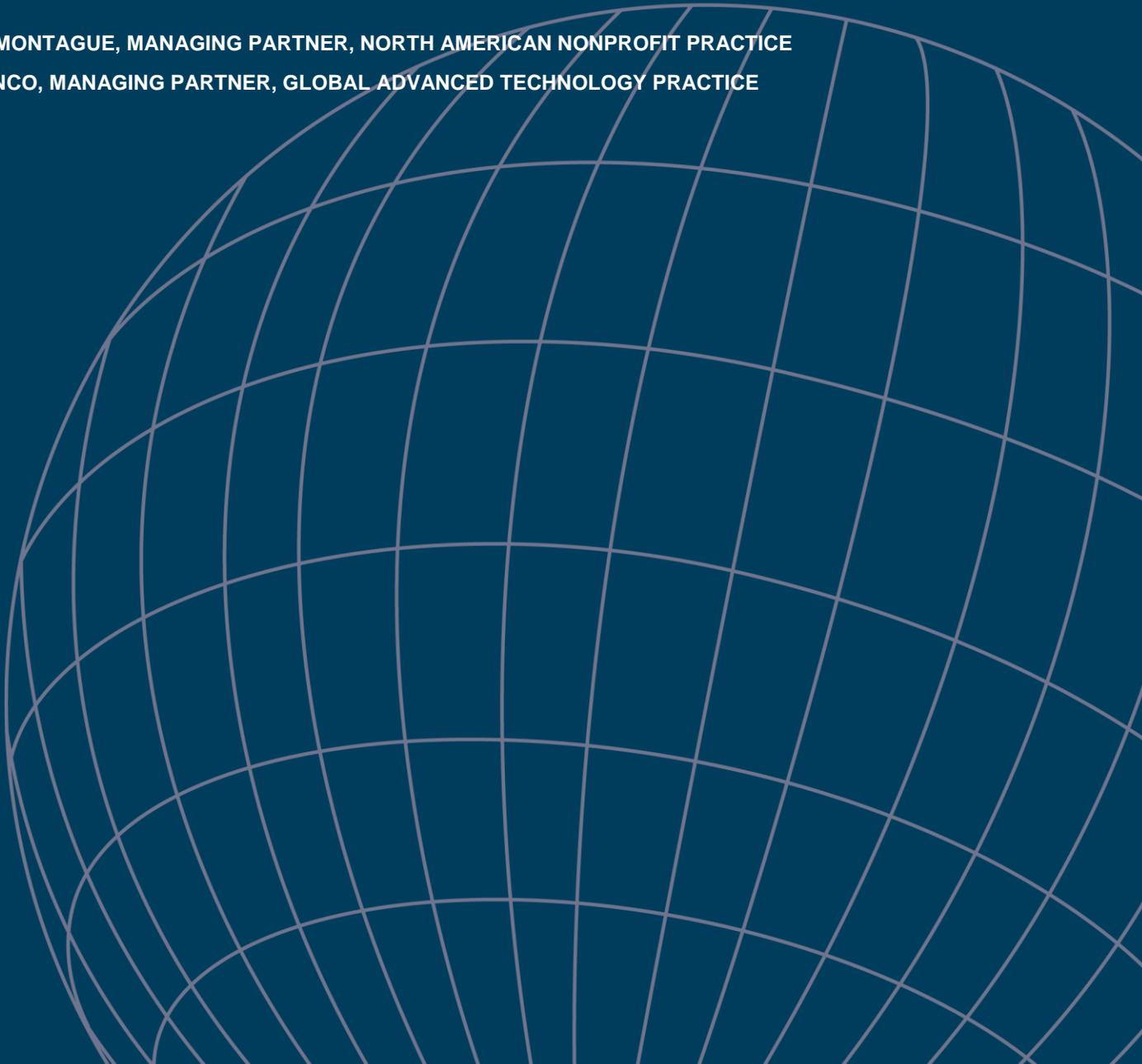


WHITE PAPER

The CIO's Emerging Role in the Nonprofit Sector

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A growing number of nonprofits, in response to donor requests for outcome- and efficiency-related data, as well as needs from nonprofit programming, marketing and overall fundraising, are creating a Chief Information Officer (CIO) position to further their technology capabilities.

CIOs facilitate organizations' ability to:

- Obtain and analyze detailed metrics
- Enhance the tech tools
- Streamline practices used within a nonprofit to help increase margins
- Help tell a better story to funders

This white paper will examine the benefits an organization gains from employing a CIO; best practices to locate qualified candidates; what amenities CIO professionals want and expect; and the skills and experience CEOs must look for in CIO candidates that will allow them to succeed in a nonprofit environment.

The CIO Evolution

The need for a CIO — sometimes also referred to as Senior Vice President of Technology or Vice President of Information Technology — at nonprofits has been influenced, in part, by the increase in information requests from various funding sources.

“In the past, funders may have given us money because they knew we were a good organization and going to do good things with it,” says Kevin Lutz, Senior Vice President, Chief Information Officer at YMCA of the USA — the largest nonprofit in the United States, with 2,700 YMCAs serving 22 million people each year, including 9 million children under the age of 18. “Though inappropriate, you could just say, ‘Thank you very much,’ with a report that said, ‘Your money helps us do good things.’”

Supporters now, however, want specific proof their investment is making a clear, quantifiable impact.

Donors of all ages say their top priority when making giving decisions is knowing their money is being used wisely; 53% feel it's important to believe their support is making a difference, according to a recent donor engagement study from nonprofit industry software provider Abila.

Another report produced in part by nonprofit information service GuideStar found that 74% of individual donors felt a nonprofits' financials were the most important information they could receive; 71% wanted to know about the organization's effectiveness. Advisors also felt financial information was the most important aspect to review, along with effectiveness.

Providing detailed information can also help encourage repeat giving. In fact, 58% of high net worth households said they would contribute again to an organization if they were able to determine the impact of their gift, according to a report from the Hewlett Foundation's Philanthropy Program.

"Today, donors may be saying, 'We're putting 10,000 kids through a summer school program — what is the percentage of children performing better than a control group that did not go through camp?'" Lutz says. "They want very scientific outcomes they can benchmark their investment against."

"All donors are asking for metrics," says Jackie Gordon, YMCA of the USA Senior Vice President and Chief Human Resources Officer. "All want some way to convey to their stakeholders how they spent those dollars — even corporate foundations."

Foundations are particularly concerned with maximizing their donation by contributing to the most effective organizations; 90% said the expected impact was the piece of information they'd most like to see from a nonprofit, and 73% felt the organization's past performance was most crucial.

Money for Good estimates that if high performing nonprofits could better meet individual, advisor and foundation donors' information needs, the organizations could earn an additional \$15 billion in contributions per year.

"Today, donors may be saying, 'We're putting 10,000 kids through a summer school program — what is the percentage of children performing better than a control group that did not go through camp?'" Lutz says. "They want very scientific outcomes they can benchmark their investment against."

To obtain those scientific outcomes, nonprofits need to invest in enterprise resource planning software and other cutting-edge technology tools that can analyze various program aspects and cull crucial information to provide action steps; business intelligence and measurable analytics.

Many organizations, however, are finding they are woefully behind in technology adaptation and use of helpful donor engagement tools, such as mobile applications.

The next generation of donors are major digital technology users, who use their mobile phones to purchase, donate and manage funds. The trend is prevalent not only in the U.S., where 86% of Americans age 18 to 29 have a smartphone, according to the Pew Research Center, but around the world — in countries such as Sweden, where more than 95% of transactions are electronic and businesses ranging from newspaper vendors to churches accept digital payments, according to a recent NPR report.

Without the progressive, proactive approach to utilizing metrics and technology to communicate information, nonprofits end up without a viable way to prove their value to donors; a lackluster ROI for any expensive tech tools the organization has purchased — and they may completely miss out on large amounts of lucrative funding.

Assessing key information such as program effectiveness often requires an additional investment—in both technology and tech professionals who can fulfill a CIO role

“Donors expect a lot more information, not just from a counting numbers perspective, but outcomes; and you need measurement-based information systems to do that effectively,” says YMCA of the USA President and CEO Kevin Washington.

Adding a CIO role to the executive team to help the YMCA of the USA firmly implant a digital space strategy was one of new CEO Washington’s initial goals when he came on board in February 2015.

“It was one of the first positions we went after,” Washington says. “We needed someone to lead the effort to obtain additional donor information, from a strategic and tactical perspective.”

A CIO can also help an organization ensure efficiency is at an all-time high — a central goal in today’s era of decreased donations, where many nonprofits have less money to fund operations.

After adjusting for inflation, 2015 was the first year to exceed the charitable giving level set before the recession in 2007, according to Giving USA.

More than half (53%) of nonprofits have three months or less of cash-on-hand reserves, according to the Nonprofit Finance Fund 2015 State of the Nonprofit Sector Survey. Achieving long-term sustainability is a top concern for nearly a third.

Best Friends Animal Society, the largest animal welfare organization in the United States, with over 750 staff members and \$100 million in funding, decided to hire a CIO because it was growing significantly, had a top of the line, but under-used CRM system and wanted to improve aspects of its digital fundraising efforts, according to CEO Gregory Castle.

After a nationwide search, Best Friends — the only animal welfare organization focused exclusively on ending the killing of dogs and cats in America’s shelters, which operates the nation’s largest sanctuary for homeless animals, housing roughly 1,700 animals at any given time — hired Angie Embree, who had been working as the director of computer information systems at Drake University in Des Moines, Iowa.

As CIO, she has been able to improve Best Friends’ digital security and enhance its digital fundraising tracking capabilities. She has also created a help desk to handle tech-related information requests from the organization’s now more than 750 employees, as well as to start using all the tools of their underused new CRM system.

“We know how important every penny is; organizations really need someone to make sure they are investing in the right places and doing the right things,” Embree says. “Potentially, you will spend money in the wrong places without a CIO.”

Finding Qualified Candidates

Before hiring its CIO, the YMCA of the USA had departments that dealt with gathering and analyzing data through technology use; many individual YMCAs also maintained their own websites.

However, the organization felt it needed someone to make sure all departments and locations were working together under a strategic plan for information technology, instead of duplicating efforts, according to Gordon.

“We did not have a strategic plan for information technology,” she says. “We needed a better way of pulling together all the different pieces.”

When its CIO search began, the YMCA of the USA had a few specific candidate qualities in mind.

“We needed someone who was familiar with all types of technology processes and systems that can be used to collect and disseminate information — and would know enough to be able to understand what we might need,” Gordon says.

To locate qualified CIO candidates, the YMCA of the USA, like many nonprofits, obtained assistance from an executive search company. Hiring DHR International also indirectly gave candidates additional assurance that the organization was serious about making the position a key leadership team member.

“The search consultants we used really helped us think through what skills we wanted and needed, and they had a sense of the CIO marketplace that was extremely helpful.”

“All of my nonprofit jobs, I have gotten through executive search firms, and that to me is a signal,” Lutz says. “If you are going out and hiring an executive search firm to fill a CIO role, it is usually an indicator of the importance you see for that role.”

The YMCA of the USA found its executive search partner also helped the organization define its CIO expectations.

Nonprofits bring in outside sources to lead an executive search for a reason.

According to Washington, YMCA of the USA had a good sense of what it was looking for in a chief development officer because fundraising is part of the organization’s culture. The CIO search, though, “was very different for us,” he says. “The search consultants we used really helped us think through what skills we wanted and needed, and they had a sense of the CIO marketplace that was extremely helpful.”

CIO Competencies

The list of desired candidate qualities will likely differ somewhat from organization to organization.

However, several common elements can indicate candidates will be successful in a nonprofit CIO role — such as:

- **Diverse Capabilities:** Washington felt Lutz's broad skill set, which included both tech and financial experience, would help him thrive in the role. "[Candidates] need to have a solid business background; they cannot just simply have a technology background," Lutz says. "It is not just about computers and software."
- **Big-Picture Planning Skills:** Nonprofit CIOs need to be able to assess an organization's needs soon after joining and anticipate what resources will be needed down the line. When Embree started at Best Friends, she took a holistic look at the organization to determine what it was offering — and what it should be focusing on.

"The understanding was that part of my coming on board would involve putting together a five-year [technology] plan — who we were adding and when," she says. "That set the expectation that we were going to be spending money on staff, as well as some operational and capital items that we did not currently have."

- **An Interest in the Cause:** "There has to be a connection to the mission," CEO Castle says. Best Friends doesn't insist every employee make rescuing animals their central goal in life; the animal welfare organization recognizes that the skills some provide to help it succeed are a huge benefit. However, Castle feels some level of engagement is important. "You can work in an area you are not necessarily passionate about and still be sympathetic and very effective," he says.

Although nonprofits sometimes center their executive searches on candidates with considerable nonprofit experience, for-profit executives should not necessarily be ruled out.

"One of the things we tend to do so often in nonprofits is think someone has to have nonprofit experience, or in our case, that the person has to have YMCA experience," Washington says. "My intent was to find somebody who could think strategically and tactically and provide leverage from a digital perspective regardless of nonprofit background."

The YMCA of the USA was open to the candidate being from either a nonprofit or someone from a corporate or other for-profit environment. Several of the candidates interviewed were from industries such as banking, insurance and healthcare.

"We decided that just because they were not at a nonprofit, it did not mean they would not be effective at the YMCA of the USA," Gordon says. "Often, in larger corporations, they would have had more resources, perhaps more exposure to current trends and best practices, and actually to the technology itself, which is experience they can then bring to a mission-driven organization such as the YMCA of the USA."

What CIOs Are Looking For

For-profit work experience, combined with previous experience serving as a volunteer, or being active on a nonprofit Board of Directors, can indicate a candidate who is currently employed at a for-profit company may have some interest in a full-time nonprofit position — and understand how it works.

“The nonprofit environment can be so significantly different from a commercial, corporate culture,” Castle says. “It can be a difficult adjustment for someone who is not part of or at all experienced with it, [so] we like to see either volunteer experience in some nonprofit or board experience, if they do not have any nonprofit professional experience.”

Cultural fit is key for any person working within a NFP organization. Embree, for example, came to the Best Friends Animal Society from the higher education realm.

“I had been a long-time supporter of various animal welfare organizations, including Best Friends — I was one of those little kids who was always bringing home a stray,” she says. “It was an opportunity to combine my professional expertise with a personal passion.”

Candidates from for-profit companies may actually be able to offer a unique perspective.

“We have people at YMCA of the YUSA who can say, ‘Here is what we’ve done in the past,’” Washington says. “What I have found in my career is having staff from the outside the Y movement gives us another way to look at things; that diversity of thought helps us become better.”

Competition for qualified IT professionals can be fierce. Gordon has found the job market can be tight for the top executive candidates.

“We want the same quality a for-profit organization would want; and we are fighting for the same resources as other nonprofits, in terms of getting knowledgeable technology executives who are willing to work in a nonprofit environment,” she says.

More than half of CIOs (56%) expect IT skills shortages, particularly relating to big data/business intelligence, in the next year, according to CIO magazine’s 2015 State of the CIO Survey, which polled both for- and nonprofit CIOs.

As a result, talent searches require more effort.

“There are less [candidates], and they have more choices because there is great need for them,” Gordon says. “Five years ago, we could have found someone very easily; now, searches are taking longer and certain salaries are moving upward — 3 to 5% or more over the past year.”

To woo — and eventually retain — highly sought-after tech experts, organizations need to offer a compelling story and compensation package.

CIO candidates are often looking for several key aspects, including:

- **The Chance to Make a Meaningful Impact:** The YMCA of the USA found that amenities and salary levels weren't an issue for most CIO candidates during its search process.

Depending on the size of the nonprofit, coming in as an executive does not always mean you will have a pay decrease. Candidates are very likely to come in at a compensation level that is comparable to what they could be making in the for-profit world.

- **A Blank Canvas:** Embree was drawn to Best Friends in part because of its evolution and future plans, which she felt her skill set was compatible with.

"Its growth strategy really intrigued me," she says. "I thought there were so many things I could bring to the table, including my corporate experience working in telecommunications."

"I really wanted to work for an organization that sees the CIO as an asset to advance its products and services and act as a change agent to transform the business."

She wasn't concerned that her CIO position was new to the organization. "I like building things; so being its first CIO was not daunting to me," Embree says. "It was an opportunity to come in and lay a foundation."

- **The Ability to Impact and Make Decisions:** Nonprofit tech professionals looking for a new position and CIO contenders switching from the for-profit world to nonprofit work are likely to want both considerable responsibility and influence.

During the interview process, many of Lutz's questions revolved around how IT was currently viewed at YMCA of the USA — and where the organization saw it going.

"[I would not necessarily have wanted] to step into the role if they had said, 'We just need someone to basically keep the computers running so they do not break,'" he says. "What I was hearing was they were creating the CIO role because they recognized the importance of technology in getting where they want to be down the road."

YMCA of the USA's commitment to enhancing its tech capabilities ultimately proved to be a key selling point.

"Many nonprofit or for-profit organizations see IT just a support center, and it is all about cost containment — doing the minimal amount to meet needs of the organization," Lutz says. "I really wanted to work for an organization that sees the CIO as an asset to advance its products and services and act as a change agent to transform the business."

Many CIOs at nonprofits — including Lutz and Embree — have a seat at the table, reporting directly to the CEO and working with leaders from all the different business units.

“CIOs need to develop a solid working relationship with their peers — the CFO, COO, CDO, etc.,” Lutz says. “To get the respect you need from them, you must demonstrate that you’re there to solve problems and be a partner. You cannot just be, for lack of a better word, a technology geek.”

- **Adequate Resources:** The YMCA of the USA found some tech executive candidates, particularly from the for-profit realm, had questions about available financial support. “Candidates were most concerned with the amount of resources that would be afforded to them to grow data management as much as what we would be asking of them — would there be the people, money and resources needed to be able to build and grow in the right direction?” Gordon asks.
- **New Challenges and Goals:** Candidates may be interested in a nonprofit CIO position primarily because it involves a new type of work or objective. “It is very different from my background prior to higher education,” Embree says. “I came from a corporate environment, which has a totally different bottom line. [Best Friends’ bottom line] is lifesaving, whereas in a corporation, it is shareholder value.”

Nonprofits’ ability to provide a stronger work-life balance than some corporations may also be an initial selling point to for-profit company candidates.

“Often, people are looking for that in a nonprofit,” Gordon says. “What they find is that we have some balance; we are sometimes extremely busy, and sometimes not.”

Once on board, it is not surprising to find nonprofit professionals working hard to further their organization’s mission — while also finding more enjoyment in the work than ever before.

“Moving from corporate to nonprofit, you have a better quality of life,” Embree says. “People tend to be less competitive and more collaborative — you really feel like you are a member of the team, achieving goals for the organization.”

Conclusion

CIOs can, for example, help benchmark important metrics to ensure an organization is operating efficiently, and provide donors with detailed proof their contributions are making a difference. They can also offer a fresh take on where the organization should be going — and how it can get there.

“The CIO is uniquely positioned to have a broad understanding of the whole organization, since the IT department tends to work across all departments,” Lutz says. “We see it at an operating level; as a result, we can try to advance technology to really meet the organization’s goals more quickly and efficiently.”

Having procedures in place to obtain detailed fundraising, productivity and other information — and someone to oversee the process — can be a crucial part of a nonprofit’s continued success.

“Not having a CIO is shooting yourself in the foot. Nonprofits need a technology expert at the table to ensure the work being done aligns with the organization’s strategy.”

If your organization is struggling to advance its data tracking and assessment capabilities, adding a C-level IT professional can help more effectively capture, analyze and promote information that illustrates your programs’ successfulness.

“[An organization’s] size matters, of course, because of the complexity and cost associated with it,” Washington says. “But you really do need someone, if you can afford it, to coordinate all the technology activities that take place in the organization.”

“Technology is changing the way that we do business, and it is changing at an exponential rate,” Embree says. “Not having a CIO is shooting yourself in the foot. Nonprofits need a technology expert at the table to ensure the work being done aligns with the organization’s strategy.”

Contact Information

The following managing partners teamed up to provide DHR International's nonprofit clients with an excellent consultant platform. Sal provided the technology expertise, while Mary Lee focused on the IQ and the EQ of the candidates within a mission-driven environment.

This team effort achieved a 'new look of leadership' for DHR's clients that will drive nonprofit success forward on many levels during the years ahead.

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Mary Lee Montague is DHR's Nonprofit Practice Group Leader for North America, as well as an award-winning search consultant, who brings a unique background and real-world, bottom-line philosophy to nonprofit C-level recruitment. Her expansive pedigree includes both internal tenure and external consulting for a wide range of local, domestic and global nonprofit clients. She is a sought after fundraiser and board member, deeply versed in the challenges of the nonprofit world—an approach that has led to record-setting retention levels, excellent diversity placement (50% in 2015), client satisfaction and repeat client engagement.

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