ThoughtLab

ServiceNow
Driving digital transformation of nonprofits

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Nonprofit impact analysis

Summary

Nonprofits have a profound impact on the world by offering charitable, religious, educational, and other support to people. Digital transformation has already helped nonprofits expand their ability to serve more beneficiaries and devote greater resources to their mission.

To better understand the impact of digital transformation, ThoughtLab economists created a model to quantify the effect it has on a nonprofit's ability to boost the number of people served and the revenue allocated to their mission. Our analysis included humanitarian, faith-based, multilateral, charitable, community, and youth organizations.

For the purposes of this analysis, we defined digital transformation as the use of digital technologies to transform an organization's business strategies, processes, services, and experiences. We classified surveyed nonprofits into three categories: Starters that are not considering digital transformation or just in planning and testing stages; Advancers that are mostly in planning and early implementation stages; Pacesetters that are in early to advanced stages in many areas of digital transformation. Since even Pacesetters are still in the process of digital transformation, our analysis likely understates the full impact of digital transformation on nonprofits as they move to more advanced stages.

Number of people served

Digital transformation enables nonprofits to serve more people by improving capacity, productivity, service delivery, and market reach. Based on extrapolations from secondary data, we estimate that nonprofits across the globe serve approximately 3.6 billion beneficiaries annually. Our analysis shows that digital transformation has helped nonprofits serve over **57.1 million additional beneficiaries across the globe**.

Our research revealed that roughly 20% of nonprofits are now Pacesetters in digital transformation. If all nonprofits were to become as digitally transformed as Pacesetters, nonprofits would be able to serve an additional **103.1 million beneficiaries per year.**

Revenue to the mission

Digital technologies help nonprofits devote more revenue to their mission by reducing costs, improving fundraising, and boosting capacity. The percentage of revenue devoted to the mission is a key performance metric for nonprofits, since it shows how effectively they use their funds to achieve their missions. It does this by analyzing how much of their total revenue is spent on core mission activities, as opposed to administrative work and fundraising. Our economists estimate that the total budget for nonprofits across the globe is approximately $1.5 trillion, of which an average of 77% goes to helping the nonprofit achieve its mission.

Our analysis finds that digital transformation has already helped nonprofits devote approximately $35.5 billion in additional revenue per year to their core mission. If all nonprofits were to become as digitally transformed as Pacesetters, nonprofits would be able to devote another $19.6 billion per year to helping beneficiaries.

Methodology

Number of people served

The first step in estimating the impact of digital transformation on the number of people served is to estimate the total universe of people served by nonprofits. The number of people that have been served by a nonprofit varies by region. Based on secondary data extrapolations, we estimate that the percentage of population served by a nonprofit varies from 25% in Oceania to 50% in Africia (Table 1).

Table 1: Percent of the population that were served by a nonprofit organization

Region	Percent of population served by a nonprofit
Asia	45%
Africa	50%
Europe	30%
North America	35%
South America	30%
Oceania	25%

Table 2: Population served by a nonprofit, by Continent

Region	Population	Percent of population served by a nonprofit	Number of people served by a nonprofit
Asia	4,950,360,000	45%	2,227,662,000
Africa	1,515,135,000	50%	757,567,500
Europe	744,757,000	30%	223,427,100
North America	613,119,000	35%	214,591,650
South America	435,611,000	30%	130,683,300
Oceania	46,088,000	25%	11,522,000
Total	**8,305,070,000**		**3,565,453,550**

Our economists used percentages in Table 1 to calculate the number of people served by a nonprofit in each region. We estimate that 3.6 billion people across the globe have been served by a nonprofit (Table 2).

To gauge the impact of digital transformation on the number of people served, we then estimated the number of individuals served by nonprofits in different stages of digital maturity: Starters, Advancers, and Pacesetters. We assumed that the distribution of people served followed a similar distribution to the percentage of nonprofits in different maturity stages. For example, if 17% of survey respondents were classified as Starters, we assumed that 17% of the population was served by a nonprofit classified as a Starter (Table 3).

Table 3: Distribution of nonprofits by maturity level

Maturity level	Number of targeted respondents*	Percent of targeted respondents
Starter	26	17%
Advancer	98	63%
Pacesetter	31	20%
Total	155	100%

* Targeted respondents refer to nonprofits in our survey classified as humanitarian, faith-based, multilateral, charitable, community, and youth organizations.

Table 4 estimates the impact that digital transformation has on the number of people served by nonprofits. The impact ranges from -4.33% for those just beginning their digital transformation journey to 4.50% for Pacesetters.

Table 4: Impact of digital transformation on the number of individuals served

Starter	-4.33%
Advancer	2.31%
Pacesetter	4.50%

Table 5 estimates the actual number of additional people that nonprofits serve due to digital transformation. Based on the impacts presented in Table 4, we estimate that digital transformation has led to 27 million less people being served by Starters, because of challenges in making the transition or failures in the use of technology. On the other hand, Advancers were able to increase the number of people served by 52 million. Pacesetters, the most digitally advanced nonprofits, were able to increase the number of beneficiaries by 32 million. As a result, digital transformation has already enabled nonprofits to serve 57 million more beneficiaries in total.

Table 5: Estimate of additional people served by nonprofits because of digital transformation

	Population served before digital transformation	Impact of digital transformation	Population served after digital transformation
Beginner	625,124,746	(27,048,667)	598,076,079
Advancer	2,202,242,640	52,044,120	2,254,286,761
Pacesetter	681,001,628	32,089,082	713,090,710
Total	3,508,369,015	**57,084,535**	3,565,453,550

Table 6 extrapolates the additional people served if all Starters were to achieve the digital maturity of a Pacesetter. If this were to happen, those nonprofits would be able to serve an additional 53.6 million individuals.

Table 6: Impact of Starters becoming digital Pacesetters

Marginal impact of moving from Starter to Pacesetter		
Moving from Starter to Advancer	6.64%*	
Moving from Advancer to Pacesetter	2.19%**	
Starting population	598,076,079	
	Total individuals served	**Additional individuals served**
Impact of moving from Starter to Advancer	637,761,995	39,685,916
Impact of moving from Advancer to Pacesetter	651,737,443	13,975,448
Total additional individuals served		**53,661,363**

* The 6.64% represents the marginal impact of moving from a Starter to an Advancer. It was calculated by subtracting the impact of being a starter from the impact of being an Advancer: 2.31% - (-4.33%) = 6.64%.
** The 2.19% represents the marginal impact of moving from an Advancer to a Pacesetter. It was calculated by subtracting the impact of being an Advancer from the impact of being a pacesetter: 4.50% - 2.31% = 2.19%.

Table 7 extrapolates the number of additional individuals that could be served by nonprofits that are Advancers if they were to become Pacesetters. If this were to happen, nonprofits would be able to serve an additional 49.4 million individuals.

Table 7: Impact of Advancers becoming Pacesetters

Marginal impact of moving from Advancer to Pacesetter		
Moving from Advancer to Pacesetter	2.19%*	
Starting population	2,254,286,761	
	Total individuals served	**Additional individuals served**
Impact of moving from Advancer to Pacesetter	2,303,685,545	49,398,784
Total additional individuals served		**49,398,784**

* The 2.19% represents the marginal impact of moving from an Advancer to a Pacesetter. It was calculated by subtracting the impact of being an Advancer from the impact of being a Pacesetter: 4.50% - 2.31% = 2.19%.

Therefore, if all nonprofits were to become Pacesetters, we estimate that nonprofits would be able to serve an additional 103.1 million individuals.

Revenue to the mission

To gauge the impact of digital transformation on revenue channeled to a nonprofit's mission, we first estimated the total amount of revenue generated by each type of nonprofit. Across the nonprofit types included in the analysis we estimate the total revenue to be between $1,500 and $2,070 billion. For the purposes of our analysis, we used the midpoint of the range, or $1,785 billion.

Our second step was to estimate the percentage of revenue that nonprofits devote to serving their beneficiaries. The percentage varies by type of nonprofit. We estimate that the average percentage of revenue devoted to their mission is 77%, in other words $0.77 of every dollar raised goes to helping beneficiaries and the remainder supports the overhead costs of the nonprofit.

We estimate that the total revenue of the types of nonprofit organizations included in the analysis is $1,785 billion, of which 77%, or $1,368.7 billion is devoted to serving beneficiaries.

To gauge the impact of digital transformation on the amount of revenue that nonprofits can devote to their mission, we then estimated the revenue of nonprofits at different points along the digital maturity spectrum: Starters, Advancers, and Pacesetters. We assumed that the distribution of nonprofit revenue across maturity levels followed a similar distribution to the percentage of nonprofits in different maturity stages from the survey. For example, if 17% of survey respondents were classified as Starters, we assumed that 17% of the revenue is from nonprofits that are Starters (Table 8).

Table 8: Distribution of nonprofits by maturity level

Maturity level	Number respondents	Percent of respondents
Starter	26	17%
Advancer	98	63%
Pacesetter	31	20%
Total	155	100%

Table 9 estimates the impact that digital transformation has on the amount of revenue that nonprofits can provide to their mission. The impact ranges from 0.21% for those just beginning their digital transformation journey to 4.02% for Pacesetters.

Table 9: Impact of digital transformation on the percent of revenue to their mission

Starter	0.21%
Advancer	2.92%
Pacesetter	4.02%

Table 10 estimates the amount of additional revenue that nonprofits can channel to their mission due to digital transformation. Based on the impacts presented in Table 9, we estimate that digital transformation increased revenue to the mission by .21% or $0.5 billion for Starters. Advancers, which are more digitally mature, were able to increase the amount of revenue devoted to their missions by 2.92%, or $24.9 billion. Pacesetters, the most digitally advanced nonprofits, were able to raise the amount of revenue to their mission by 4.02%, or $10.1 billion. As a result, digital transformation has already enabled nonprofits to devote an additional $35.5 billion to their mission.

Table 10: Estimate of additional revenue devoted to the mission because of digital transformation (billions $)

	Revenue devoted to the mission before digital transformation	Impact of digital transformation	Revenue devoted to the mission after digital transformation
Starter	$265.8	$0.5	$266.3
Advancer	$826.0	$24.9	$850.8
Pacesetter	$241.4	$10.1	$251.5
Total	$1,333.2	$35.5	$1,368.7

Table 11 extrapolates the additional revenue that could be devoted to their mission if all Starters were to achieve the digital maturity of a Pacesetter. If this were to happen, those nonprofits would be able to devote an additional $10.2 billion to their mission.

Table 11: Impact of Starters becoming Pacesetters

Marginal impact of moving from Starter to Pacesetter		
Moving from Starter to Advancer	2.72%*	
Moving from Advancer to Pacesetter	1.10%**	
Starting revenue devoted to their mission (billions $)	$266.3	
	Total revenue	**Additional revenue**
Impact of moving from Starter to Advancer (billions $)	$273.6	$7.2
Impact of moving from Advancer to Pacesetter (billions $)	$276.6	$3.0
Total additional revenue devoted to their mission (billions $)		$10.2

* The 2.72% represents the marginal impact of moving from a Starter to an Advancer. It was calculated by subtracting the impact of being a Starter from the impact of being an Advancer: 2.92% -0.21 = 2.72%.
** The 2.19% represents the marginal impact of moving from an Advancer to a Pacesetter. It was calculated by subtracting the impact of being an Advancer from the impact of being a Pacesetter: 4.02% - 2.92% = 1.10%.

Table 12 extrapolates the amount of additional revenue that could be devoted to their mission if Advancers were to become Pacesetters. If this were to happen, nonprofits would be able to unlock an additional $9.4 billion for their mission.

Table 12: Impact of Advancers becoming Pacesetters

Marginal impact of moving from Advancer to Pacesetter		
Moving from Advancer to Pacesetter	1.10%*	
Starting revenue devoted to their mission (billions $)	$850.82	
	Total individuals served	**Additional individuals served**
Impact of moving from Advancer to Pacesetter (billions $)	$860.2	$9.4
Total additional revenue devoted to their mission (billions $)		$9.4

* The 2.19% represents the marginal impact of moving from an Advancer to a Pacesetter. It was calculated by subtracting the impact of being an Advancer from the impact of being a Pacesetter: 4.02% - 2.92% = 1.10%.

Therefore, if all nonprofits were to become digital Pacesetters, we estimate that nonprofits would be able to devote an additional $19.6 billion to mission.