

# **Enterprise Resource Planning for Not-for-Profits: Aligning People, Processes and Technology Across Your Organization**

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The following scenario may sound familiar to you: “We raised \$15 million,” says the development department. “We only have \$12 million,” replies the finance department. “We spent \$18 million,” the program department adds. And the board of directors and management asks, “What’s going on?”

The lack of interaction and communication between departments at some not-for-profits can make it nearly impossible for management to extract the information it needs to make critical decisions. This is not a problem that is exclusive to not-for-profits. Many commercial organizations have struggled to break down the barriers, both within the company and among customers and suppliers, until Enterprise Resource Planning (ERP) evolved.

ERP was born in the manufacturing industry as the next evolution of manufacturing resource planning. By aligning people, processes and technology, ERP for not-for-profit organizations (ERP/NFP) effectively utilizes and integrates resources — people, programs, assets, knowledge and technology — throughout an organization to achieve higher levels of performance. In other words, it’s all about making sure you have the right people, doing the right things, enabled by the right technology, to help advance the mission.

### Using ERP at not-for-profits

ERP can be adapted to meet the unique needs of not-for-profits. After all, it is a combination of systems and operational and organizational improvements from which most not-for-profits can benefit. Some direct benefits include:

- Improved donor/member/constituent relationship management
- Streamlined delivery of program services
- Reduced inconsistencies between development, program and fiscal data
- Elimination of national/regional/chapter provincialism
- Eliminating islands of information
- Your mission — accomplished!

### Technology – The components of ERP/NFP

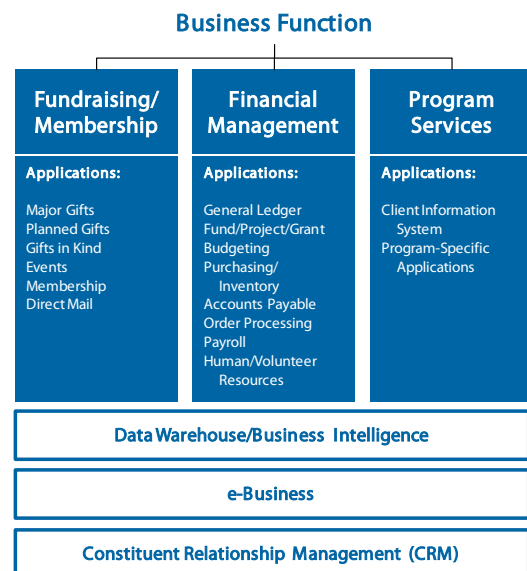
**Financial development/membership management:** Every not-for-profit must raise funds to sustain its organization. An enterprise-focused financial development/membership management system effectively manages constituents; tracks every solicitation and stewardship activity with the

donor, customer, member or prospect; and reminds the fundraiser/membership manager when the next activity is due. The system is designed to help not-for-profits understand the often complex relationships and affiliations among its constituents, as well as execute targeted direct mail campaigns that respect the wishes of the constituents. The system also helps departments organize and manage special events, process pledges, track different categories of gifts (major gifts, planned gifts, gifts in kind, etc.), and handle all membership functions, such as dues billing and renewals, conference registrations, exhibitions, subscriptions and professional development.

**Financial:** In addition to core accounts payable and general ledger capabilities, an ERP/NFP system will include fund and encumbrance accounting, as well as grants management, sophisticated budgeting and complex allocations. Of course, it will meet FASB 116/117 requirements, but more importantly, the system is designed to give department heads, management and the board of directors access to meaningful information to make decisions. By transforming the accounting department from clerical to analytical work, leaders can now accurately answer the four most important questions for a not-for-profit:

1. Where are our funds coming from?
2. How much does it cost to raise a dollar?
3. How are we spending our dollars?
4. What are the outcomes?

### ERP/NFP overview



In addition, an enterprise approach helps not-for-profits that sell products or distribute large amounts of materials to better manage their inventories and improve their purchasing and customer order processing capabilities. Their gift shops, bookstores, catalog operations and/or e-stores will have integrated systems that interact with the central general ledger, accounts receivable and cash management system.

**Program services:** All not-for-profits have clients or customers, but the program services they offer are diverse. Therefore, a social service agency that provides counseling services generally could not use the same program services system as a professional or trade association that provides education and training. An ERP approach finds the right system and keeps all clients for all program services in a single consistent system for all locations. This enables the organization to provide superior client service, and to know its clients and what they are buying.

**Business Intelligence:** Making sense of all the information captured and processed by an enterprise resource system, particularly in a multi-vendor approach, is a challenge. Fortunately, Business Intelligence software products are now available to allow you to take data from multiple data sources (e.g., the fundraising, financial and program systems), and slice, dice and present it in a way that facilitates management decisions. In addition, business performance management systems that track key performance indicators (KPIs) and provide business scorecards are now becoming readily available.

**e-Business:** The Internet has changed the way we conduct business and life. Not-for-profit organizations are now using e-business solutions to raise funds, sell products, achieve best-of-class “customer” service, recruit and manage volunteers, improve internal and external communications, use their 990s as a marketing tool, develop productive affiliations and partnerships, and obtain strategic information. All of the components of an ERP/NFP system discussed earlier have become Web-enabled, and a new class of e-marketing software products has emerged to help manage e-mail campaigns, on-line auctions, walk-a-thons and other activities that will capture the power of “friends telling friends.”

## Processes

There is no better time to improve an organization’s business processes than during a system evaluation and implementation. In fact, organizations that do not review business processes while implementing new systems run the risk of simply automating old or bad processes. Efficiency is doing things right, but effectiveness is doing the right things. Therefore, it is necessary to examine and redesign business processes to make sure organizations are doing the right things efficiently. A business process improvement review includes a comprehensive evaluation of an organization’s workflow, procedures, structure, controls and supporting technologies.

After mapping and analyzing “as-is” processes, the project team and consultant must design and map effective “to-be” processes to help streamline operations, reduce overhead and improve the timeliness and quality of information. The new system must then be configured to achieve the desired to-be processes. The last step is providing for a means of continuous process improvement so that business opportunities, processes and system capabilities are periodically reviewed and aligned to assure that the organization’s mission and objectives are met and a true return on the investment in ERP/NFP is realized.

## People

The right technology and the right processes are not enough. Unless the functions are properly staffed and the people who will be using the new system are properly organized, trained and engaged, true benefits cannot be achieved. Often this involves cultural, structural and policy changes. If the entire organization is truly committed to working as a cohesive enterprise to achieve the organization’s mission, the islands of information must be eliminated. For example, no longer can the major gifts department, the individual chapters or others keep their own private files. Under an enterprise approach, all information must be centralized on a single unified architecture and accessible to all departments in all locations. In some organizations, performance evaluation, incentive and compensation programs will need to be re-aligned to help achieve the organizational and cultural shifts required for success.

## **Understanding ERP/NFP**

ERP/NFP gives organizations the framework to streamline their efforts and focus on making the right decisions. Management can then spend its time working at achieving the organization's mission not on the tedious details that an enterprisewide system typically entails. The concept of ERP/NFP is simple: cooperating, communicating and synergizing as a cohesive, coordinated enterprise to meet or exceed the organization's goals. However, successfully implementing ERP/NFP systems is not just about systems. It requires in-depth knowledge on how to best combine people, processes and technologies to create a more efficient and effective enterprise.

## **Do you need an ERP/NFP system?**

ERP/NFP is an organization's commitment to excellence and progressive change. The ultimate goal is to remove obstacles and help the not-for-profit achieve its mission. If management at a not-for-profit is spending more time trying to get information out of its system and not enough time using the information to plan the organization's future, ERP/NFP may be the answer. Here are some questions to ask that can help your organization determine if it might benefit from an ERP/NFP system.

1. Do our organization's current technologies meet the demands of our business?
2. Is the cost of ownership increasing and availability of skilled resources in the older technologies we utilize decreasing?
3. When dealing with information within our organization, is similar data entered multiple times in multiple departments?
4. Is the data in our computer system(s) consistent throughout the organization?
5. When asked a question about our organization, can our employees answer it in a rapid and responsive manner?
6. Has our computer system grown with our organization? Are the multiple systems compatible with one another? Have our systems evolved independently and grown apart?
7. Is our firm utilizing the information within our systems to create strategic planning opportunities?
8. Do our systems and processes increase the silos in our organization or serve to knock down the walls and bridge the islands of information?

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