

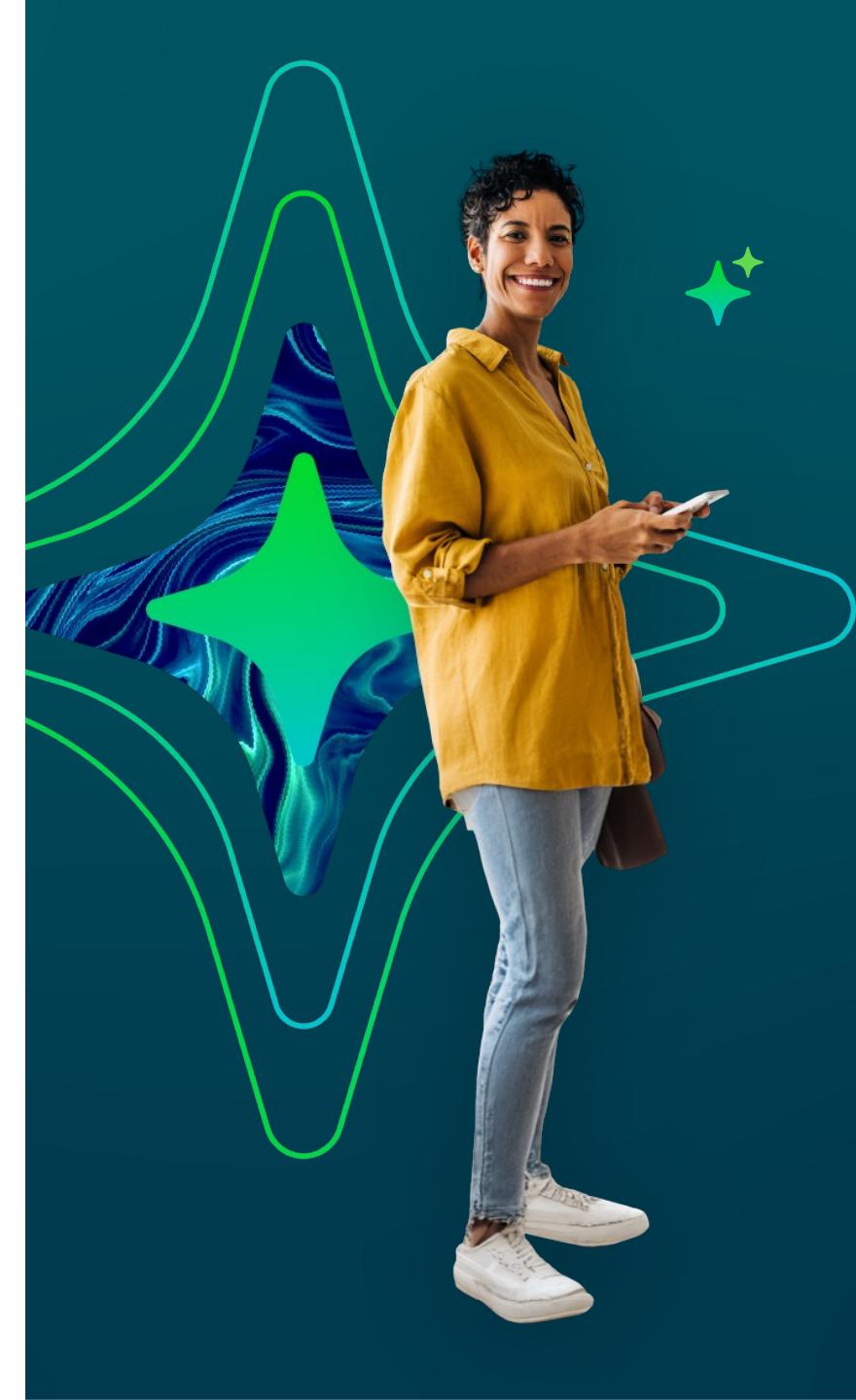
IMPACT AI: NONPROFIT DIGITAL TRANSFORMATION REPORT

How leading nonprofits use emerging tech
to do more good for more people



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INTRODUCTION



Vanessa Smith

President of
ServiceNow.org

When nonprofits work well, they do more good for more people.

But their success often rests on their relationships with the people who make up the nonprofit ecosystem. For many, these experiences leave much to be desired. In fact, 92% of nonprofits we surveyed agree their digital experiences aren't meeting the needs of stakeholders, such as donors, employees, volunteers, and beneficiaries.

Technology offers a solution: It helps nonprofits improve stakeholder experiences, communication, engagement, and transparency. The benefits don't stop there. With the right technology, nonprofits can streamline their operations and boost their impact. To do this, they need to harness end-to-end IT platforms and AI-driven workflows that connect people, data, and processes.

To better understand how nonprofits are using technology to advance their missions, ServiceNow teamed up with research agency ThoughtLab. We surveyed 300 nonprofit leaders to identify tech strategies with the most potential to help nonprofits do maximum good with limited resources.

We also dug into what the world would look like if all nonprofits were Pacesetters: How many more people could they serve? How much more budget could they devote to their missions? The results were eye-opening.

Our research shows that 92% of nonprofits recognize the value of digital transformation, but many are unsure how to get started. We also identified a set of "Pacesetters," organizations that have successfully transformed their businesses through digital innovation.

Read on to find out why nonprofits are at an inflection point. Some are falling behind, while others are surging ahead by strategically embracing AI and other emerging technologies. These trailblazing Pacesetters are creating new templates for nonprofit digital transformation.

TOP TAKEAWAYS

01

Maximum impact

Digital transformation is mission critical

02

Nonprofit Pacesetters

From AI experimentation to AI transformation

03

Good to great

3 habits of high-functioning nonprofits

04

Maximum impact

What if all nonprofits were Pacesetters?

Given limited resources and budgets, nonprofits are constantly squeezed to make the most of their time, and in my experience, nothing relieves that crunch as much as digital transformation.

— Mike Bechtel, Chief Futurist, Deloitte

TECH & IMPACT



NONPROFITS ARE AT AN INFLECTION POINT

Most nonprofits see the need to embrace digital transformation. In fact, **67% of respondents** are already implementing an end-to-end technology platform, while **71%** plan to use digital tools to support team collaboration and **67%** plan to leverage data management systems and cloud technology over the next three years. Our survey found that when nonprofits embrace digital transformation they are rewarded with improved top-line growth, higher efficiency and cost savings, greater innovation, and more.

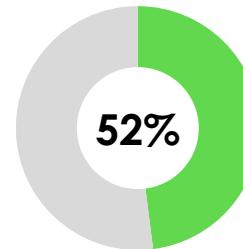
However, nonprofits often face an uphill battle due to limited resources and technical skills, ingrained ways of working, and competing priorities. Disappointment in past digital initiatives slows their momentum—many report no impact or negative impact on key metrics such as donor retention rates (38%), employee productivity (32%), revenue growth (28%), and cost efficiencies (26%).

Nonprofits experience rising tension between these outcomes and the growing need to digitize their operations, with **63%** of our survey respondents citing the speed of technological change and the rise of AI as their most significant challenges.

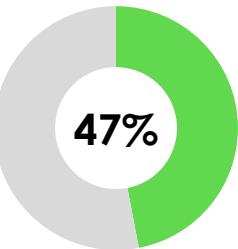
Yet nonprofits spend just **3.9%** of revenue on technology, much lower than organizations in other industries. In fact, **52%** of nonprofits still do not have dedicated innovation budgets, and **47%** say senior leaders lack digital knowledge.

Many nonprofits aren't prepared for digital change

Percentage of nonprofits without a dedicated budget for innovation



Percentage of nonprofits with senior leaders who lack digital knowledge



Nonprofits reporting no impact or negative impact on key metrics from digital use



DIFFERENT BUDGETS, DIFFERENT BARRIERS

When it comes to nonprofits, one size does not fit all. Their social missions are diverse, and the challenges they face vary widely based on their size and operating budget.

Small to midsize respondents (those with an operating budget of less than \$500 million) are most concerned about inadequate funding for digital transformation efforts, lackluster

planning and execution, and a lack of commitment from their leadership. Larger ones are more worried about external challenges, including regulation and compliance requirements, data privacy and security concerns, and finding the right technology vendors and partners.

Orgs with smaller budgets face internal barriers; those larger ones face external barriers.

Budget less than \$500M

1. Inadequate budget
2. Poor project planning and execution
3. Lack of leadership commitment

Budget more than \$500M

1. Regulations and compliance requirements
2. Growing data privacy, security, and technical risks
3. Finding the right technology vendors and ecosystem partners



TIME TO RIDE THE DIGITAL WAVE

While new technology can be disruptive, it also offers nonprofits the tools to navigate change and boost their impact. To take digital transformation to this next level, nonprofits will need to:

- Draw on traditional and generative AI (GenAI) to drive productivity and build a future-ready workplace
- Move to the next phase of digital innovation to ensure their long-term viability and effectiveness
- Boost fundraising and engage donors through new digital models and channels
- Move from legacy systems to end-to-end IT platforms that connect people, processes, and data



67%

of CEOs and their direct reports believe that AI—especially GenAI—will drive higher productivity in their organization.

68%

of board members and their direct reports say digital transformation enables their organization to deliver on its mission more effectively.

70%

of CEOs and their direct reports believe new digital models and channels greatly raise their organization's ability to raise funds and engage donors.

“

AI is a powerful ally for nonprofits already, helping optimize the human element of their work and enabling staff to focus more time on building relationships with positive impact within their communities and to continuously innovate for lasting change.

— Anita Whitehead, President and Chair, KPMG US Foundation, Inc.

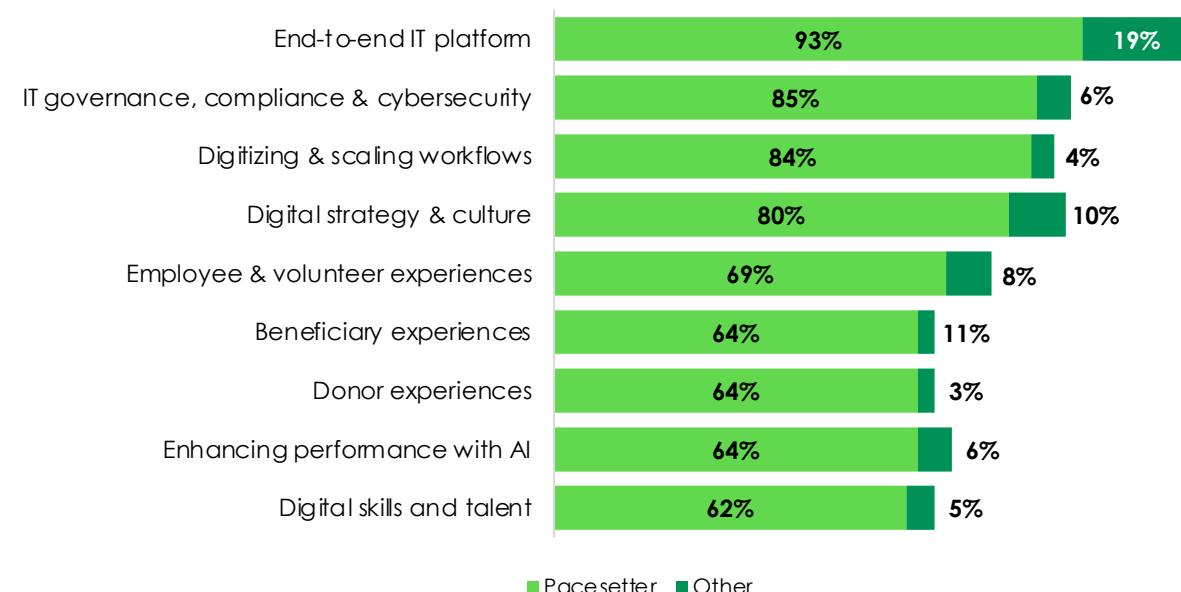
NONPROFIT PACESETTERS



ENTER THE PACESETTERS

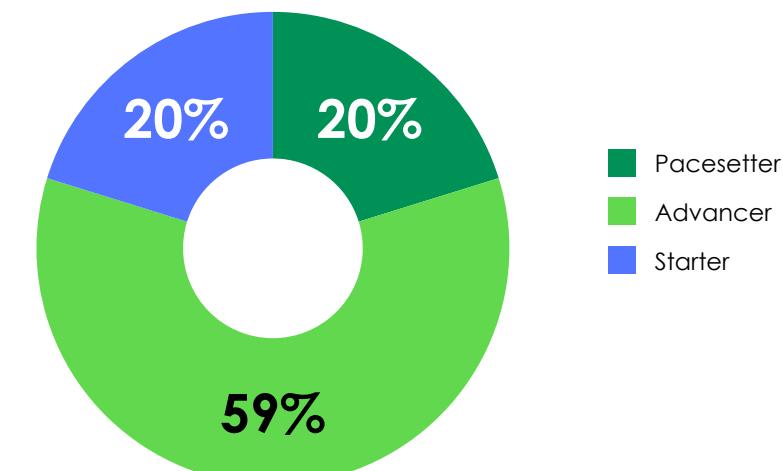
Of the 300 nonprofits we surveyed, a handful (20%) stood out from the crowd. These Pacesetters are actively putting AI to work to advance their missions. They lead the way in all areas of digital transformation—and are beginning to reap the benefits.

Pacesetters lead in all areas of digital transformation*



* % of those in mid-implementation or advanced in key areas of digital transformation

Respondents by stage of digital transformation progress

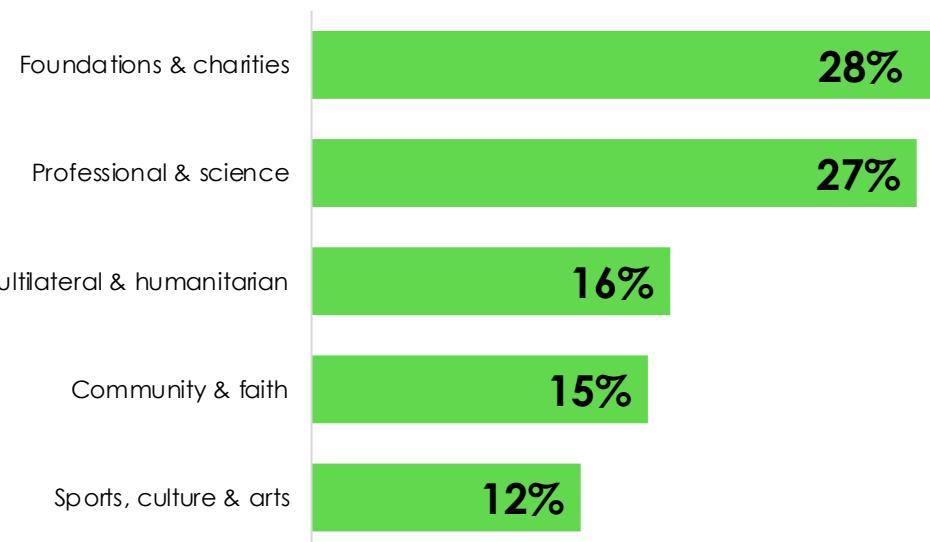


THE PACESETTER PROFILE

The degree of nonprofit digital transformation varies by type and budget size.

Foundations and charities and professional and scientific nonprofits have the largest share of Pacesetters, while multilateral and humanitarian; community and faith-based organizations; and sports, culture, and arts nonprofits are further behind.

Pacesetters by type of nonprofit*

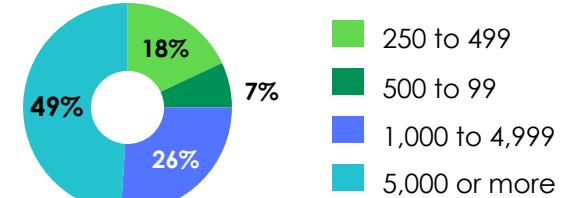


* Does not sum to 100% due to rounding

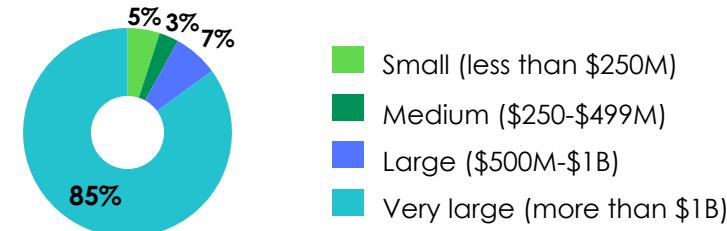
Adequate funding is vital for digital transformation. That's why nonprofits with the largest budgets often are the most digitally advanced. Among the Pacesetters surveyed, **85%** had revenue of more than \$1 billion.

Digital maturity by staff size is more variable, largely since this is not strictly correlated with budget size. For example, **30%** of surveyed nonprofits with less than 500 employees have budgets over \$1 billion.

Pacesetters by employee size



Pacesetters by budget size



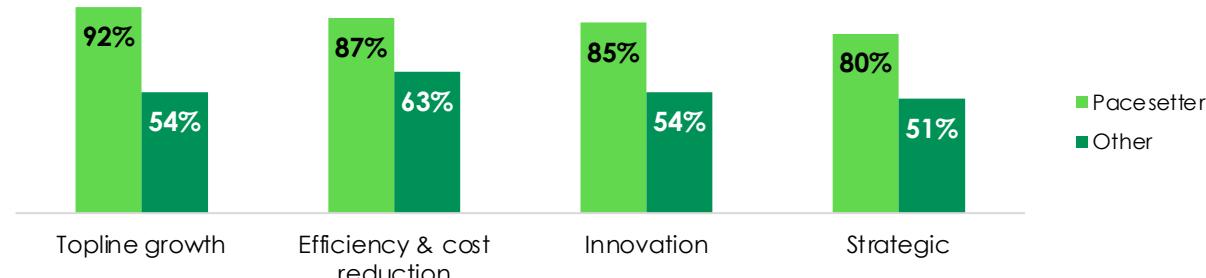
PACESETTING HAS ITS REWARDS

Pacesetters achieve more impact, faster. They outpace the rest in four crucial areas of performance:

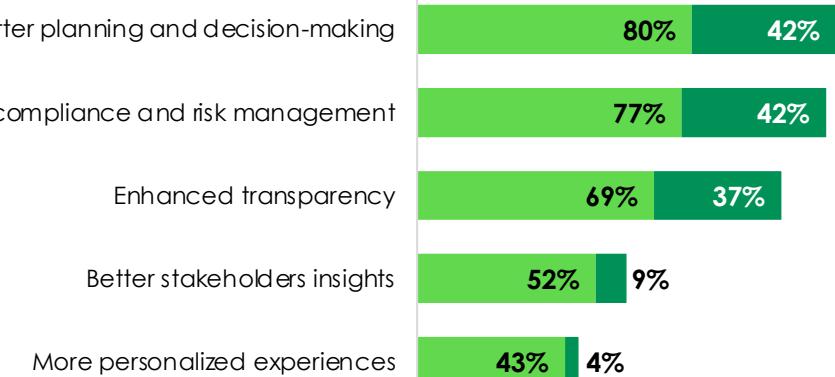
- **Improved topline growth**, including increase in fundraising revenue and donor retention rates
- **Higher efficiency and cost savings**, such as better employee and volunteer productivity, lower operating costs, and percent of revenue to the mission
- **Greater innovation, in many areas**, from process improvements and new funding models to new forms of community engagement and partnerships
- **Stronger strategic position**, such as serving more people and programs, higher satisfaction and service quality, and expansion into new geographies

In addition, 85% of Pacesetters have moderately or significantly accelerated time to value, compared to 67% of others. And 64% report moderately or significantly accelerated market impact, versus 41% of others.

Nonprofits reporting improvements from digital transformation



Additional benefits achieved



FROM AI EXPERIMENTATION TO AI TRANSFORMATION

Pacesetters believe AI has the potential to dramatically change how nonprofits operate and that it will drive higher productivity. They should know, as they are already experienced AI users.

Two-thirds are midway or advanced in using AI to improve their performance, about 10 times as many as other nonprofits. In three years, that number will rise to nine out of 10 Pacesetters.

Most other nonprofits are in the planning or early implementation stages. Even in three years, only **23%** will be at mid-implementation and a paltry **2%** will be advanced.

93%

Of Pacesetters believe AI, especially GenAI, will drive higher productivity.

85%

Of Pacesetters believe AI will dramatically change how nonprofit organizations operate.

Pacesetters lead in implementing AI

Today	Pacesetter	Other
Mid-implementation	44%	6%
Advanced implementation	20%	0%
Three years		
Mid-implementation	25%	23%
Advanced implementation	64%	2%

USING AI TO IMPROVE THE STAKEHOLDER EXPERIENCE

AI can be a boon to nonprofits that struggle to manage numerous, diverse stakeholder relationships.

Pacesetters use AI to lift employee and volunteer productivity by removing repetitive tasks. AI also helps them provide frictionless self-service experiences that make it easy for staff to onboard or manage their schedules or for donors to make contributions.

Many Pacesetters use AI to build personalized engagement. For example, some create tailored content used to recruit and retain volunteers. They also drive team collaboration by using AI to integrate workflows and automate project management.

They gain insights into stakeholder behaviors through AI and use it to answer queries, identify potential donors, train staff, and conduct sentiment analysis to monitor and respond to public perceptions. Over the next three years, many more Pacesetters will use AI for these functions.

How Pacesetters use AI to boost experiences



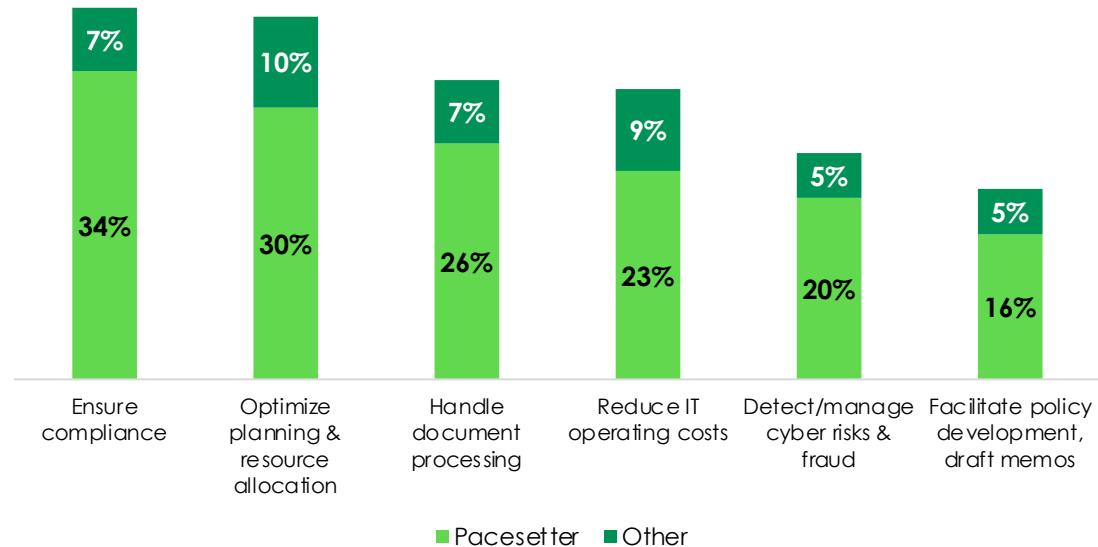
REALIZING THE PROMISE OF GEN AI

Pacesetters are already using generative AI to summarize documents, prepare reports, and model compliance risks. They also use it to optimize planning and resource allocation, drawing on GenAI's ability to forecast demand for services, conduct scenario analysis, and enable real-time scheduling and resource matching.

Another top GenAI use case is document processing to organize documents, extract insights, and generate reports. **Beyond 12**, which serves college students, aims to use GenAI to create tailored content sourced from more than 4,000 college websites.

GenAI helps some Pacesetters take cybersecurity and fraud detection to a higher level by creating simulations of threats and generating synthetic data sets that mimic user behavior. Others find GenAI useful for policy development, employing it to gather feedback via surveys, polls, and other interactions. GenAI also allows nonprofits to collect more data to support program and resource planning.

Top areas where Pacesetters use GenAI to support operations



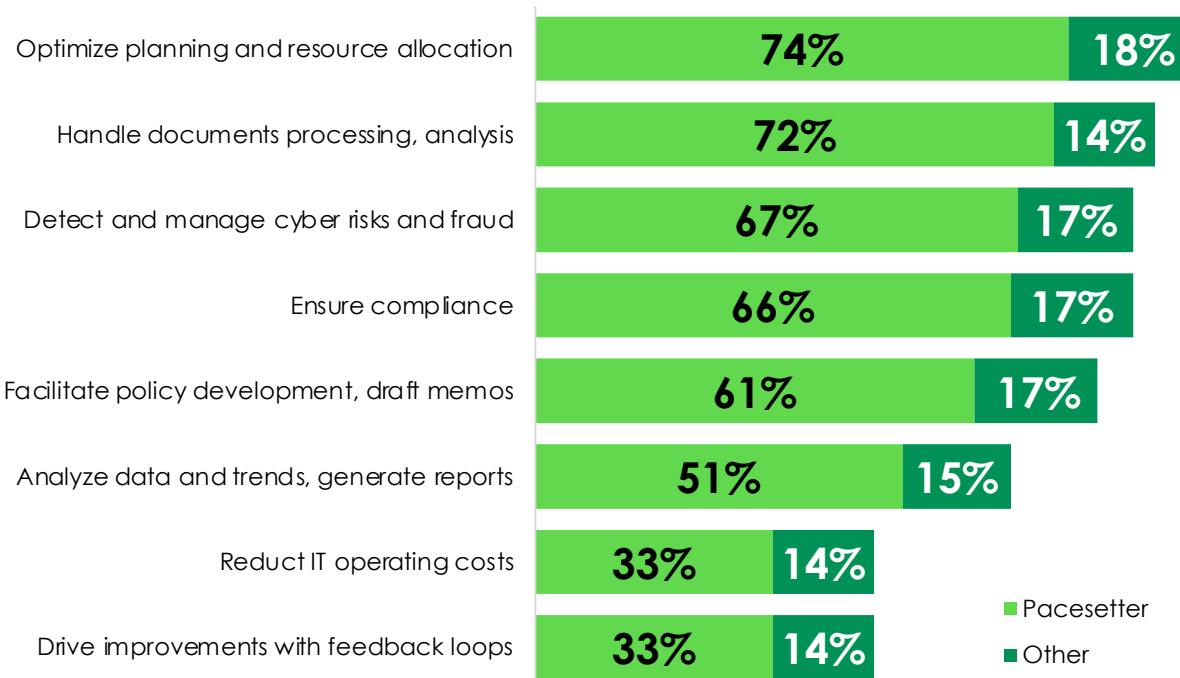
GOING THE EXTRA MILE WITH AI

The top operational use case for AI among nonprofits is planning optimization and resource allocation. For instance, the World Food Program uses AI to improve food distribution and logistics and enhance hunger relief efforts.

Most Pacesetters also use AI to automate routine operational tasks, such as processing documents, facilitating policy development, drafting memos, analyzing data trends, and preparing reports. Shifting responsibility for these tasks frees up staff to focus on more value-added activities.

Two-thirds of Pacesetters enlist AI in their efforts to mitigate cyber risks and fraud, drawing on AI's superpowers to identify anomalies in huge sets of data in real time. A similar percentage of Pacesetters use AI to manage regulatory compliance through AI.

How Pacesetters use AI to improve management and operations



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For many nonprofits, emerging technologies are key to scaling their efforts. Without them, growing operations or expanding services might be more difficult and resource intensive. Nonprofits that don't adopt these tools might fall behind those who use them to enhance their impact, attract funding, and engage with stakeholders more effectively.

— Gillian Hinde, Global Corporate Responsibility Leader, EY

GOOD TO GREAT



TOP TAKEAWAYS

Pacesetters lead the pack by doing these three things differently:

01

They harness multiple digital solutions.

02

They rethink their organization and governance.

03

They build frictionless stakeholder experiences.

PUTTING DIGITAL SOLUTIONS TO WORK

We know Pacesetters are ahead of the game when it comes to implementing AI solutions, but they don't stop there:

They implement an end-to-end IT platform

Ninety-three percent of Pacesetters are midway or advanced in implementing an end-to-end IT platform, more than five times as many as other nonprofits. In three years, all Pacesetters expect to be midway or advanced—with a whopping 82% planning to be at an advanced stage.

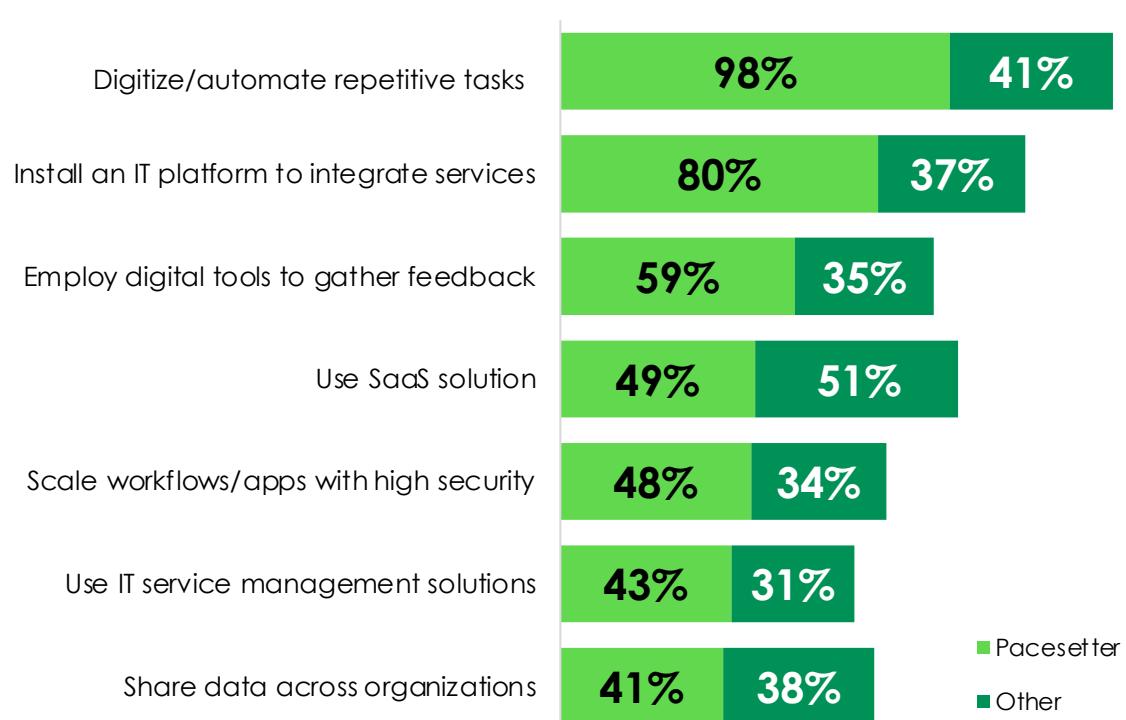
They digitize the workplace

Pacesetters are supplying employees and volunteers with the tools they need to succeed in a digital-first world. Digitization and automation of tasks and processes, which enhance staff productivity and efficiency, are top of mind for nearly all Pacesetters.

"A comprehensive platform allows for centralized data collection and analysis. This enables us to gain deeper insights into our operations, customer behaviors, and market trends. With better data at our fingertips, we can make more informed decisions."

— Senior executive, Swiss humanitarian organization

Top actions Pacesetters take to digitize and scale workflows



RETHINKING ORGANIZATION AND GOVERNANCE

Scaling transformation calls for more than technology; it requires the right governance, strategy, culture, and people to make it happen.

More than **eight in 10** Pacesetters are midway or advanced in enhancing IT governance, compliance, and cybersecurity. They realize these functions must be upgraded hand in hand with innovation to protect the organization from the risks technology can bring.

Pacesetters have made similar progress in digital strategy and culture and take many steps to ensure they have the organizational capacity to drive change. Topping the list are establishing performance metrics and developing a strategy and implementation plan.

"Safeguarding sensitive data against cybersecurity threats and data breaches poses a significant challenge that can be addressed by enhancing cybersecurity defenses through the adoption of digital transformation."

— Board director, U.S. youth organization

Pacesetters are significantly ahead in all areas of strategy and organization (mid- or advanced implementation)

		Pacesetter	Other
Today	IT governance, compliance, and cybersecurity	85%	6%
	Digital strategy and culture	80%	10%
	Digital skills, talent, and capabilities	62%	5%
In 3 years	IT governance, compliance, and cybersecurity	98%	36%
	Digital strategy and culture	89%	41%
	Digital skills, talent, and capabilities	100%	35%

Top steps Pacesetters take to build organizational capacity for transformation



CREATING A RIGHT-SKILLED NONPROFIT WORKFORCE

Pacesetters look inward when it comes to ensuring they have the capabilities and resources to foster transformation.

They get there by:

- 1. Making sure they have the right digital skills** by upskilling staff or bringing in new talent
- 2. Building IT Centers of Excellence** to harness digital innovation, provide technical guidance to staff, and standardize digital processes
- 3. Tapping external resources** to support their digital activities
- 4. Fostering collaboration** between technical and nontechnical staff to align technology solutions with their mission goals

With their budget advantage, the largest nonprofits are well ahead of small ones. To close the gap, smaller nonprofits should focus on less costly measures, such as promoting collaboration and implementing internal training programs.

Top steps Pacesetters have taken to develop talent and skills

	Pacesetter	Other
Provide staff with training on use of digital tools and tech	90%	42%
Build an IT Center of Excellence for support	89%	27%
Conduct skills gap analysis to assess the digital skills of staff	77%	36%
Recruit more staff digital skills and knowledge	77%	42%
Use outside resources to support digital activities	75%	10%
Foster collaboration between IT and nontechnical staff	69%	5%
Employ guided workflows that facilitate collaboration	54%	5%

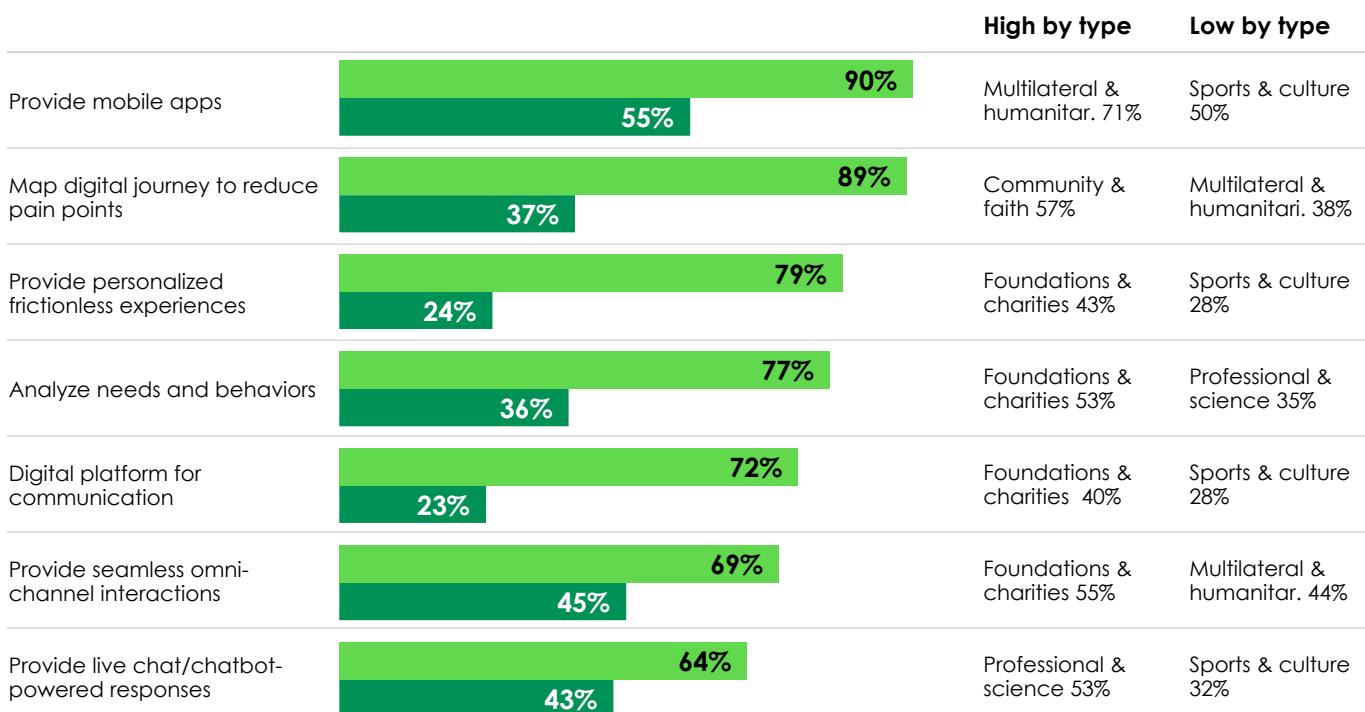
PROVIDING FRICTIONLESS SUPPORT TO THOSE IN NEED

Pacesetters are ahead in using digital technology to provide beneficiaries with easy access to services. **Ninety percent** offer mobile apps—a cost-effective way to reach a multiplicity of beneficiaries, including those in developing regions with limited internet infrastructure.

They also shine at mapping digital journeys to reduce pain points around culture, language, literacy, and access. Community and faith-based organizations are especially skilled in this area.

Pacesetters are far more likely to analyze the needs and behaviors of beneficiaries, putting that knowledge to work by personalizing experiences. They also establish digital platforms for communication, supplemented by seamless omnichannel capabilities.

Pacesetters do more to improve beneficiary experience



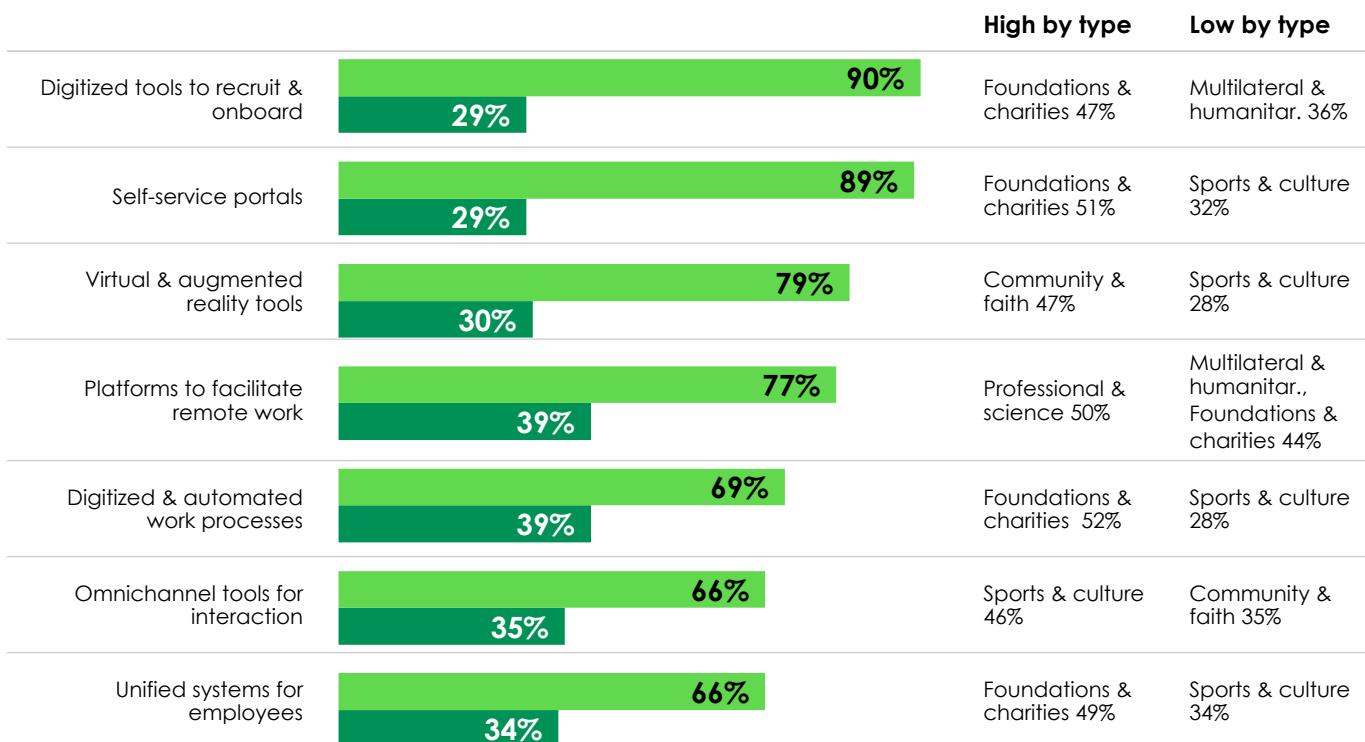
PACESSETTERS BOOST THE PRODUCTIVITY OF EMPLOYEES AND VOLUNTEERS

Pacesetters boost the productivity of employees and volunteers by supplying the latest digital tools. **Ninety percent** provide digitized platforms for recruitment and onboarding, and 89% use self-service portals for managing personalized tasks—crucial especially for nonprofits that rely heavily on volunteers.

Pacesetters excel at using virtual and augmented reality to create immersive experiences for their teams. These may include simulated training, virtual workshops, high-impact visualizations, and remote collaboration.

Community and faith-based and professional and scientific research nonprofits make heavier use of immersive technologies. For example, a senior director in a large U.S. professional trade association told us that his organization produces virtual reality experiences to boost public awareness and understanding of its mission.

Solutions used to improve staff and volunteer experience



“

Through the utilization of AI, we can enhance the efficiency of resource allocation by pinpointing specific areas where investments and efforts can generate the most substantial impact, thereby contributing to future growth.

— Chief Development Officer, UK/Irish scientific research organization

WHAT IF ALL NONPROFITS WERE PACESETTERS?

Nonprofit success is measured not in dollars, but in impact. So, we asked the question: How much more good could nonprofits do if every one of them were operating at the level of Pacesetters?

Global impact

Our research estimates global humanitarian and charitable nonprofits serve approximately 3.6 billion beneficiaries annually. Our analysis shows that digital transformation has already helped nonprofits serve over 57.1 million additional beneficiaries across the globe.

Roughly 20% of our survey respondents are digital transformation Pacesetters. If all people-focused nonprofits were Pacesetters, they would be able to serve an additional 103.1 million beneficiaries per year.

Additional revenue

Our economists estimate the total budget for humanitarian and charitable nonprofits across the globe to be approximately \$1.5 trillion, of which an average of 77% goes to helping nonprofits achieve their missions.

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.



THE INCREDIBLE POTENTIAL OF DIGITAL TRANSFORMATION

“ Challenges to overcome

“Donor retention can be a challenge, but by implementing and utilizing data analytics and customer relationship management systems, retention rates can be improved.”

— Chief Operating Officer, Canadian humanitarian organization

“Nonprofit organizations often lack the data analytics capabilities to track program effectiveness, measure impact, and make data-driven decisions, hindering their ability to optimize operations and plan for the future.”

— Direct report to the Chief Information Officer, U.S. faith-based organization

Throughout our survey, we asked our executives to share their digital transformation experiences—good, bad, and otherwise. Here's what they had to say.

“We strive to overcome the challenge of communicating effectively with stakeholders by utilizing innovative digital technologies to illustrate the value and make it more accessible to our stakeholders.”

— Direct report to the Chief Marketing Officer, UK/Irish arts/cultural organization

THE INCREDIBLE POTENTIAL OF DIGITAL TRANSFORMATION

“ Benefits of an end-to-end platform

“An end-to-end platform will provide us a seamless donor experience and personalized communication. This will help enhance donor engagement, retention, and revenue for fundraising.”

— Chief Operating Officer, Canadian charitable organization

“By utilizing end-to-end platforms, organizations can foster innovation and maintain a competitive advantage.” — Senior technology executive, U.S. professional/trade association

— Senior technology executive, U.S. professional/trade association

“It will help in reducing the nonprofit’s carbon footprint through paperless operations and virtual collaboration.”

— Direct report to the Chief Marketing Officer, UK/Irish arts/cultural organization

THE INCREDIBLE POTENTIAL OF DIGITAL TRANSFORMATION

“AI in action

“We maximize fundraising strategies by using AI to predict donor behavior.

— Chief Development Officer, German charitable organization

“AI-powered chatbots can improve customer engagement, reduce support requests, and speed up response times, resulting in a significant time-to-value impact on our organization.”

— CEO, U.S. charitable organization

“We use AI to produce interesting content to raise brand awareness and generate traffic to the website.”

— CEO, UK/Irish arts/culture organization

TAKEAWAYS: 6 LESSONS FROM NONPROFIT PACESETTERS

01. Provide frictionless experiences to stakeholders:

Pacesetters excel at using digital technology to provide seamless personalized experiences to beneficiaries, donors, and volunteers. They engage stakeholders through mobile apps, map digital journeys to eliminate pain points, and analyze stakeholder needs.

02. Consolidate on a platform:

A key differentiator between Pacesetters and other nonprofits is the use of an end-to-end [IT platform](#). Such a platform galvanizes performance by using AI, [automation](#), data, and other advanced technologies to integrate workflows, processes, and functions.

03. Embrace AI:

Pacesetters excel at using AI to drive performance and mission impact. This includes GenAI, which Pacesetters use to generate documents and predict trends.

04. Create a digitized workplace:

Pacesetters digitize and automate tasks and processes while providing staff with better digital experiences, training platforms, and tools.

05. Rethink how they organize:

Pacesetters develop clear implementation plans and metrics to measure performance. They create a culture of change, upskill staff and bring in new talent, build IT Centers of Excellence, and tap outside resources.

06. Build resilient, secure IT systems:

Technology, cybersecurity, privacy, and ethical risks increase with digital maturity. To mitigate these risks, Pacesetters enhance IT governance, from bringing in cybersecurity technologies to using AI to detect anomalies.



RESPONDENT PROFILE

By role (total 300)

Board of Directors	6%
CEO/Executive Director/Assistant Director	6%
Chief Information Officer	6%
Chief Operating Officer/Chief Program Officer	6%
Chief Technology/Digital Officer	6%
Chief Development/Advancement Officer	5%
Chief Financial Officer	5%
Chief Human Resource Officer	5%
Chief Marketing Officer	5%
Direct report to one of the above	50%

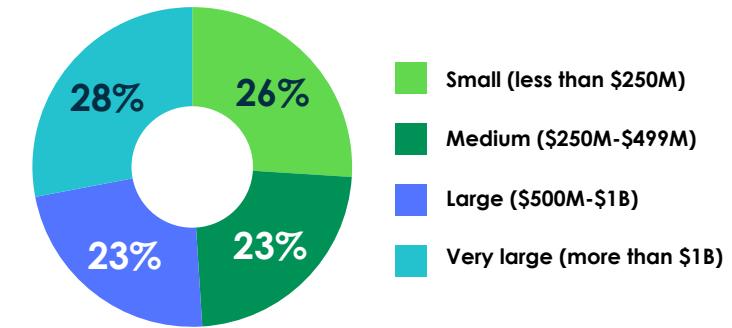
By country

U.S.	50%
UK/Ireland	13%
Germany	12%
Switzerland	12%
Canada	10%
Netherlands	3%

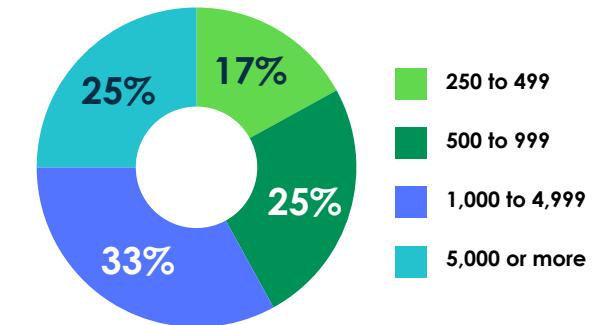
By type of organization

Charitable organization	13%
Foundation/trust	12%
Arts/culture/zoo	10%
Community services/youth organization	10%
Faith-based organization	10%
Multilateral/global organization	10%
Professional/trade association	10%
Scientific research organization	10%
Humanitarian organization	8%
Amateur sports organization	7%

By size of budget



By employee size



RESPONDENT PROFILE BENCHMARKING PROGRESS ON DIGITALLY ENABLED TRANSFORMATION

To benchmark the progress nonprofits are making on digitally enabled transformation, we created a maturity framework based on answers to the following questions:

Q15. How much progress has your organization made in the following digital transformation areas?

Next level digital transformation

- **End-to-end IT platform:** Developing an end-to-end IT platform that uses AI, automation, data, and other technologies to integrate workflows, processes, and functions
- **Digitizing, automating, and scaling workflows and processes:** Digitizing, automating, and standardizing processes and workflows, and using digital solutions to scale them across the organization
- **Enhancing performance through AI:** Using traditional and GenAI to engage stakeholders, personalize interactions, gain efficiencies, detect and predict trends, generate content, and drive performance

Organization and governance

- **Digital strategy and culture:** Rethinking strategy, culture, and organization for a digital world
- **IT governance, compliance, and cybersecurity:** Using digital technologies to ensure the secure use of data and technology, as well as to track and comply with regulations
- **Digital skills, talent, and capabilities:** Having the right people in place who understand digital technology and how to use it to achieve mission objectives

Stakeholder experiences

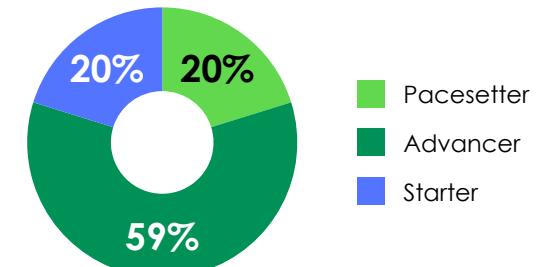
- **Beneficiary experiences and trust:** Using digital technologies and channels to personalize experiences, improve service, and cultivate relationships and trust
- **Donor experiences and relations:** Using digital technology to track donor interactions and preferences, target and personalize email marketing, hold virtual events, and facilitate donor contributions
- **Employee and volunteer experiences:** Using digitized workflows, talent management, and training to deliver productive employee and volunteer experiences

Maturity scoring methodology

We used respondents' answers to Q15 to assign them to a maturity category, based on the following scoring formula for the progress made on each area of the pillars:

- (1) Not considering (0 points)
- (2) Planning: exploring options, developing plans, and building support (1 point)
- (3) Early implementation: starting to implement plans (2 points)
- (4) Mid-intermediate: midway through implementation of plans and starting to see results (3 points)
- (5) Advanced: implemented most plans across the enterprise and showing results (4 points)

We scored every respondent on each of the nine areas of transformation. By summing the scores, we calculated an overall maturity score for each respondent. We then grouped respondents into three maturity categories. We classified those in the bottom 25th percentile of scores as "Starters," those in the top 25th percentile as "Pacesetters," and those in between as "Advancers."



Based on this framework, **20%** of respondents hailed from organizations classified as Pacesetters, **59%** from Advancers, and **20%** from Starters.

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