How Nonprofits Can Manage Change with Financial Technology

By Adam Barber, BDO USA

Strong financial infrastructure is key for any nonprofit, and knowing when to change financial technology systems can be a challenging decision for organizations large and small. Leaders must look at financial infrastructure in terms of people, processes, and tools. When there's a change in systems, an organization's people need to be on board with the new process that a modern system will inevitably bring. When done properly, change management can accelerate the return on investment (ROI) the organization is seeking from new technology. If ignored or done reactively, a finance team may find itself dealing with unintended side effects for quite some time, chiefly confusion, and lack of efficiency.

Creating a proactive strategy and implementing best practices for change management can help create a successful environment for your organization to get the most out of a new financial system. The following set of steps can help your organization implement a new financial technology system as effectively as possible:

1. Draft the business case

This is a good time to organize your thoughts to prepare for all sorts of questions employees may ask about the change, how it will impact their day-to-day and the benefits it brings. An executive summary of the business case should be one to two pages long and clearly identify the following:

- **Briefly describe the current situation and its risks.** Provide examples and specifics.

- **Be clear why a change is needed.** Are the current systems outdated? Is time now being unnecessarily wasted on manual processes given modern technology's low costs and capabilities?

- **Identify the benefits a new system and process would bring to the table.** How would a new system further the organization's mission? For example,

how could a new financial system help ensure the organization's time and limited resources are used strategically?

2. Create buy-in

At this critical phase, stakeholders throughout the organization should be brought into the conversation to ensure the project has support beyond the finance team. Consider the following steps to ensure the appropriate parties are aware of the change and are able to have their concerns addressed:

- **Conduct stakeholder analysis.** Prepare for conversations down the line by listing the end-user groups, budget managers, and decision makers involved, and think through why they may or may not be on board in light of both the organization's priorities as well as their own. Update the analysis based on feedback from the stakeholder groups throughout the project.

- **Calculate the ROI.** How long will the new system take to pay for itself with respect to savings in labor? What additional long-term savings and efficiencies will be realized?

- **Identify Champions.** Who will lead the project? Which executives will lend their support to help understand and break through unforeseen organizational barriers?

- **Charter a task force.** Bring in representatives and decision makers throughout the organization to ensure the change is in line with organizational priorities beyond the finance team. The task force will help ensure diverse perspectives and feedback is heard and taken into consideration from the start.

- **Involve end users in the system selection.** Give voice to the people who will be using and piloting the system. Understand and account for their concerns and questions.

3. Process Mapping

Map out the specific processes which will be impacted by this change. This will help to ensure your organization is prepared for changes to come, as well as aid in the software selection and ROI calculations.

- **Identify current process flows.** This will help to illustrate where a process becomes bottlenecked and crystalize how technology could assist. If practical, begin measuring the amount of labor a pain point in the process takes — this will help determine the ROI.

- **Map current data flows.** How does data move within the organization's people, processes, and systems at the transactional level? Where does financial data get transmitted manually from one process to another, and what tools are used to manage that process? Answering these questions will help you identify any issues.

- **Define the ideal solution.** Now that the inefficiencies have been identified, the organization can begin specifying where a process and dataflow could be updated or streamlined using new technology.

- **Map the future processes and dataflows.** Having a document that clearly visualizes what is changing will aid in the adoption phase and limit confusion down the line.

4. Implementation

Preparing for this stage depends on the system at hand, but success comes down to preparing ahead of time. Prior to implementation, consider the following:

- **Prepare lists.** This is a good opportunity to scrub vendor lists or unused accounts or create a clear delegation of authority for approvals and system workflows.

- **Consider general ledger implications:**
  - **Map the chart of accounts.** If you're looking at a new general ledger and wish to streamline the chart of accounts, create a clear map of which accounts are consolidated, new, or changing account numbers. This will help import prior year data and budgets.
  - **Data migration and prior year reports.** Think through how much data should be imported to the system in practical terms. Some questions to consider: Will the organization still have access to its former system? Is setting up prior year trial balances enough? Is it worth making a change during a fiscal year or at the start of a new one? How much will it cost to migrate transactional data? How will a change in the middle of a calendar year impact the preparation for audit and tax returns? How will 1099 process be impacted with a mid-year change?
  - **Know what can and cannot change after implementation.** Some things are easy to change, and others are not. For example, a system could prevent changing an account or other identifying number after a transaction's been posted but have no problem changing an account name. Leaders should also consider a "sandbox environment" such that a system's instance mirrors the actual data for training purposes, so that end-users have some familiarity with their data. Sandbox environments provide new users the freedom to practice and make mistakes in order to learn.

5. Adoption

The most critical part of any change is the adoption process. If leadership has already taken steps one through four, they should be well poised for a successful adoption. However, there are some additional actions that can be taken to make the rollout as successful as possible:

- **Launch a pilot program.** Form an adoption team of end users to prepare for the eventual full-scale rollout. Document and integrate lessons learned from his pilot group into your launch plan. Think about having the adoption team fully trained so they can inform other users they work with daily.

- **Anticipate the learning curve.** Change is uncomfortable for some, and frustration with a learning curve is natural. Stay calm and confident and offer as much troubleshooting as possible for the first few months.

Overall, the most important part of changing financial management systems is transparent communication and extensive preparation. Taking the time to map out a plan and answer all questions will help ensure a successful change for all parties involved.

CapinCrouse can help you through this process. Please contact partners Stan Reiff, Dave Gunter, or Ken Tan to learn more.

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