SAP Uses Core Expertise to Support Nonprofit Sector Capacity Building in China

March 2013

EXECUTIVE SUMMARY

This case study outlines SAP's efforts to leverage its core expertise to support nonprofit capacity building in China. In partnership with BSR, SAP selected four nonprofit partners to take part in a ten-month pilot project to learn how they could better leverage IT to manage their human resources, programmatic and financial information, and increase their overall operational efficiency.

BSR helped SAP identify nonprofit partners, design the partnership, and facilitate the engagement between the company and the NGOs. In the partner identification phase, BSR helped SAP select a range of nonprofit partners that represented the various ways that nonprofits in China use IT. This selection process also took into account factors such as organizational type, program areas, staffing capacity, location, and the types of information management challenges facing nonprofits. As a third-party facilitator, BSR facilitated a training session for SAP and the nonprofit partners on corporate-NGO partnerships, and helped facilitate communication between the five partners throughout the six-month pilot. At the end of project, BSR led two focus groups for nonprofits in Beijing, and Shanghai to test the initial findings from the pilots and gather additional insights for inclusion in a report on "IT in the Chinese Nonprofit Sector: Analysis and Recommendations to Enhance Operational Efficiency". This report has been made public through the CiYuan website and shared with technology companies and nonprofits in an effort to attract corporate IT resources to nonprofits in China.

The four nonprofit partners selected for the pilot are from Shanghai, and they included The Little Bird Hotline, Shanghai United Foundation, Adream Foundation and Xintu Center for Community Health Promotion.

Organization Name	Organization Type	Pilot Focus
The Little Bird Hotline	Grassroots NGO	Project Management
Shanghai United Foundation	Public Foundation	Donation Management
A dream Foundation	Private Foundation	Project and Tender Management
Xintu Center for Community Health Promotion	Grassroots NGO	Project Management

Before the start of the pilot, BSR delivered a training module to SAP and the nonprofit partners to help set expectations between both sides, and highlight the values that each group would bring to the partnership. The pilot itself uncovered the current state of how the four nonprofits are using IT in terms of their human resources, IT tools (including donation, project, financial and knowledge management), and provided an introduction of how impactful IT can be to the development of the nonprofit sector. The pilot also found that nonprofits from different regions in China had different levels of awareness and ability to use IT to manage their organizations.

This case study examines how a company can use its core expertise— knowledge of IT systems, and software development— to build a team of employee volunteers to help nonprofits address challenges related to the management of nonprofit day-to-day operations.

The case study also outlines seven lessons for companies and nonprofits on how to carry out corporate-NGO partnerships. The following lessons highlight the challenges that companies may face in adapting their expertise to provide pro-bono services to nonprofits:

1. Companies need to adapt their products, services, and/or technical expertise to meet nonprofit needs rather than using a one-size fits all approach;
2. Companies need to consider nonprofit capacity when developing pro bono projects; nonprofits in China face financial and human resource constraints that can make the adoption of recommendations difficult;
3. CSR teams and corporate volunteers should make time outside of their normal work obligations to contribute meaningfully to pro-bono projects;
4. Companies should recognize that results may not occur right away. A seemingly good match between corporate resources and nonprofit needs may not necessarily lead to successful projects right away: pilots are a way to test ideas, create alignment on the partner organizations' strategic objectives, and build the foundation for long-term partnerships;
5. Companies need to strike a balance between providing solutions that meet a nonprofit's current needs, and the need to adopt even more sophisticated systems in the future;
6. Staff turnover affects the ability of both nonprofit and corporate partners to implement successful projects: companies and NGOs should have plans to manage staff turnover throughout the partnership so the project isn't adversely affected; and
7. External volunteers can bring a range of skills which can exceed the project scope and enrich project outcomes.

BACKGROUND

Over the past ten years, the nonprofit sector has become a driving force of change and social stability in China. While the sector has grown rapidly during this time, many nonprofits lack the people-power and technical skills to scale-up their operations and become more efficient. IT tools have long been applied in the business sector as a way to increase efficiency thus IT is being viewed as a way to help nonprofits automate their day to day work, reach more and more stakeholders, and adopt new approaches to philanthropy. Examples include using software to track how donations are spent, sharing program updates with the public and enhance transparency using Weibo (Chinese Twitter) to recruit volunteers and garner awareness for a cause.to a certain social issue.

As an Enterprise Resource Planning (ERP) solutions provider, SAP is committed to leveraging its core business service to benefit the nonprofit sector. At the end of 2011, SAP created an online platform called ChariTra for the nonprofit sector in India, which was based on its SAP HANA (High-Performance Analytic Appliance) platform. On ChariTra, nonprofits can post activities and needs, in terms of donations, volunteers and funding. People and companies can find the charity they are interested and provide time in support. The public can also track the progress of activity, program or organization they are interested in on ChariTra.

Based on this success, SAP was interested in exploring what software, platform or tools could help the nonprofit sector in China. After conducting initial research and interviews with stakeholders, we saw the potential in developing a customized version of the ERP to help Chinese nonprofits manage their information, enhance organizational transparency, and even change the approach to carrying out programs.

Over several meetings with BSR, SAP expressed interest in working with a small group of nonprofits in Shanghai to analyze how they are using IT and make recommendations to enhance their efficiency.

SAP's primary role was to understand how the four nonprofit partners were using IT in their work, and to provide recommendations to be shared with the wider nonprofit community. The partners' primary role was to provide SAP with insights into their operations, including the opportunities and challenges of using IT as an information gathering tool.

PARTNERSHIP ROLES AND RESPONSIBILITIES

BSR identified distinct roles and contributions that each partner could bring to the partnership:

SAP CSR Team	BSR	NGOs
• Develop an online application process to recruit NGO partners (in partnership with BSR); • Engage volunteers in the pre-pilot training; assist SAP volunteers to conduct an evaluation and work plans for projects with NGOs; • Work with the nonprofit partners to conduct a needs assessment; • **Provide** an assessment of each nonprofit partner's **IT** needs **and** make **recommendations** to be shared with the nonprofits, and the wider nonprofit community.	• Design the partnership project including building the project team, work plan, and evaluation goals; • Develop an online application process to recruit NGOs to join the project (in partnership with SAP); • Provide SAP and NGO partners with training on effective corporate-NGO partnerships; • Facilitate regular meetings between the project partners; help partners understand the goals and objectives of each side and manage expectations; • Facilitate two focus groups to test the findings from the pilot project with the wider nonprofit community, and provide feedback to SAP on results; • Conduct additional research and interviews on the use of IT, and resources to help nonprofits build their capacity with other NGOs.	• Join pre-pilot training on effective corporate-NGO partnerships; • Support and provide SAP volunteers with the information they need to conduct the needs assessment; • Maintain regular communication with SAP and BSR on project progress; • Provide feedback to BSR and SAP during the pilot implementation phase, and during the focus groups.

IMPLEMENTATION PROCESS

The partnership between BSR, SAP, and the four nonprofits lasted for ten months from the initial focus group, to the launch of the final evaluation report.

Partnership Design
March 2012

Partnership Design
In discussion with SAP, BSR developed a partnership project plan which included a partnership selection process, implementation steps, and a feedback mechanism.

NGO Partner Selection
April 2012

Selection Process
For the pilot, SAP and BSR developed an online application process to select four nonprofits in Shanghai. The nonprofits that were selected represented a range of grassroots nonprofits, private foundations and public foundations. BSR posted the application on Weibo (Chinese Twitter) and sent direct emails to nonprofits within its network. Eleven nonprofit applicants applied out of of which BSR selected four based on location, type of organization, program scope and IT needs.

Pre-Partnership Preparation
June 2012

Pre-Partnership Preparation
BSR tailored its training materials on corporate-NGO partnerships (CiYuan Initiative) and delivered two separate training sessions to the SAP CSR team and its volunteers, and the four nonprofits. The purpose of the training was to familiarize each of the organizations with the project purpose, partner responsibilities, anticipated outcomes, and to prepare the nonprofits to work with SAP, and vice versa. Following the training, BSR shared the expectations from SAP and BSR with all of the nonprofit partners.

Project Implementation

In early July 2012, SAP volunteers held in-person and phone interviews with the partners to collect information on their current IT situation and needs. SAP adapted survey tools typically used by their corporate clients to get an understanding the nonprofits' IT systems, software, internet, servers, and business models. BSR held regular check-in calls with both parties to provide additional support, and serve as an independent party that could clarify questions, advise on next steps, and continue to manage expectations throughout the pilot phase.

In September, SAP volunteers collated their findings from the pilots into five reports, a summary report of the findings and recommendations for each nonprofit partner, and a general report with SAP's analysis of how nonprofits in China currently use IT (which includes recommendations for how IT systems can be leveraged to enhance organizational efficiency).

BSR provided feedback on SAP's general report. We suggested that it include more specific recommendations on what software tools nonprofits could use in five key focus areas: donation management, financial management, human resource management, project management and knowledge management. Since SAP's products are much more sophisticated than what NGO requires right now, BSR invited the wider nonprofit community to participate in the focus groups to provide recommendations for other products that nonprofits could use.

In addition to the reports, under some help from SAP volunteers, volunteers from Shanghai created an online platform called "GYOO.com" to help nonprofits manage and communicate their program information to staff, to external volunteers, beneficiaries, and other stakeholders. GYOO.com has a social media-type interface that nonprofits can use to register their organization and manage projects. It also includes a blog and photo function to display employee and volunteer information, and designed to share the information with any other stakeholders who are registered on the platform. GYOO.com was being built while the pilots were being carried out.

Project Findings & Focus Groups

From December 2012 to January 2013, BSR and SAP organized two focus groups in Beijing and Shanghai to discuss and share the reports with a broader group of nonprofits. The groups attracted 36 participants from 29 nonprofits. While the participants generally endorsed the findings in the report, they suggested that it include best practices on IT usage in the nonprofit sector, and provide more specific recommendations for information management tools that nonprofits can use.

PROJECT RESULTS

Findings from this pilot include how nonprofits in China can more effectively leverage IT and what makes an effective cross-sector partnership.

Pre-partnership Evaluation

Before SAP conducted the needs assessment with the nonprofit partners, BSR conducted a "partnership expectations survey" to align expectations between SAP volunteers and the participating nonprofits. Two interesting findings emerged from this survey:

1) NGOs indicated "partner equality" was one of their top concerns in partnering with a company. SAP also said they care about the attitude of their NGO partners, but what they expect is that the NGO partner should have a volunteering spirit. The findings indicate that NGOs consider themselves as professional service providers, and they expect to be treated

as an equal by companies, yet companies expect NGOs to display a volunteering spirit.

2) The four nonprofit partners and SAP used different, but complimentary, factors in selecting potential partners. The nonprofits reported that they select corporate partners based on whether the partner's corporate social responsibility goals align with the nonprofits' strategy, the amount of funding the partner can bring to the partnership, and the partner's organizational culture; while SAP reported that it looks for NGO partners that have strong operational capacity, strong strategic networks, and a good performance track- record in risk management.

BSR shared these survey findings with SAP and the volunteers to manage the expectations of both parties before the needs assessment phase started.

Findings from the Pilot Implementation
SAPs needs assessment of the way which nonprofits use IT cover three key areas; human resources, IT tools, and organizational efficiency.

Human Resources
1. Most nonprofits lack professional IT staff; those that have IT staff tend to have fairly basic knowledge and training.

IT Tools (Software, Hardware, Platforms)
1. Most nonprofits in China do have websites, but the ability to regularly update the website varies based on their IT expertise and capacity; some nonprofits also maintain more than one website as separate sub-brands of their projects;
2. The four nonprofits all agreed that financial management software is highly important for them to manage their finances, and disclose financial information to the public;
3. Nonprofits lack ways to effectively manage their donation and project information including project budget, spending, progress, activities, and project staff management, but are aware that this is important;
4. A lack of integration means that nonprofits use a number of different software programs to manage different aspects of their operations. This makes it difficult and time consuming to summarize and communicate their program results to stakeholders. This hampers their ability to serve their target population in a cost-effective way; it can affect their public credibility, and prevents their ability to streamline their functions.
5. Most nonprofits are still in the early stages of transitioning from manual to automated processes and have limited knowledge about IT systems.
6. Nonprofits need a professional information management platform to manage all of their organizational information. Most hope that project management tools will help to bring them to integrate information.

Awareness of the Impact of Technology in Affecting Organizational Efficiency
1. The ability to establish credibility is the most important driving force for nonprofits to digitize their operations. Nonprofits in both focus groups reported that the ability to leverage IT to improve their communication with the public, and enhance the accuracy of their project management, donation management, and knowledge management systems will improve their credibility.
2. Systematizing operations through technology is a starting point for nonprofits to improve their efficiency, increase transparency and information disclosure, and improve the traceability of business processes. Traceability refers to the ability for both the organization to track internal information, such as project progress, invoices and payments to contractors or employees etc., and the ability for stakeholders external to the organization to track information such as whether donations have been received and how they are being spent.

3. Nonprofits in different geographic areas tend to have a different understanding of how to use IT to manage their organizations. Nonprofit staff and volunteers vary greatly in their ability to use different types of software and systems. This is related in part to the differences in economic development between different regions in China. Nonprofits in western China tend to have fairly basic software and network environment, which affects their operations.

LESSONS LEARNED

BSR identified the following key lessons which apply to companies and nonprofits in taking part in a corporate-NGO partnership and in carrying out pro-bono programs:

1. **Companies need to adapt their products, services and/or technical expertise to meet nonprofit needs rather than u sing a one-size fits all approach.**
Companies and nonprofits have similar needs for marketing and communications, legal, financial, and IT services and support— essential functions to help their organizations operate smoothly. While SAP was able to apply its technical expertise to identify the IT needs for the four nonprofits, and provide customized IT solutions to enhance their operations, the focus group BSR held in March 2012 identified that some of SAP's software solutions were too sophisticated than what most nonprofits require.

2. **Companies need to consider nonprofit capacity when developing pro bono projects; nonprofits in China face financial and human resource constraints that can make ongoing partnerships difficult.**
Nonprofits in China, like those in many countries in the world, are price sensitive so any products or services whether existing or to be developed, need to be free or priced appropriately for a nonprofit.

   In addition to cost, companies need to be aware of nonprofits' ability to adopt their recommendations. Based on the needs assessment of the four nonprofits from this project, most did not have a full-time person dedicated to IT. As per the experience of Mr. Zhu, IT Director at Huizeren, a nonprofit specializing in connecting Chinese nonprofits with pro-bono consulting, the majority of nonprofits that seek IT support from companies have a fairly low level of knowledge of commonly used software, such as Microsoft Outlook. During the March and December focus groups, nonprofits expressed concern about their ability to implement the solutions provided by companies. Therefore, while companies should strive to provide high level strategic solutions to address the challenges nonprofits face, they need to keep these two factors in mind when tailoring solutions to meet the needs of NGOs.

3. **CSR teams and corporate volunteers should allow appropriate time outside of their normal work obligations to contribute meaningfully to a corporate-NGO partnership or pro-bono project.**
A good partnership requires commitment and time from the key partners. The project leads at SAP and the nonprofit partners both faced challenges juggling their regular work commitments with participation in this project. These time constraints impacted the speed which the project could be completed. Obtaining high-level management support for a corporate-NGO partnership, or pro-bono project, can help the project team members free up their time, and bring greater attention to the project. The ability of each partner to commit to the project, not just on project deliverables but also on developing and managing the relationship is critical.

4. **Companies should recognize that results may not occur right away. A seemingly good match between corporate resources and nonprofit needs**

may not necessarily lead to successful projects right away: pilots are a way to test ideas, create alignment on the partner organizations' strategic objectives, and build the foundation for long-term partnerships.

Pro-bono projects begin with matching the needs of nonprofits (for example in professional services, public relations, software development) with supply of resources from companies. However, in creating successful longer term corporate-NGO partnerships, the transfer of knowledge or technical support can take time. While Xintu maintained low expectations of the partnership in terms of concrete benefits to the organization, they saw the partnership as a valuable opportunity to develop a relationship with SAP to develop longer term for future opportunities. The nonprofits were very keen to take part in the pilot and to learn from SAP.

Pilots can be a low-risk way to test ideas and working relationships. They can also help partners to clarify and align their project strategy. While pilot projects can help to identify opportunities for further collaboration, identifying the partners' longer term strategy early on can be helpful to set the pilot up for future success. A third party can help to build the capacity of both partners in these areas and provide advice on the longer-term strategy development.

5. **Companies need to strike a balance between providing solutions that meet nonprofit's current needs while also allowing for adoption of more sophisticated needs in the future.**

As nonprofits in China may be at various stages of readiness and sophistication, companies can present nonprofits with tiered recommendations that they can adopt based on their current and anticipated future needs. Mr. Zhang, SAP volunteer remarked: "It took companies several years to go from using fragmented IT tools to integrate their systems into an integrated ERP platform. This was a huge waste of time and energy. In working with nonprofits' we can skip this stage, and help nonprofits integrate all the information into one platform for their management." Nonprofits with more established program management and governance structures may be able to directly adopt integrated IT tools, while others with limited financial resources and staff capacity may need more basic software tools and capacity building such as how to use Microsoft Outlook, how to use Microsoft Excel training, and how to develop a website.

6. **Staff turnover affects both nonprofit and corporate partners' ability to implement successful projects: both companies and NGOs should have plans for how to manage staff turnover throughout the partnership so the project isn't adversely affected.**

Managing the risks to project implementation associated with staff turnover should be built into the project plan. Of SAP's four volunteers, one left the partnership during the needs assessment phase. SAP was able to overcome this challenge as all four volunteers were involved in the initial assessment of each nonprofit, so the volunteers had an equal understanding of the nonprofit's situation. For a larger volunteer team, separating volunteers into small groups of two to four people would be another way to reduce risk. This challenge was more difficult for the nonprofit partners to overcome because they had only one person in charge of the project. In this case, two out of the four nonprofits had changes in their team member responsible for the project, which influenced both the replacement's understanding of the project, and their overall support for the work. Organizations should take staff turnover into consideration in the partnership planning phase to reduce this common risk.

7. **Volunteers external to an organization can bring a range of skills which can exceed the project scope and enhance project outcomes.**

Inviting volunteers to join corporate or nonprofit partnership teams can be an innovative way to supplement capacity and add new dimensions to a project. In addition, taking into account the interests and experience of volunteers is helpful during the project design phase. It can enrich the program with engaged and experienced staff. In SAP's case, volunteers were able to collaborate with a professor and student volunteers from the Shanghai International Business and Economics University who brought additional technical skills and a passion for education. When these volunteers were matched with ADream Foundation, a foundation which builds multi-media classrooms for students in rural China, it enhanced the outcomes of the needs assessment as these volunteers were able to more quickly grasp the issues and challenges faced by the foundation, and propose appropriate solutions.

THE LITTLE BIRD HOTLINE

The Little Bird Hotline was founded in 1999, focusing on the issue of migrant populations in Chinese cities. The hotline provides employment information, legal information and services, and counseling. The organization also has a publication called <Zou Jin Du Shi Bao> (《走进都市报》), for migrant workers

SHANGHAI UNITED FOUNDATION

Shanghai United Foundation (SUF), founded in 2009 and initiated by the NPI (Non-Profit Incubator), is a public grant-making foundation committed to supporting and investing in the development of grassroots NGOs.

SUF actively embraces the concept of forging a "united way", and focus the attention on bridging the gap between donors and grassroots NGOs through the creation of a reliable and efficient platform for communication.

ADREAM FOUNDATION

Adream is a charitable foundation initiated and run by former senior management from financial institutions and listed companies. Approved by the Shanghai Civil Affairs Bureau, Adream Charity Foundation was registered on 14th August 2008. Formerly it was incorporated in Hong Kong under Cherished Dream China Education Fund Limited in October 2007. The Hong Kong Government also approved tax exemptions for charities of Cherished Dream China Education Fund in June 2008.

The foundation aims to improve the imbalanced education system in China. Whether helping rural children or urban children of migrating workers, through a systematic provision of charity services and products to increase their self-awareness, and explore the wider world and its possibilities. The foundation always believes that charity should bring possibilities rather than results to people.

XINTU CENTER FOR COMMUNITY HEALTH PROMOTION

Xintu is an NGO initiated by social forces, focusing on promoting the development of community health. It was established in 2006, and registered under the Pudong New Area, Shanghai Civil Affairs Bureau. The predecessor of Xintu is a core project of ORBIS International, who is dedicated to preventing blindness in China. The goal of Xintu is to promote the specialization and diversification of the development of community service organizations, to strengthen the value of health in the community, and to enhance the ability of members of the community to conduct self-help and mutual aid through the community health promotion projects. The ultimate goal of Xintu is to create harmonious and sustainable communities.