Changing your finance system.

A toolkit for nonprofits: know when it's time to change & get the change right



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Introduction



What is this toolkit for?

Nonprofits take huge time and effort when choosing new finance systems and, as a result, often hold on to them for far too long.

We wrote this simple guide in partnership with Mark Salway FCA to help organisations to change their finance systems effectively. It provides a toolkit and roadmap to help nonprofit organisations know when it's time to change, and, when the time is right, how to do it excellently.

We want nonprofits to have great systems and solid tools to do their work. With this in place, you can get on with the business of creating more social impact. That's an ambition we can all buy into.

Many organisations have poor quality management information, lack good finance processes and are held back by out of date, legacy systems. Yet, the need for good quality, timely information, to enable effective decisions to be taken is greater than ever before.

This toolkit pulls together all the important elements for consideration and puts them in one place:

- Many organisations aim for systems that cost the least, rather than a system that is fit for purpose: This toolkit helps you to choose a great future system that is right for you.
- Many organisations have old and outdated systems: This toolkit helps identify the tell-tale signs of when it is time to change.
- Many understand that good systems can help, but that technology alone is not enough. They may need to upskill and train their people, or really drive the benefit from their past investment in systems. Equally, processes are holding them back. This toolkit will help get implementation right and drive real change for the future.

Nonprofit organisations often struggle with understanding the difference that good quality tools can make. They equally want to invest but don't know when, or how. Our aim is for your organisation to have efficient processes, with staff that have been trained properly, and good technology to support them. When all of these slot into place… it's like magic!

Digital transformation and new systems can make a huge difference when implemented well. A system which enables you to get great management information and can close the ledgers quickly at month end is worth its weight in gold.

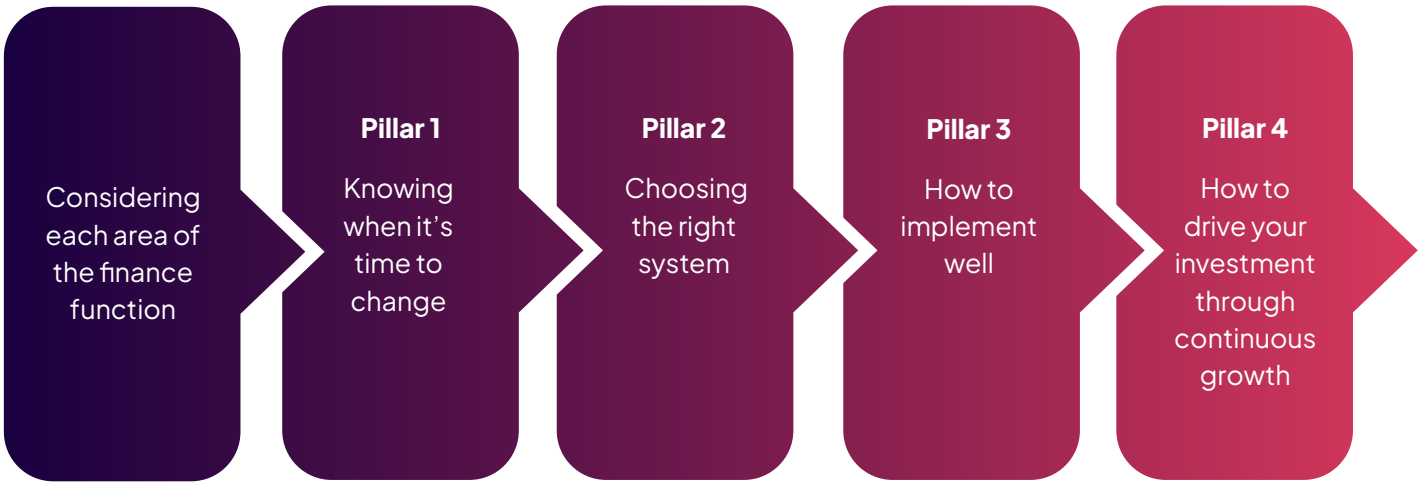
This toolkit is a simple 'how to' guide to better system choice and implementation. We hope it helps you to create real change.

This toolkit provides the basics for any size organisation though it is mainly tailored towards mid-size organisations: with income of over £1m, and around 25 staff, or upwards.

How this toolkit is structured

This toolkit starts by considering each area of the finance function, its key components and typical areas that might need to be improved.

It then looks at system implementation from four different pillars:



Pillar 1

Knowing when to change

Will help your organisation navigate this decision. It will look at each element of your technical infrastructure, current systems and their integration, transaction processing and management information. It will help you spot when it is time to change and when new systems can help deliver real benefit for your organisation.

Pillar 2

Choosing the right system

Looks at stakeholders and how to clearly identify their requirements. It then steps into working with, and managing, vendors, how to shortlist effectively and beauty parades (how to get the best from your shortlist candidates).

Pillar 3

How to implement well

Then looks at making this an inclusive process, how to define a good project team and how to phase and plan work. It takes readers through how to clean data effectively, and then how to test the system effectively through user acceptance testing. It finally takes readers on a journey of how to roll out systems and train staff so they are ready to go.

Pillar 4

Driving your investment through continuous growth

By defining business users, regular reviews, and ongoing training.

Let's get started by considering each element of the finance function.



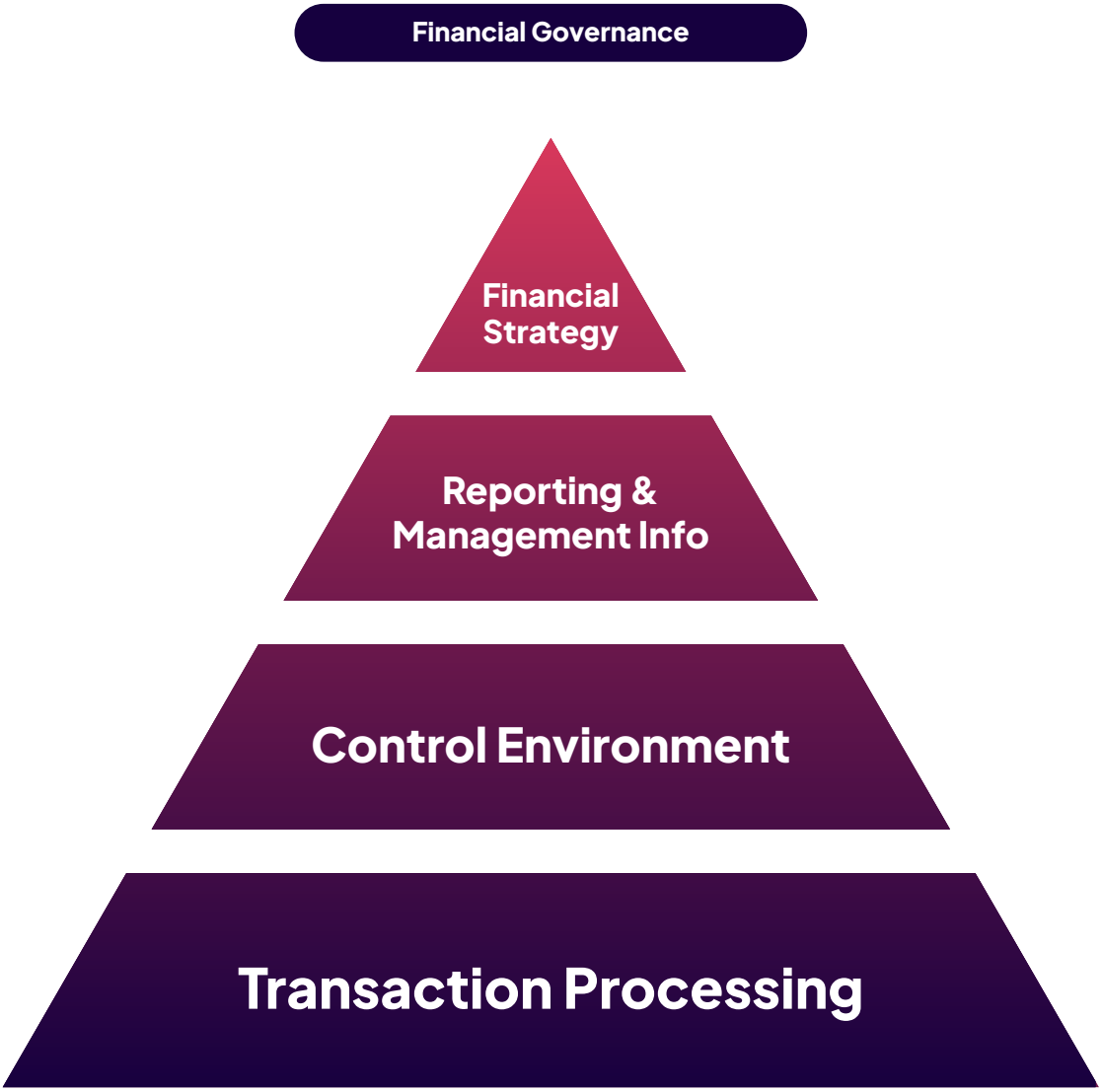
Finance function components

And their key processes

The finance function can be thought of as a pyramid. At the base sits transaction processing, and the control environment which makes sure that what goes into the system is right.

This, in turn, drives the reporting and management information, which allows management and trustees to focus on good financial governance and financial strategy for the future.

Sitting throughout this are the people and processes, underpinned by finance systems and technology:



If we are going to implement a new finance system, we need to know what good practice in each area looks like

1 Transaction Processing

This is the base of all work. It needs to be efficient and effective using a workflow that can easily digitise the audit trail. This involves removing paper and unnecessary emails from the organisation's processes and ensuring that there is absolutely no duplicate entry or re-keying information.

A good finance system should also be able to link to other systems to reduce processing time. It should be able to automatically upload payroll data and information from other key systems e.g. fundraising.

Users should be able to get access to systems remotely and across the organisation.

Key areas of focus

Centre around good record keeping. Key areas for improvement are where there is duplicate entry of records from payroll systems or fundraising systems. The aim is to integrate your operational systems to minimise the necessity of re-keying and manual data entry.

2 Control Environment

Trustees and management need to be comfortable that assets aren't at risk. This means that the control environment needs to be tight. Purchase orders and requisitions are the start of this – this is when you commit an organisation to spend, not when you pay for the goods or service. You also need automated bank reconciliation processes to make this as simple as possible.

Paper-based or email systems will eventually hold you back – achievable electronic processing is available now through so many good finance systems. You also need a good understanding of what authority levels and processes are needed to keep your money safe.

The system should allow solid controls around new suppliers, opening bank accounts, and grantees and project setup to minimise fraud. The environment should also provide auditable controls throughout the finance process.

Key areas of focus

Centre around good payment authorisation and bank payments. Key areas for improvement are typically around bank reconciliations and VAT returns.

It also relies on great costing, budgeting and pricing against grants and contracts, and sound procurement processes and controls.

Key areas of focus

Centre around fast close i.e. getting good enough information in the system to close month end within five to ten working days. Key areas typically focus on good reporting of actual versus budget, with forecasts. It also involves good cashflow information.

Good reporting tools are also critical to make the delivery of management information seamless.

A good finance system will help support each area of the pyramid. It requires a little investment in people, process and technology but the payback will be profound and will change all organisations for the better.

3 Management Information

Your system should be able to provide timely and relevant management information, and information that can be formatted to different users' needs. Preferably this should be available to staff on demand - budgets versus actual and commitments - to ensure they can hold themselves responsible for their own budgets. The purpose is to track and compare budgets against actual expenditures and commitments, so that individuals can hold themselves accountable for managing their own budget effectively

Management information also needs to be forward-looking with forecasts.

Management information needs to link to what drives the numbers e.g. number of people helped, number of students. We also need to be able to 'slice and dice' data easily across projects and programmes – rather than doing this through multiple excel sheets.

We need tools that can consolidate information from subsidiaries or shops; multi-currency and muti-entity. Finally, we need to be able to see what profit or loss we are making on each activity, service or contract. All of this in a timely fashion. Then we can really make decisions.

Key areas of focus

Are income and expenditure analysis, balance sheet information, and reserve levels (both restricted and unrestricted reserves). Also forward projections and forward budgets.

4 Financial Governance and Financial Oversight

Finally we need great information to be able to set strategy for the future with different scenario models and to develop different business models. We need information on all aspects of finance – income and expenditure, cashflow and reserves.

This can easily be given to trustees and managers to help them provide great financial governance, and enable them to ask the right questions for the future.



Where does your finance function spend its time?

Ultimately, change in the finance function aims to reduce the time spent on non-value-added activities, such as transaction processing, or re-keying information, and replacing this with improved management information and the chance to gain insight from this.

You may need to reskill or upskill staff to be able to change, but there is a real benefit in spending less time doing the basics. Staff also feel better able to add value to the organisation. Moreover, it can help to keep current employees happy and engaged, while also attracting new team members in the future.

This change is profound and you may see transaction processing time reduce considerably. This may also require inputs being made directly across the organisation, with authorisation taking place electronically.

The golden rule in digital transformation is that you never implement on bad process. But so many organisations are using old or outdated process and procedure, that it may prove helpful to move to a new system and rebuild the processes around this. Identifying where you can save time is the start of this process. Ask your finance team to start looking at what works well and what could be improved.

Pillar 01

How do you know it's time to change?

There are four key areas that will give you an indication that it is time to change your systems.

1 Technical infrastructure and the need to move to the cloud

The benefits of having a true 'cloud-based' finance system are considerable. It can enable people to access financial data themselves through self-service, as well as remove the risk of needing to maintain a physical infrastructure.

Allowing people to access data themselves through cloud can be a game changer for finance functions struggling to provide good quality information and hold people accountable for their budgets.

Similarly, many nonprofits maintain physical systems on servers, and have not migrated to a cloud-based system. This carries both risk and cost – risk that systems are not resilient and not easy to back up, and cost to maintain the systems on an IT platform. There are also knock-on effects from staff lacking access to decentralised systems e.g. not easily being able to work from home.

Further things to think about

- Cloud can allow finance to move outside HQ and towards a decentralised footprint.
- Cloud facilitates flexible and hybrid working. This presents a great opportunity to move to a smaller office footprint, with a wider talent pool to fish in, while at the same time positively contributing to staff well-being by offering flexible working practices.
- Physical servers are expensive to maintain and carry risk. A cloud-based system can always have access to the latest version of software; with no additional cost of patching or installing system updates.
- Cloud can handle peaks and troughs in demand and multiple users more easily.
- Cloud provides a great way to recover systems – and protect data through two-factor authentication. It reduces risk of cyber-attacks and develops solid disaster recovery plans.
- Cloud is constantly evolving and being upgraded throughout the year, as part of the service – no on site visits, and associated costs, for version upgrades required.

Another indication of time to change is that a significant and costly upgrade project would be required to get to the latest version of your current solution.

Finally cloud facilitates seamless integration with other cloud systems – something that on-premise systems aren't designed to accommodate. Cloud facilitates one version of the truth, at the touch of a button.

Cloud is the way forward, and much cheaper than managing physical infrastructure. Maybe it's time to change?

2 Electronic workflows and system integration

Do your systems talk to each other, or are you re-keying data? Re-keying data introduces errors into data and reduces efficiency. Good quality finance systems have great tools to allow data to flow from CRM systems, fundraising databases and payroll systems through effective integration.

Do you have lots of manual accounting processes that cannot be automated in the existing system? Is everything manual entry and often duplicated – do you rely on people, not the system as a workflow? Equally, does your organisation sometimes see red letters (as final demands) and people grumble about the finance processes (especially expenses)?

Your current system might rely on paper in the office, or virtual or physical sign off. It makes sense to move this all online and a new finance system will enable this – with authorisation emails coming directly to your inbox or mobile device / app in a flexible and efficient way.

In summary, if your workflows are old and cumbersome, you are re-keying data or you are struggling to integrate systems together, maybe it's time to change.



3 A need to improve your transaction processes and your controls

Many organisations are open to fraud and are not sure if their current systems would catch incorrect processing or fraudulent activity. Inability to control user access or provide segregation of duties are key weaknesses in old systems. This is also a key concern for trustees too, who are responsible for safeguarding the nonprofit's assets.

Purchase orders are critical in any system because this is when the organisation commits money to be paid. When purchase orders take time to raise and are unwieldy (or not even done) this is a key indicator of a need to change. How otherwise do you control your procurement and commitments? It is also vital to be able to ensure the security of supplier bank accounts and to have auditable measures in place for the approval, control and processing of payment runs.

Lack of automated bank reconciliations is also a key to become more efficient and effective.

You may also need to do some business process improvement and process mapping; identifying key controls and driving out non-value-added activities.

Sound like your organisation? Maybe it's time for you to think about change...

4 Management information

Finally, we look at what comes out of the system – management information. This should be forward looking and available on a timely basis – within five to ten days of month-end close. It should also be useful to readers with actual versus budget figures, and forecasts.

The reality is that most management information is late, created on multiple spreadsheets, and not helpful to run organisations effectively. Many organisations lack a simple, global view of finances in a single system, and this often requires consolidation manually and offline.

Organisations may also lack the ability to look at different dimensions – theme, teams and regions.

Good reporting tools can change all that. Good finance systems can also be closed much faster – this means data is available more quickly and can be delivered on a timely basis without the need to reformulate it. Good quality financial information is within your grasp, and often with a thoughtful setup using out of the box functionality.

Maybe this sounds like utopia, but with modern tools it is readily available.

The question is what needs to change and how?

Checklist Part 01

Technical infrastructure and the cloud

- [ ] Can people access their financial data themselves, and on demand?
- [ ] Have you addressed the inherent risk of maintaining physical servers?
- [ ] Is your finance system efficient and inexpensive to maintain?
- [ ] Have you upgraded your 'out of date' systems?
- [ ] Does your finance system automatically update to the latest version?
- [ ] Does your finance system easily allow for remote & hybrid working?
- [ ] Do your systems support the latest security features such as MFA & SSO
- [ ] Is your system being actively enhanced by the vendor?
- [ ] Are your systems covered by sufficient disaster recovery & business continuity plans?

Electronic workflows and system integration

- [ ] Do your systems talk to each other? Have you stopped needing to re-key data?
- [ ] Does your finance system support modern APIs?
- [ ] Do you have electronic workflows and automated processes?
- [ ] Do you have effective and efficient online workflows?
- [ ] Have you stopped crosschecking all data to see if it is accurate?
- [ ] Can your system schedule recurring tasks and processes?
- [ ] Does your system support MTD and Open Banking?

Checklist Part 02

The need to improve transaction processes and your controls

- [ ] Are you confident over security of your money?
- [ ] Is your Purchase Order system effective?
- [ ] Do you procure goods and services effectively ?
- [ ] Are the controls in place around payment runs good enough?
- [ ] Do you use automated bank reconciliations?
- [ ] Are your processes efficient and enabling your work environment?
- [ ] Do you have an electronic audit trail of transaction authorisations?
- [ ] Can you quick-close at period-end?

Management information

- [ ] Is your management information useful and timely?
- [ ] Is your information forward-looking with forecasts?
- [ ] Does your system allow flexible analysis of data?
- [ ] Is your system providing real-time information?
- [ ] Does your system ensure data is only available to the correct audience?
- [ ] Can you consolidate easily without manual offline processes?

The fewer boxes you ticked above, the more likely it's time to change

Pillar 02

Choosing the right system

Poor articulation of your finance system requirements often leads to poor system choice, bad design and poor implementation.

According to business research group Gartner, failure to undertake sufficient gap analysis and planning is the reason why many implementations fail to realise the benefits expected. The box below shows how to complete a 'Gap Analysis'.

Different users will have different needs and so creating a really good set of user specifications will be critical. You can often learn how to improve by sitting down with various groups of stakeholders (e.g. finance staff, trustees etc.) and asking what could be improved across your processes and reporting. You can also ask vendors and suppliers what good practice looks like.

Completing a gap analysis

The start of any system change should be a gap analysis. This looks at where you are now, where you want to be in future, and the shortfall between the two.

This is informed by analysing each key process and procedure in your finance function and asking what works well and what could be improved.

Change in the finance function starts with a good Gap Analysis across people, process and technology; articulating this from a system 'lens' to identify your finance system needs.

It may even prove useful to get outside help from a vendor or consultant to articulate your requirements and identify what good could look like for your organisation.

Don't scrimp on this stage. Ask challenging questions. It's often a real learning opportunity for finance staff and achieving real buy-in across the organisation can be really beneficial.

Requirements

- Do you understand your core system requirements? Have you articulated these for all key systems?
- Do you feel confident in understanding what 'good' looks like, so that you can see what change is possible?
- Have you documented your requirements sufficiently, alongside ranking the importance of each, so that you can get vendors to demonstrate how their systems will do this?
- Can the system provide the right level of analysis? Can it show this data in different ways and 'slice and dice' projects in different ways?
- Do you have out of the box reporting requirements?
- Have you established how you will migrate data and archive old data?

Stakeholders:

- Have you asked a broad group of stakeholders for their needs: trustees, management, fundraising, operations and support functions? Not just the finance team.
- Have you really engaged stakeholders in the system selection process so they understand the need for change and are brought into this?



Vendors

- Have you had starter meetings to gauge the landscape? This will enable you to see both what is out there in terms of system functionality, but who you might want to work with.
- Have you asked other nonprofits who they use and their experiences?
- Have you read vendor case studies and testimonials from organisations similar to yours?
- Do you understand your existing vendor contract: what rights have they given you over your data and what cancellation terms exist?

Shortlisting, demonstrations and taking references

- Have you developed a vendor shortlist based on requirements and product demonstrations? Do you understand their service level agreements (SLAs), response times, contract and support arrangements?
- Have you requested detailed quotes around how the system will be charged for, and any maintenance costs?
- Do you understand how users will be paid for? How a vendor handles single user licences, or general (concurrent) licences? How do they monitor the number of users in the system?
- Have you taken sufficient references to ensure vendors will deliver to your needs?
- Have you arranged good demonstrations, with your own data or context, and arranged time with each vendor to see how the chemistry works?



Of course, there are many more things to think about. These are some of the basics to choosing the right system, at the right cost, and with the right level of support to meet your organisation's needs.

Checklist

Learning what good looks like

- [ ] Have you met a sufficient number of vendors?
- [ ] Do you have a minimum benchmark & understand what good looks like?
- [ ] Do you understand how to migrate existing data & archive old data?

Gap analysis

- [ ] Have you completed a detailed gap analysis of your system requirements?
- [ ] Do you know what good looks like so you can, see the gap?

Requirements

- [ ] Have you documented your requirements sufficiently?
- [ ] Have you scored/ranked your requirements?
- [ ] Do you know what level of electronic workflows you will require?
- [ ] Have you articulated your reporting requirements?
- [ ] Have you considered product support and SLAs as part of your requirements?

Stakeholders

- [ ] Have you asked a wide enough group of stakeholders for their needs?
- [ ] Have you engaged stakeholders sufficiently to obtain buy-in?
- [ ] Do you understand your existing vendor contract sufficiently?
- [ ] Have you developed a shortlist based on requirements and product demonstrations?
- [ ] Do you understand implementation, licence, and maintenance costs sufficiently?
- [ ] Have you received references for your preferred vendors?

Pillar 03

How to implement well

Implementing well takes time and effort...

Project management

Finance system implementation should be an inclusive process so that everyone feels a positive change; this should not just become stuck with the finance team alone. You need to plan your implementation properly and phase this effectively.

Data cleaning

This is critical so that core data can be migrated across to the new system.

User acceptance testing ('UAT') and training

Making sure that staff have confidence in the new system, and have tried it with your actual data, is key. Then train, train and train again ... make sure that people can really use the system.

Choosing a good vendor is critical as you will be working closely with them on the actual functionality, system design and implementation. Secondly, a good vendor can be asked for support in each of these areas above.

Project management

Define your internal project team, involving staff throughout the organisation and then formally kick off the project with the vendor. You will also need to identify an internal lead for the project with a project sponsor to make sure this has internal leadership.

It is best to allocate a 'Project Manager' (PM) and carefully consider resources, so that the PM has enough time to do their day job and also implement the change successfully.

Identify super-users and subject matter experts – those who will have key future roles, and those with critical knowledge. Also identify your systems champions; these are people in your organisation who are committed to the success of the project and will bring others along with them.

Understand the vendor's implementation process and make sure everything is pulled together in a project plan with timelines and key milestones so you can see what needs to be done, and by when, along with any critical points in the process.

Ensure the requirements and deliverables are documented and agreed by yourself and the vendor, and signed off as such.

Finally, you need to commit sufficient time and resource to the implementation to get this right. Ensure that staff are available for testing, training and sign-off.

Sorting your data

The vendor will want to explore your data with you, and work with you to see the best way of transferring this to the new system. Some vendors will have tools and experience to make this go smoothly, but it helps if you have cleaned all old balances, cleansed sales and purchase ledger accounts, and tidied your chart of accounts before this.

Thinking about a new chart of accounts can be cleansing and liberating for your organisation.

A key issue will be how you maintain access to old data – can you import this into the new system, or do you need to still pay licences for the old system (with additional cost)? Good systems should be able to upload and provide access to all old data; even if not quite in the same format as your new data.

User acceptance testing ('UAT') and training

Many organisations fail to do sufficient training or testing, and then when rolled out, the system doesn't work as planned. Alternatively, people often don't have confidence in how to use the new system.

Get your hands on a sandbox environment as early as possible; this is a working system that is set up for you, but not yet live. Work through all key processes and sign these off when complete and working.

User acceptance testing is critical and many implementations fail because insufficient testing hasn't been done; people don't know how to use the system effectively in all scenarios and with all data. Many users often continue with their sandbox environments, post go-live, as this aids continual training and testing, without risk to the live environment.

Then once you have a working system, move towards a smooth roll out. Train, train and train again!! Allow users to train and get familiar with the new solution before going live, so that when the system is working then people feel real confidence in how it will work, and work for them. Use electronic workshops, tools and videos as different training aids.

Finally sign off all processes to make sure there is accountability for the system. You may want to parallel run, but if people can use the system effectively they are less scared and often happy to change.



Checklist

Project management

- [ ] Have you developed a clear project plan and sign-off points?
- [ ] Have you identified key staff and owners for each element?
- [ ] Have you defined, agreed, and documented deliverables?
- [ ] Have you committed enough time and resource to this process?
- [ ] Do you have early access to a sandbox environment at the start of implementation?
- [ ] Have you planned for a post-implementation review?

Data cleaning

- [ ] Have you cleaned the data effectively?
- [ ] Has the data been migrated effectively?
- Have you decided what to do with the old data?
  - [ ] *Import old data into the new system*
  - [ ] *Leave old data in the old system (with the costs this brings)*
- [ ] Have you developed a good chart of accounts?

User acceptance testing and training

- [ ] Have you done sufficient user acceptance testing?
- [ ] Have you trained staff effectively?
- [ ] Do you know what to do when things go wrong?

The list above is a basic checklist to implement well.

Pillar 04

How to drive your investment through continuous improvement

Going live is not the end!

The final stage is to keep improving

It's often the last 10% where people feel the real difference, and this is where your finance systems move from good to great.

Choose a system that can cope with future requirements and can change with you as you grow and evolve.

Many organisations just implement what they had before – don't fall into that trap. Keep pushing to get what your organisation really needs from a finance system.

To ensure your investment doesn't stagnate:

Business system owners: Assign business system owners, responsible for continual improvement, engaging the internal users and gathering system feedback. Respond to feedback and keep improving your systems.

Ongoing training: Invest in ongoing training for all existing and new staff to ensure they are using the system efficiently and understand business processes.

Regular reviews: Regularly review the system with users and stakeholders. Rework configuration if this isn't working for you, or if the system doesn't quite work after having been live for a time. Be agile.

Explore other modules and functionality in the system: Your new solution may contain functionality that wasn't present in the legacy system. Continually create a better user experience.

Review integration options: With new and other existing business systems.

Stay up to date: Stay up to date with product enhancements and new functionality. Modern cloud systems are continuously enhancing their product and offering new functionality. Read the monthly or quarterly release notes and functionality updates, to see what more your system can do for you.

Always ask how the system can be improved and what works well. Positive appreciation is a kind way to help users see what they have gained. Above all, never settle and drive your investment forward.

Checklist

Improving

- [ ] Have you articulated the benefits from the new system?
- [ ] Have you assigned business system owners?
- [ ] Have you continued to train staff?
- [ ] Do you regularly review and improve?

New functionality

- [ ] Do you watch for new functionality and ways to improve?
- [ ] Do you stay up to date with what good looks like?
- [ ] Have you decided what to do with the old data?

Conclusions

People, process and technology together make a great finance function.

Therefore, investing in a good quality finance system is a critical part of your infrastructure to underpin any change.

Without this, your organisation may lack efficient processes, may not be able to control its assets or keep these safe, and may lack good quality, forward-looking management information with which to drive the organisation forward.

We hope this toolkit provides a basis for your change.

Further Signposts

iplicit has developed this toolkit in partnership with Mark Salway FCA to help the nonprofit sector. We believe we have a great offering and should be on your shortlist for a new finance system. Please speak to our staff to see how we can help: www.iplicit.com

The Charity Finance Group (CFG) specialises in helping charities to manage their accounting and related functions, and it's website has up-to date information: www.cfg.org.uk

NCVO has useful information on digital change: www.ncvo.org.uk/help-and-guidance

Alternatively, many accountancy firms might have staff that are able to help.

About iplicit

iplicit is true cloud finance software that makes the complex simple and accessible.

Launched in January 2019, iplicit now has more than 50,000 daily users in 103 countries, with a particularly strong presence in the charity and nonprofit world. The software integrates with other cloud applications and provides users with real-time reporting, automated data migration, rapid implementation and a public API to break down data silos.

iplicit was rated 18th among UK businesses on the FT1000 list of Europe's fastest-growing companies and achieved 40th place in the Deloitte UK Technology Fast 50.

Got Three Minutes?

Take a tour of iplicit:

Watch 3-minute tour

See what other charities think:

Case Studies



Talk to our experts to see how we can help

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