Technology Affinity Group
Promoting technology in philanthropy

2010 Grantmakers

Information Technology

Survey Report

September 2010

2010 Grantmakers Information Technology Survey Report

Acknowledgment

This report was written by Lisa Pool, part-time executive director of the Technology Affinity Group, in conjunction with the Technology Affinity Group Research Committee.

Many thanks to the following committee members for their contributions to the survey design and report:

- William Hanson, The Skillman Foundation
- Tom Irvine, Chicago Community Trust
- Erin Peterson, The Argosy Foundation
- Martin Schneiderman, Information Age Associates
- Susan Southwick, California HealthCare Foundation

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Survey Overview

In response to the desire for knowledge of how technology is used in the philanthropic sector, the Technology Affinity Group (TAG) conducted an information technology survey of grantmakers in July 2010. This survey serves as a follow-up to similar surveys TAG conducted in collaboration with the Council on Foundation (The Council) in April 2003, July 2005, and June 2007, and is designed to help TAG better serve its members.

The goals of the technology survey were:

- To enable grantmaking organizations to make more informed, timely and cost-effective decisions, aided by information on what peer organizations are doing, trends and future plans;
- To determine, by grantmaker type and asset and staff size, information technology capacity and needs;
- To inform the sector about its technology utilization;
- To learn how grantmakers access and provide information and
- To enable TAG to better meet members' needs.

An e-mail message was sent to all TAG members and to anyone in the Council's database who was coded to receive information technology updates. The purpose of the e-mail was to explain the survey and ask members to complete the survey online using a unique URL.

The survey was developed using www.peerfocus.com, the same online tool used to conduct the 2007 survey. Of the 100 TAG member foundations, 82 completed the survey out of 86 that indicated they would, for a completion rate of 82% among TAG members.

An additional 205 non-members indicated they would complete the survey and 187 actually did. A total of 269 foundations completed the survey, down from 334 in 2007. The decrease in participation may be due to the fact that this year TAG conducted this survey independently, and did not have quite the same impact as the Council on Foundations collaboration.

The number of incomplete survey submissions decreased significantly from 74 in 2007 to only 14 in 2010.

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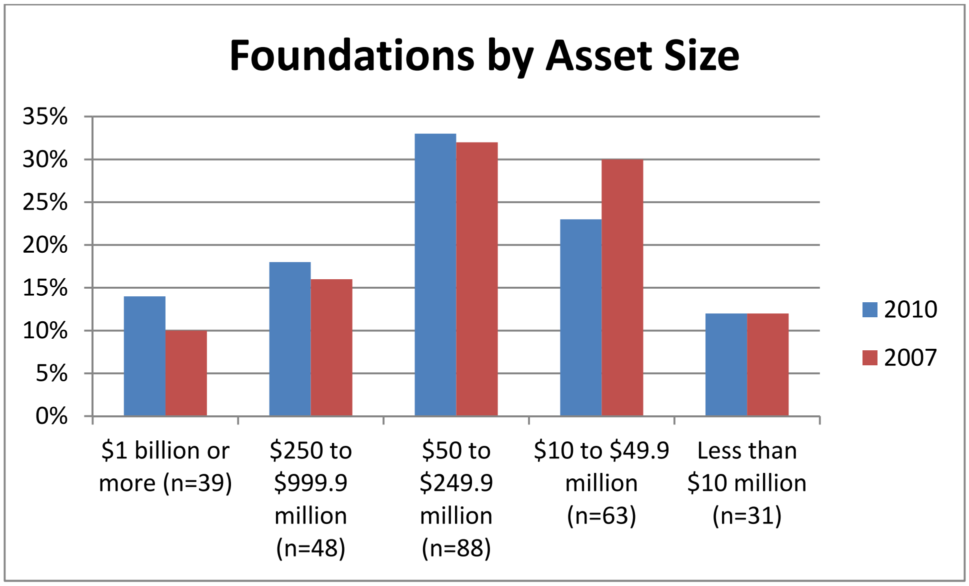
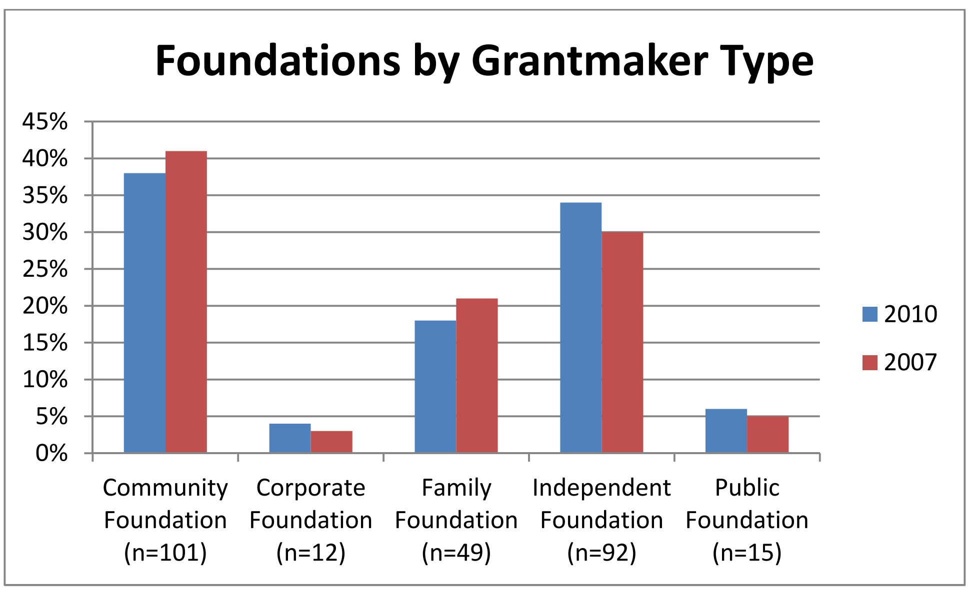
Foundations reported their assets as follows. The percentage of larger foundations participating increased from 2007 while the number of smaller foundations participating decreased.



Foundations reported their foundation type as follows. There were no significant changes in participation by grantmaker type from 2007 to 2010.

NOTE: The percentage of community foundations participating in this and all prior TAG surveys is greater than the overall percentage of community foundations in the sector. Community foundations comprised 38% of TAG survey respondents while the Foundation Center reports that in 2010 they represent only 1% of all U.S. grantmakers. Independent (including family) foundations represent 74% of grantmakers in the sector but are only 52% of our TAG survey respondents. This discrepancy may be because community foundations are typically larger with more IT staff than other foundation types.



This year, summary reports by grantmaker size and type are included as attachments for non-participants.

Survey participants will be able to do their own data analysis by creating comparison groups based on several demographics including asset size, foundation type, staff size, the number of technology staff members, and the number of foundation offices.

TAG members will also be able to view the individual responses for 11 questions in the application software section, which relate to the software products currently in use at foundations.

Top Ten Observations

1. There are new options for online applications and web-based grants management systems, but foundations have been slow to adopt new software.
2. Approximately one-third of foundations reported they did not face any barriers to implementing technology. The other two-thirds indicated lack of in-house support, cost and lack of organizational commitment as the top barriers.
3. Foundations continue to view the role of the IT staff as a service provider rather than as a strategic leader or partner.
4. Just over half of foundations described their technology adoption as “lagging behind”.
5. More than half of foundations reported the economic downturn has not had a major impact on technology projects.
6. There has been a 48% increase in the number of foundations reporting they use customer relationship management (CRM) software.
7. More than two thirds of foundations report they are using social media; with “not enough time” being the reason most cited for not using social media.
8. Outsourcing is increasing for selective technology services and operations.
9. Foundations are challenged by electronic document management and the movement towards a paperless office.
10. Foundation web sites are moving from static sites to database-driven sites with content management systems.

Technology Management and Planning

Overview

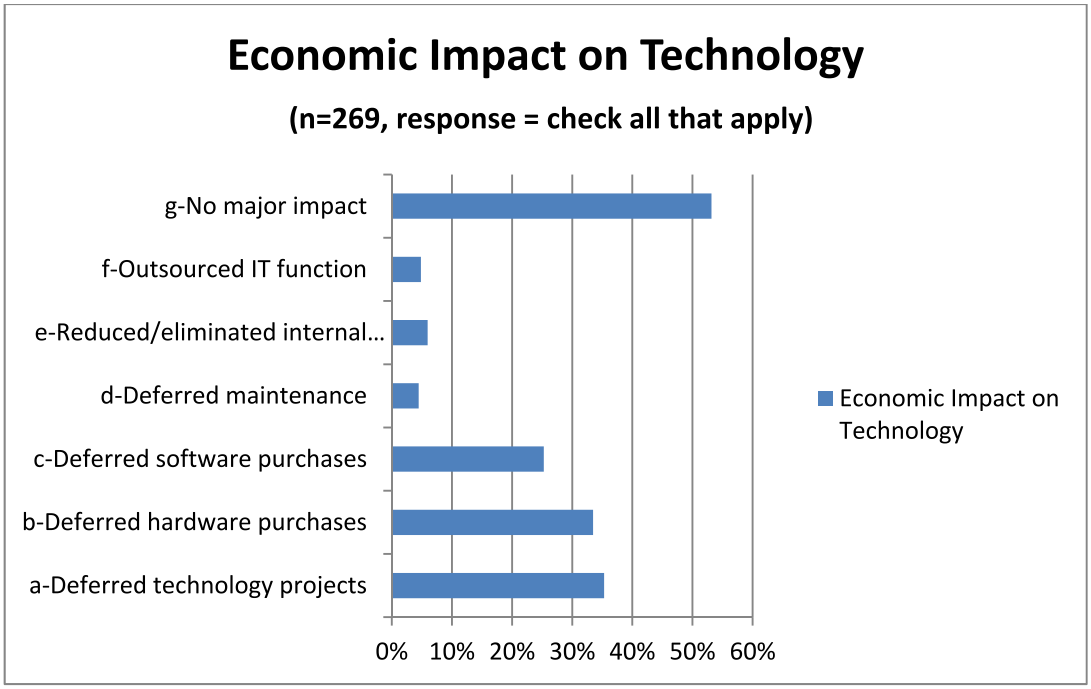
This section explores the major areas of technology management: planning, staffing and budgeting.

The survey examined the impact the current economic environment has had on technology within grantmaking organizations and the role of technology and technology staff. Results do not indicate a significant impact for most foundations. With respect to staffing, results indicate that technology staff continues to be seen as service providers in most foundations, as opposed to strategic partners/leaders, and technology has not caused transformative change within most foundations.

Results also indicate foundations are far more likely to have a disaster plan than to have a technology plan, with 80% of respondents indicating they have done some disaster planning and only 39% of respondents indicating they have some type of technology plan. These percentages have increased from 65% for disaster planning and 28% for technology planning in 2007.

Technology Adoption and Economic Impact

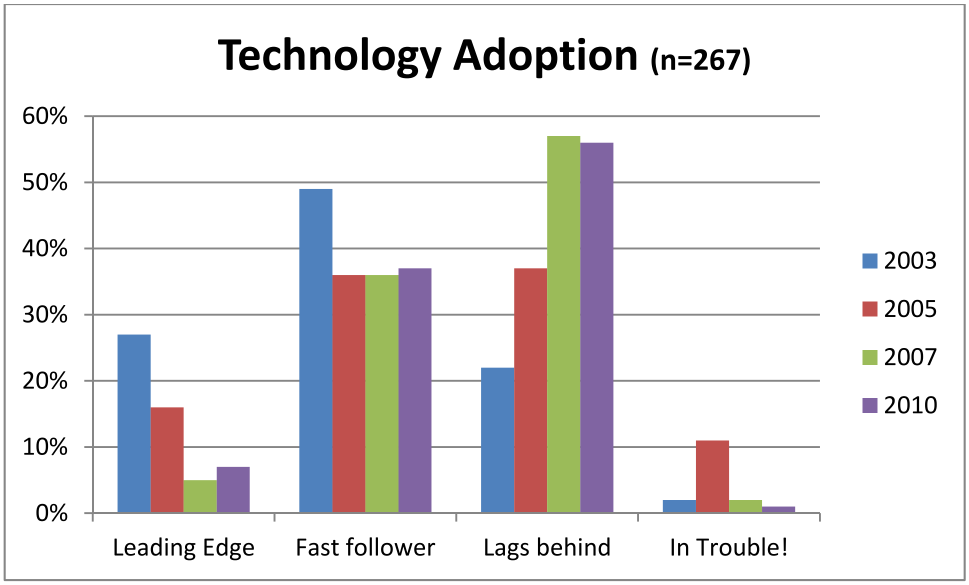
In 2005 we reported that the effects of a down stock market in the early 2000s appeared to have had a significant impact on the adoption of technology at foundations. This does not appear to be the case for the economic downturn in 2008-2010. More than half (53%) of the respondents indicated there was no major impact on technology and only one third indicated they deferred hardware or software purchases and technology projects.



The fact that many foundations report that they are lagging behind with respect to technology may help explain these results. Budgets are already at a minimum and there is very little else to cut. Similarly, if an organization is lagging behind, generally no large purchases or projects are planned.

The economy does appear to have had an impact on the grantmakers that describe themselves as leading edge, with 61% of these respondents indicating they had deferred technology projects and only 39% indicating the economy did not have a major impact on technology.

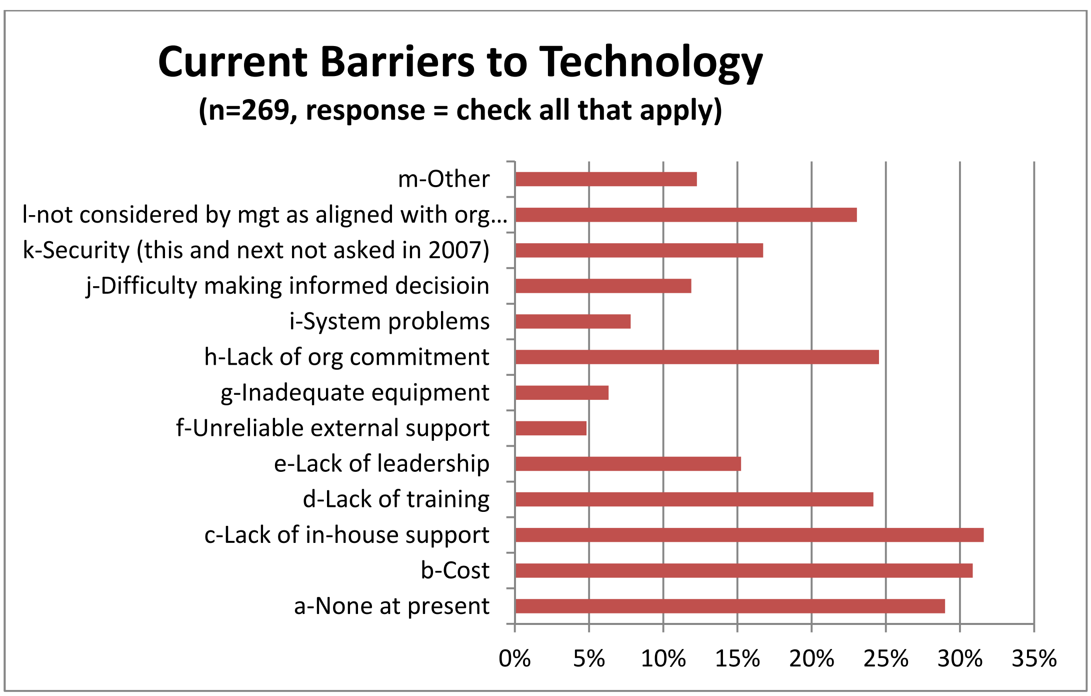
As you can see below, the technology adoption profile has remained stable from 2007 to 2010 and the number of foundations describing themselves as leading edge adopters and fast followers has increased just slightly from 2007. This does not mean foundations are in great shape with respect to technology – there are still 56% of respondents who described their organization as "lagging behind".



Barriers for Implementing Technology

Because so many foundations lag behind with respect to technology adoption, it is somewhat surprising that none of the barriers for implementing technology were indicated by more than one-third of respondents. In 2007, we reported the barriers for implementing technology appeared to be decreasing, with 35% of respondents indicating there were no current barriers. This number has decreased slightly, with 29% indicating no current barriers in 2010.

Of the potential barriers listed, 31% of respondents indicated cost was a barrier in 2010, compared to 36% in 2007. Lack of in-house support (32%) and lack of organizational commitment (25%) were also frequently cited.



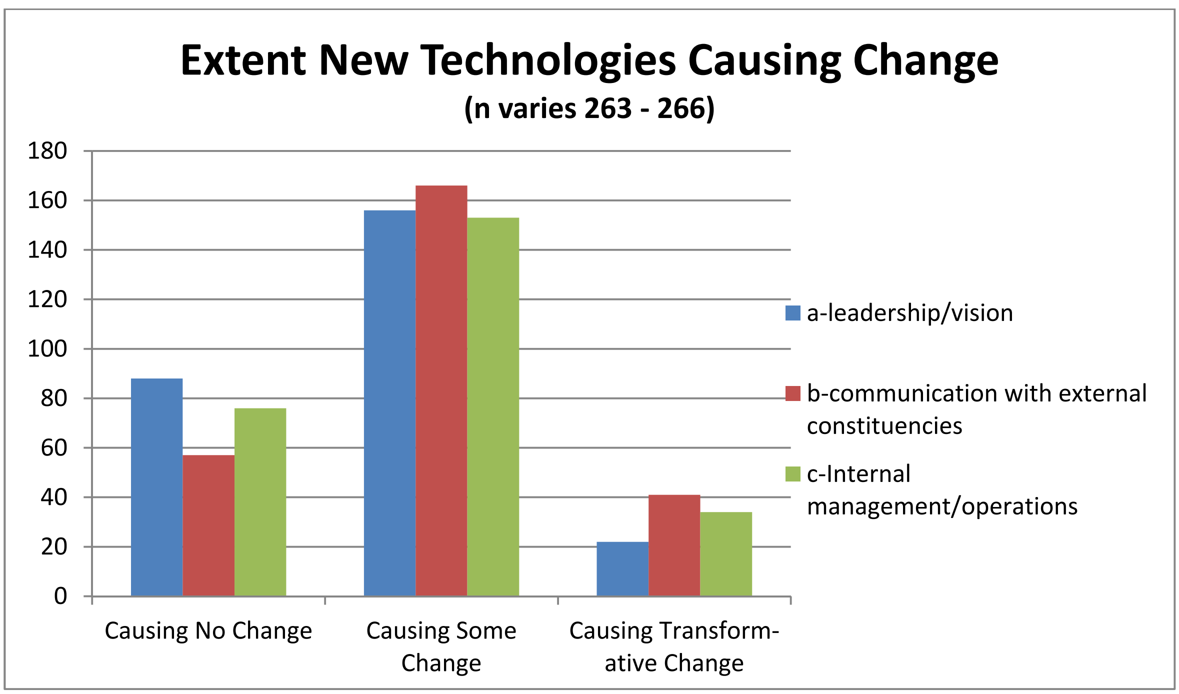
It is interesting to note that even though cost is not a major barrier to implementing new technologies and the economic downturn has not had a major impact on the ability to implement new technologies, that more than half of the survey respondents indicate their foundation is lagging behind with respect to technology utilization.

Extent New Technologies Are Causing Paradigm Shift

Technology is having a greater impact on foundations in 2010 compared to 2007. When asked "to what extent new technologies are causing a paradigm shift in your organization with respect to leadership/vision, external communications and internal management/operations," the majority of respondents indicated technology was causing *some change* in all three areas. However, many more respondents indicated technology was causing *no change* rather than causing *transformative change*.

Compared to 2007, the respondents indicating some or transformative change have increased almost 15% for leadership/vision and communication with external constituencies and 5% for internal management/operations. In 2007 nearly half of the respondents indicated technology was causing no change with respect to leadership/vision. In 2010, the percentage has decreased to one third.

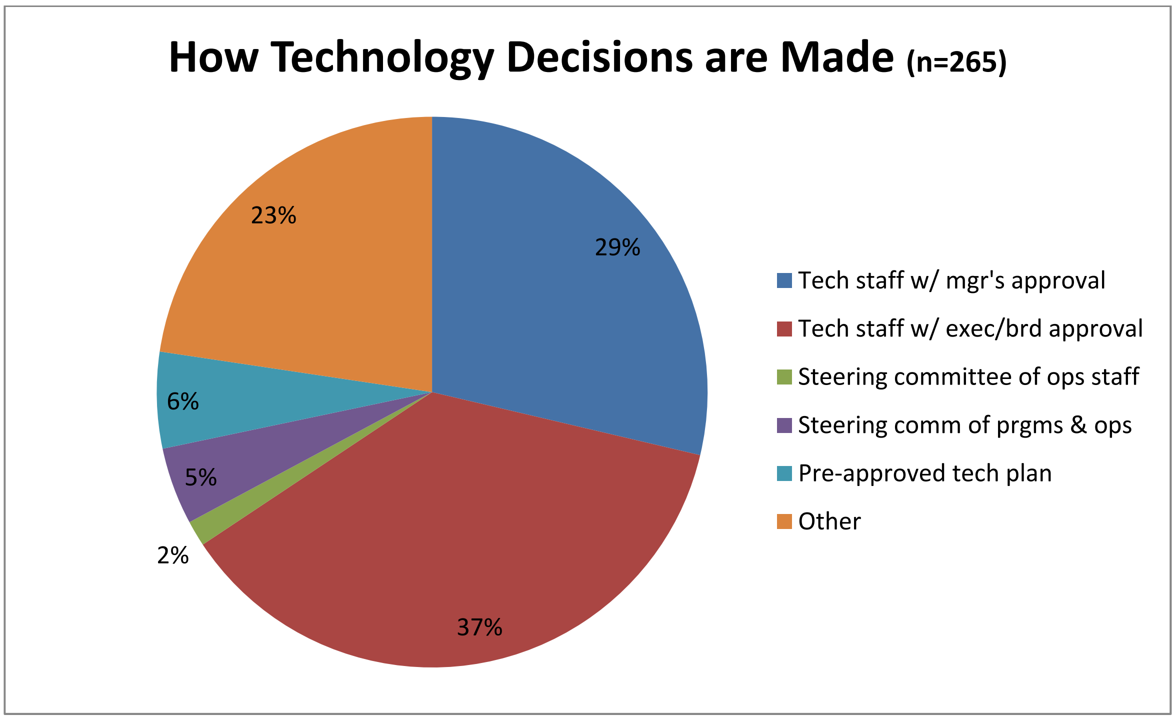
It appears foundation leadership is moving in the right direction with respect to its understanding and utilization of technology.



Technology Planning

Technology Decision-Making

When asked how annual technology decisions are made within their organizations, 37% of respondents indicated decisions are made by technology staff with executive/board approval and 29% indicated decisions were made by technology staff with manager's approval. An additional 23% reported 'other.'

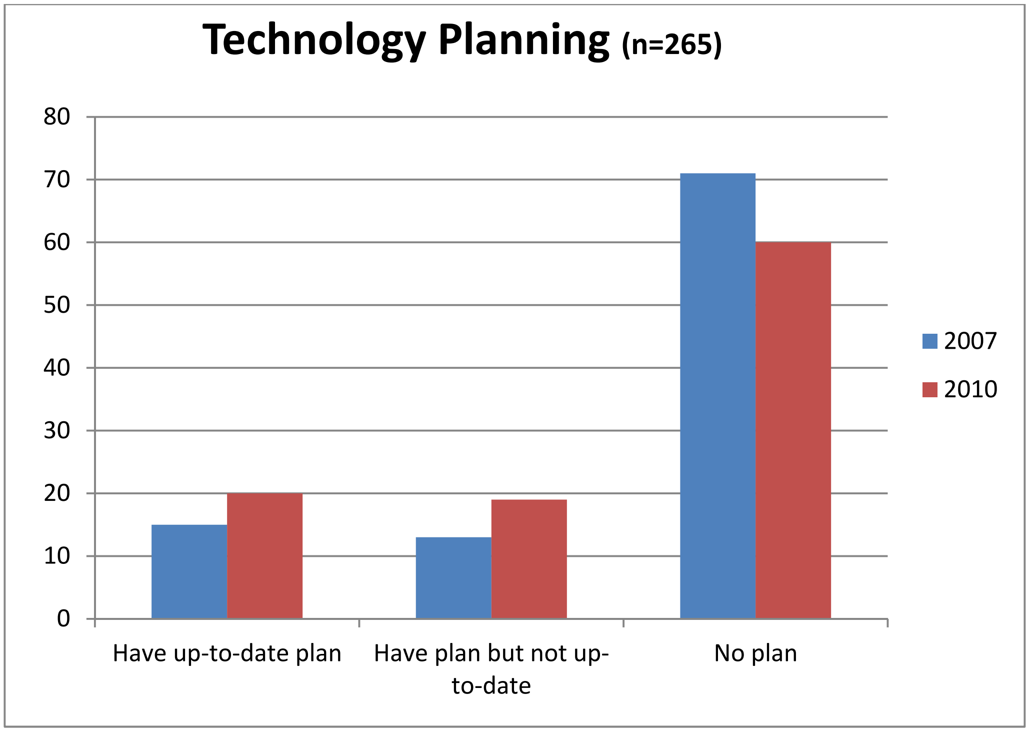


Technology Plans

Although planning appears to be done through the annual budgeting process, most foundations still do not have a written technology plan. Only 20% of respondents reported having an up-to-date technology plan, compared to 15% in 2007.

60% of respondents indicated they do not have a technology plan and 19% indicated they have a plan that is not up-to-date. This is an improvement from 2007, when 71% indicated they did not have a technology plan and 13% indicated they had a plan that was not up-to-date.

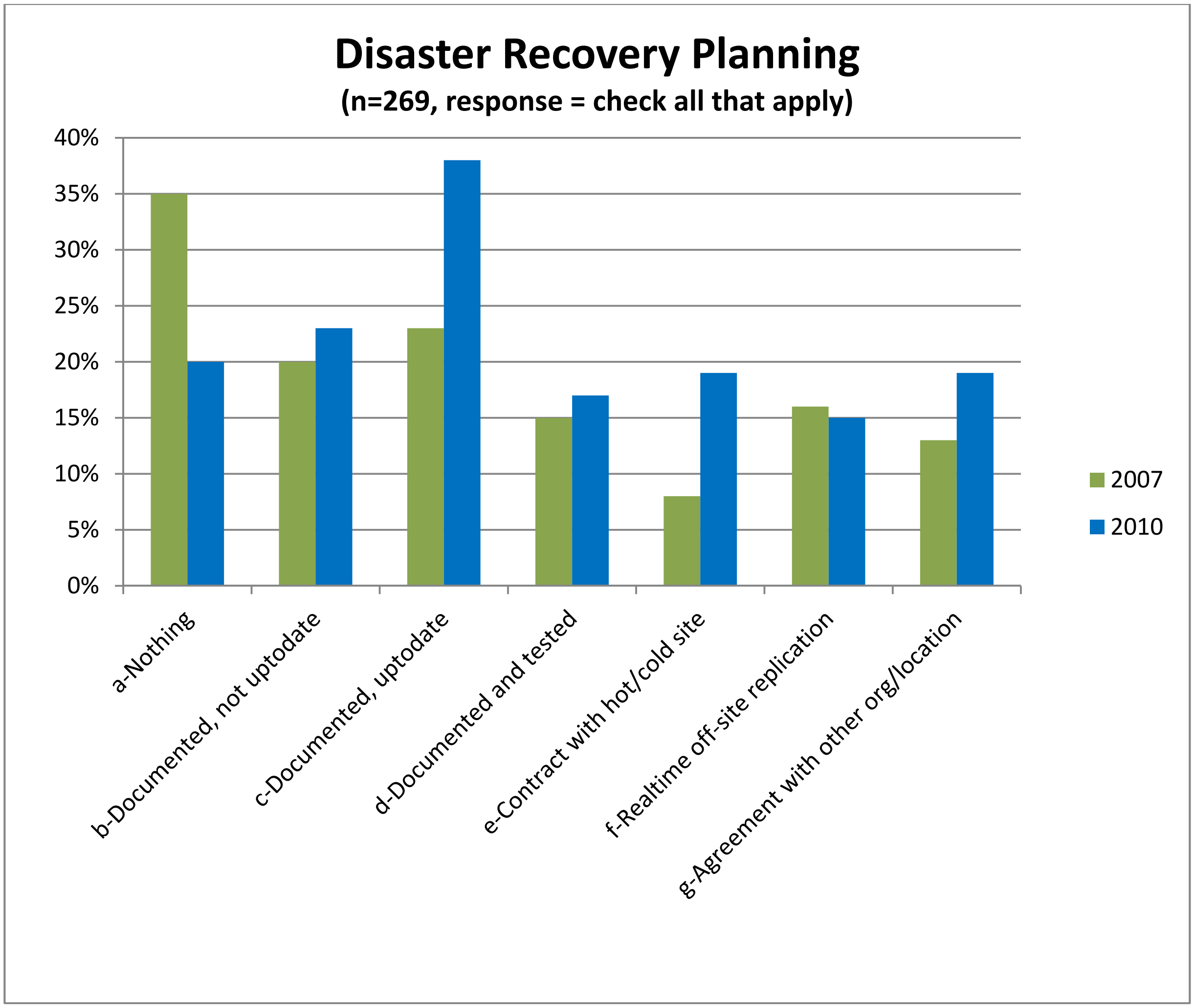
There were several questions in the survey that asked respondents to indicate whether they planned to implement a particular technology or written plan within the next 18 months. The percentages indicated for plans in most cases were quite low. It is unclear why this is the case. Perhaps it is due to a lack of planning or foundations are just planning to maintain the status quo.



Disaster Recovery Plans

In the aftermath of 9/11/2001 and Hurricane Katrina, foundations appear to have taken disaster planning much more seriously. Only 20% of foundations indicated they do not have any plans for disaster recovery. This is down significantly from the early 2000s, when 70% of foundations indicated they had not done any disaster planning. As you can see below, improvements were made in most areas.

Only 17% of respondents indicated they had tested their plans, leaving significant room for improvement in that area.



A major component of any disaster plan is the ability to restore data from a backup.

The options for data backup have increased in recent years, and as a result, 99% of foundations are reporting they now have some type of data backup procedure. In 2007, 17% reported using either an online ASP or a co-location facility for backups. This percentage has nearly doubled in 2010, with 18% reporting they use an online ASP service for backups and 12% reporting they use a co-location service.

One remaining concern continues to be the lack of data recovery testing, with only 35% of respondents indicating they test their backup processes.

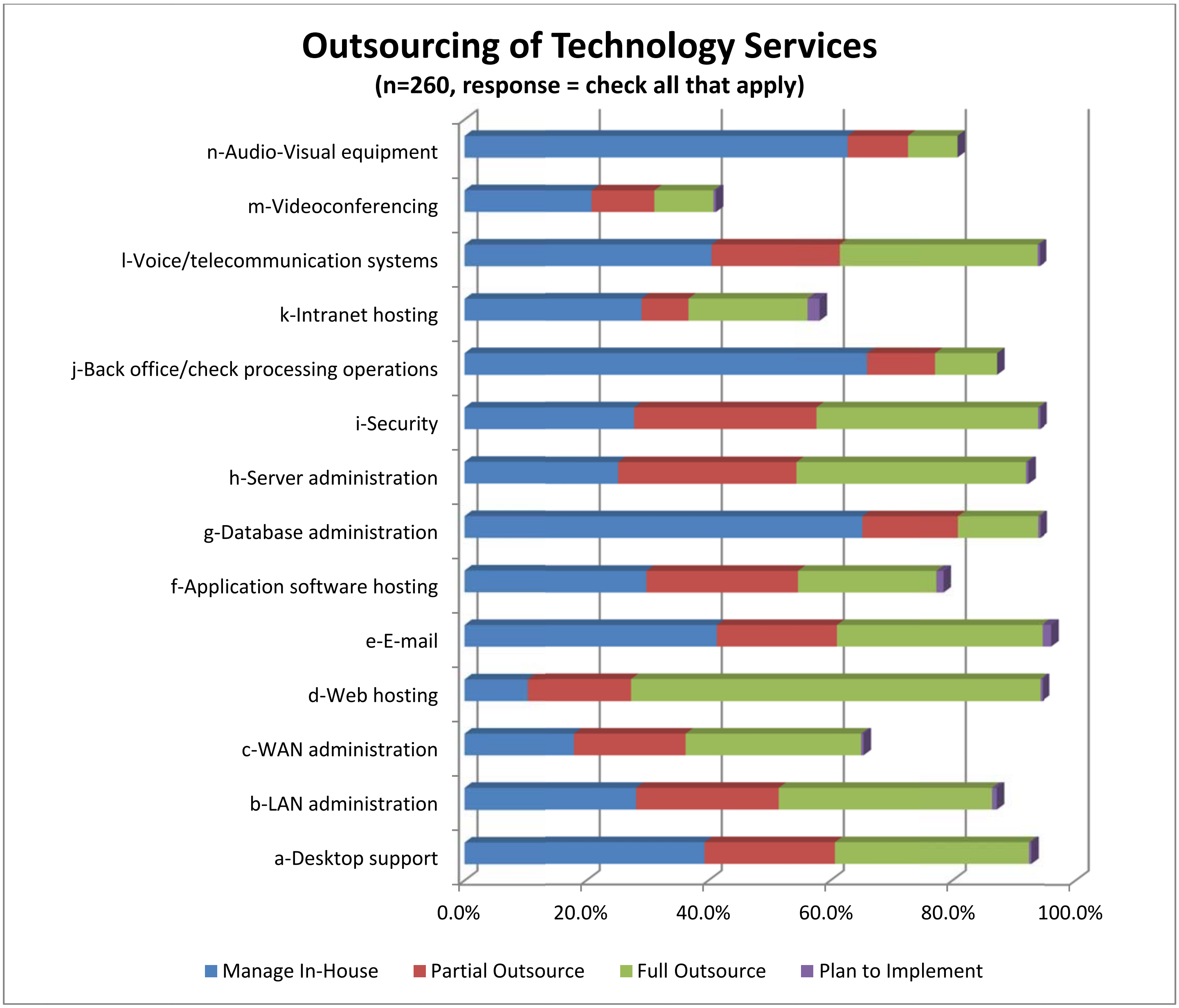
Managing Technology Services

Finally, with respect to technology planning, many foundations have moved to outsourcing different technical services. Outsourcing appears to be a valid option for small foundations without any technology staff as well as large foundations that are choosing to outsource some non-critical technology functions.

The chart below depicts a list of technology services and the percentage of foundations that manage the service in-house versus via a current or planned outsourcing relationship. Compared to 2007, there has been an increase in outsourcing for all technology service areas. The increase in outsourcing ranged from 5% to 8% for most areas, except for desktop support, which increased by 13%. Interestingly, less than 2% of foundations reported they had any additional plans for outsourcing. So, it appears that those who plan to outsource have already done so.

Most foundations (84%) outsource the hosting of their web site. Between 50% and 60% of foundations also outsource desktop support and the management of their basic technology infrastructure, including server administration, local area network administration, security and e-mail.

The services most likely to be managed in-house include database administration, back-office processing and audio-visual equipment, with 60% or more of respondents indicating they manage each of these services in-house.

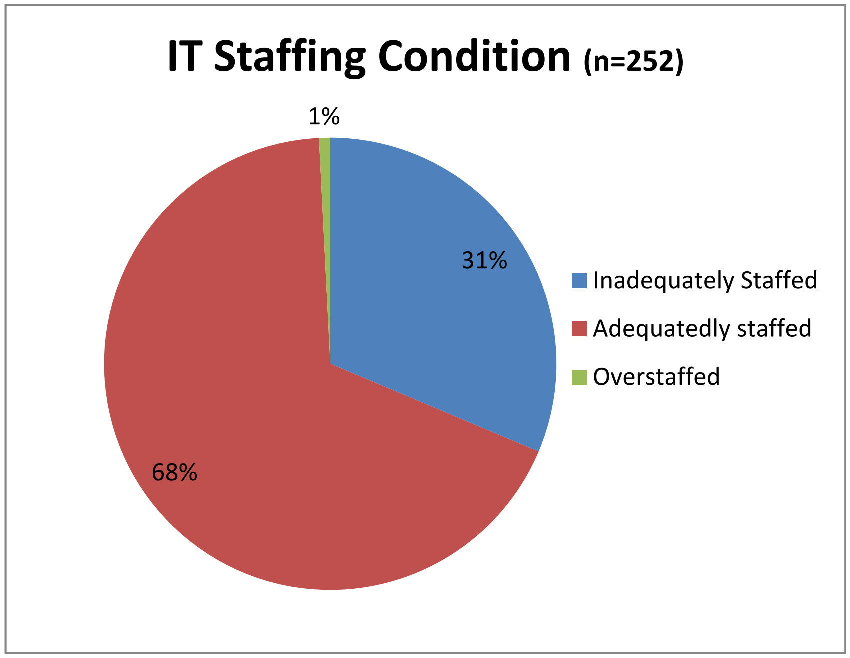


Technology Staffing

IT Staffing Condition

Given the economic downturn, the committee felt it was important to try to determine whether foundations felt they were adequately staffed for the technology function. It is somewhat surprising to learn that 68% of foundations indicated they were adequately staffed, even though 53% indicated they were lagging behind with respect to technology adoption.

This indicates a possible disconnect between staffing and technology adoption among foundations.



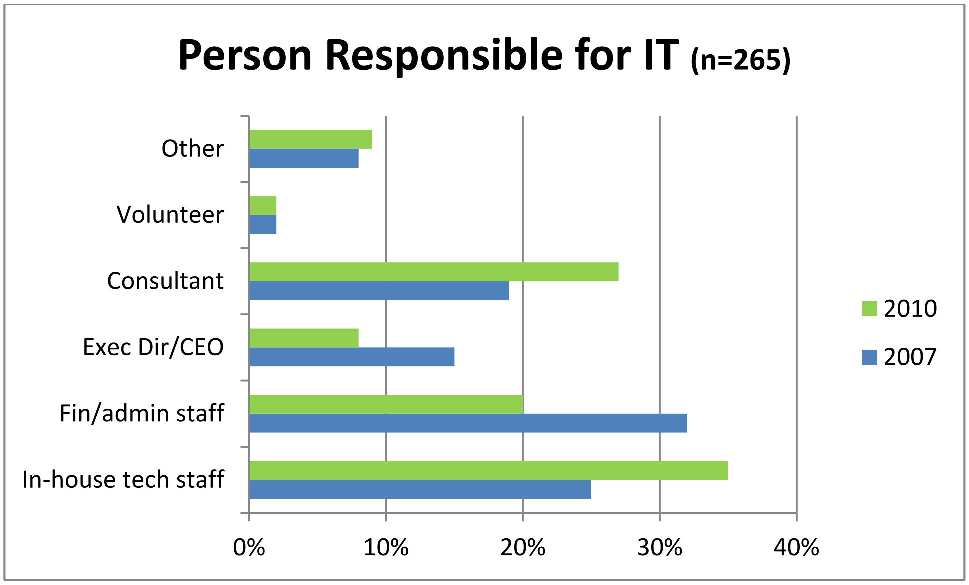
Who Manages the Technology Function?

The survey asked for the primary position responsible for managing technology as well as who that position reports to. Compared to 2007, the 2010 data indicates a 20% increase in the primary person responsible for technology being an in house or consultant technology professional, and a similar decrease in the primary person responsible for technology being either finance/administration staff or an executive.

This could indicate a trend towards more professional technical management within grantmaking organizations, or, a trend towards greater dependence on technical consultants. In either case, a trend towards technology professionals being responsible for technology is encouraging.

It is important to note that this data varies greatly by foundation size, so foundations looking to evaluate their staffing model should compare their data to a relevant group of peers rather than to all survey respondents using the benchmarking tool.

Almost half of foundations indicated the person responsible for technology reports to an executive and one-third indicate the person reports to finance, which was consistent from 2007 to 2010.

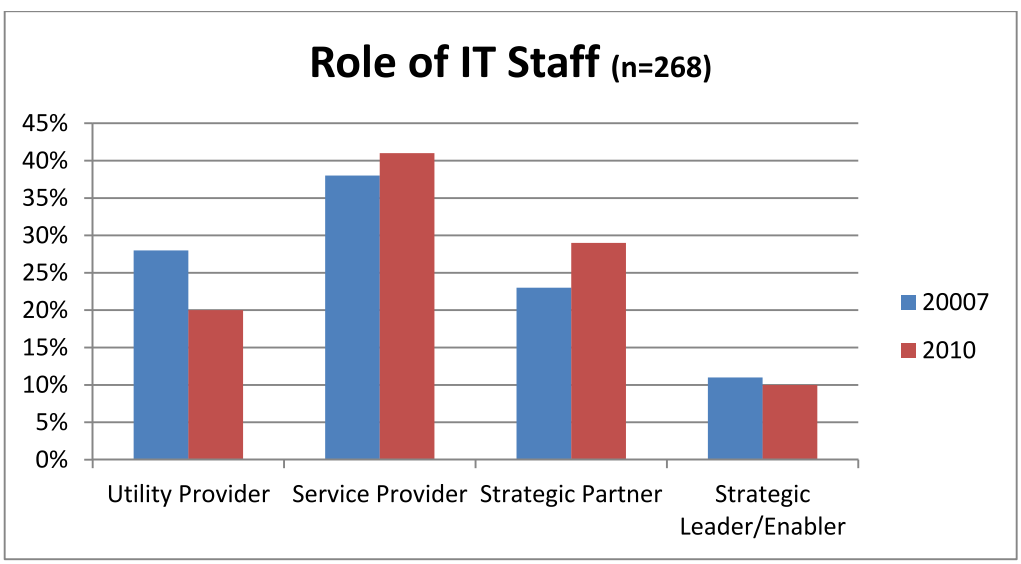


Role of IT Staff

It is disappointing to learn that the role of the technology staff member is still largely viewed as a utility/service provider rather than a strategic partner or member of the foundation leadership team.

In 2007, the survey indicated that the philanthropic sector was lagging behind other sectors, where the senior technology staff position was part of the senior management team. However, the problem may be related to the fact that the primary person responsible for technology in most foundations is either the executive director, chief financial officer or other staff member. These leaders are not typically in-house technology professionals.

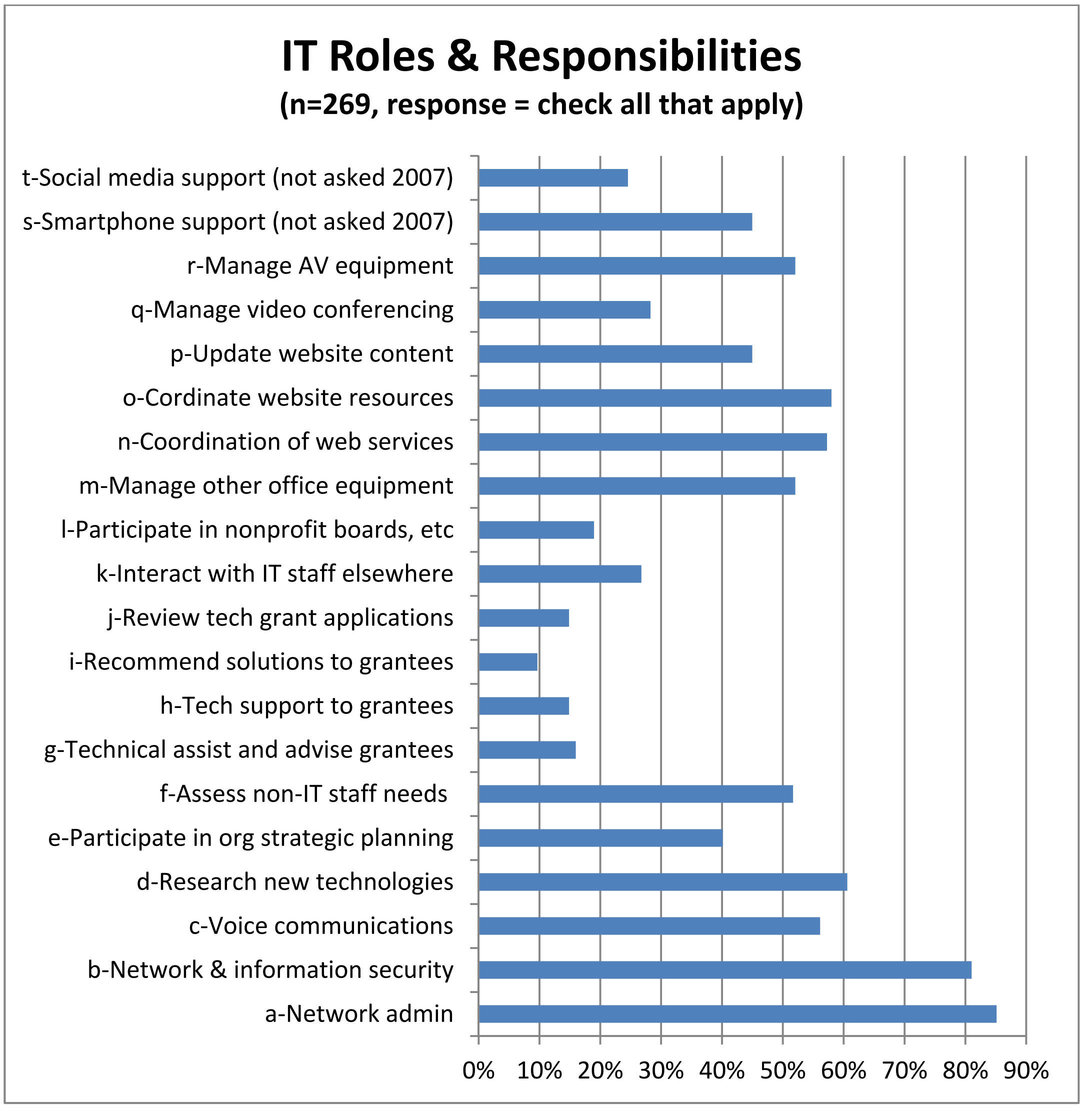
The 2010 data is slightly more encouraging: 39% of respondents indicated the role of the IT staff was as strategic partner, leader or member of the foundation leadership team, compared to 34% in 2007.



Roles and Responsibilities of Technology Staff

The roles and responsibilities of technology staff continue to reflect the service provider view of technology within foundations. While 85% of respondents indicated technology staff is responsible for network administration and 81% indicated technology staff is responsible for security, only 40% indicated that technology staff participates in the organization's strategic planning. This is consistent with the data that indicate 39% of foundations view the role of technology as a strategic partner or strategic leader.

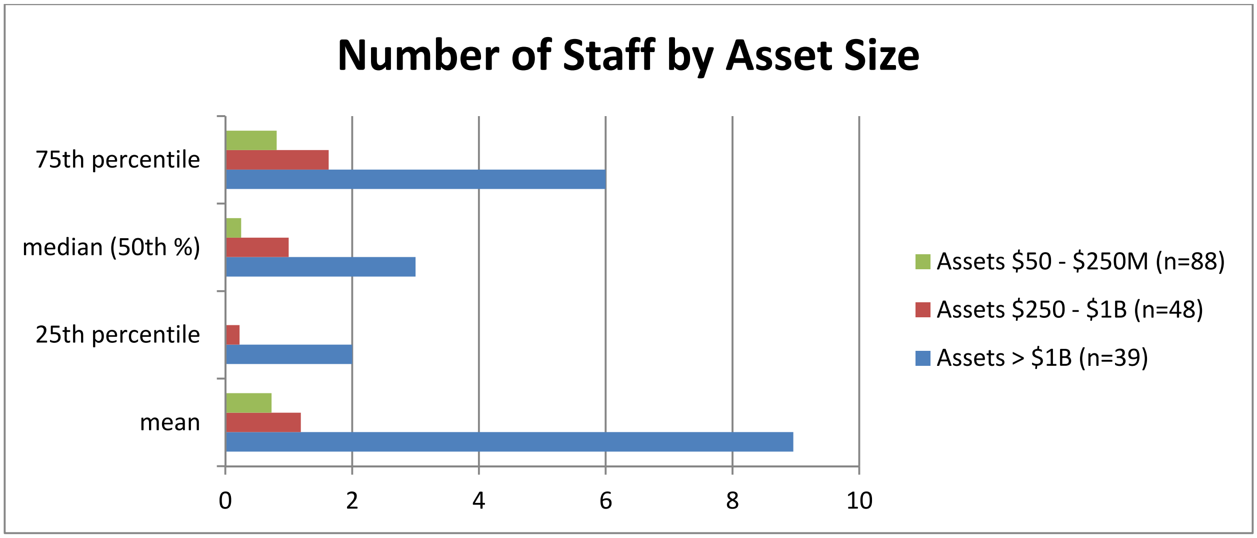
These results are also consistent with the 2007 data.



Technology Staffing Levels

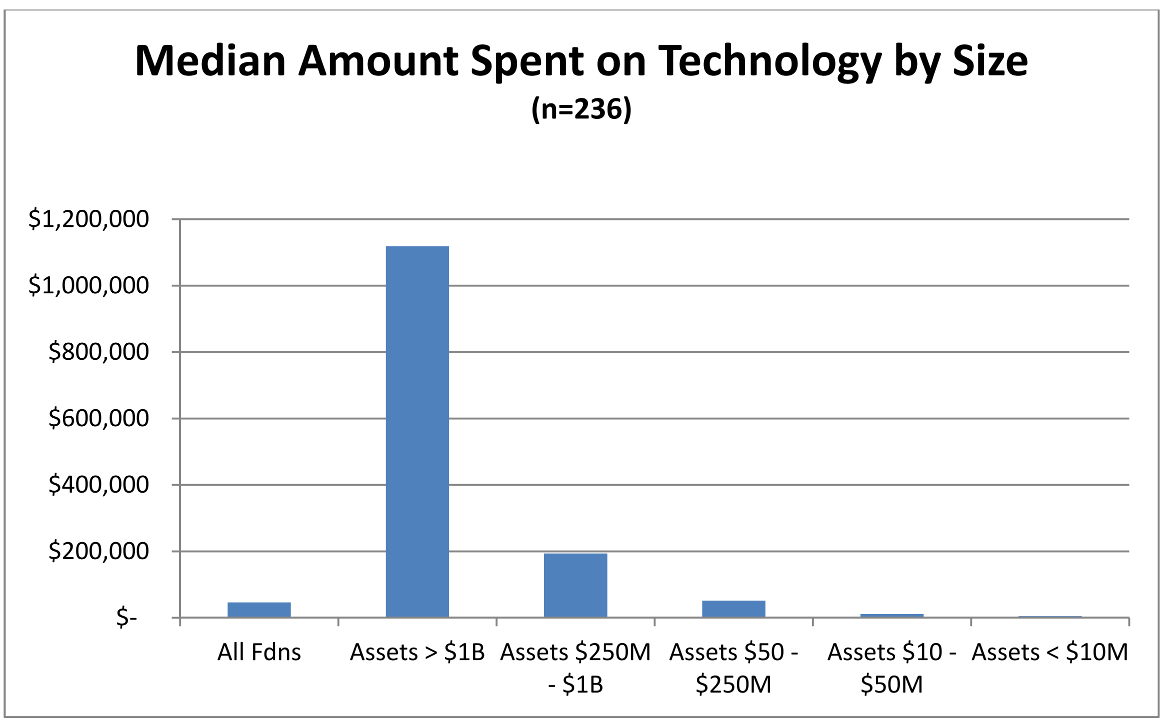
Despite the downturn in the economy, technology staffing levels have not declined. The 25th, mean, median and 75th percentiles as well as the averages are just slightly higher than those reported in 2007 for all asset size ranges.

To see the actual data, please refer to the survey reports by foundation size.

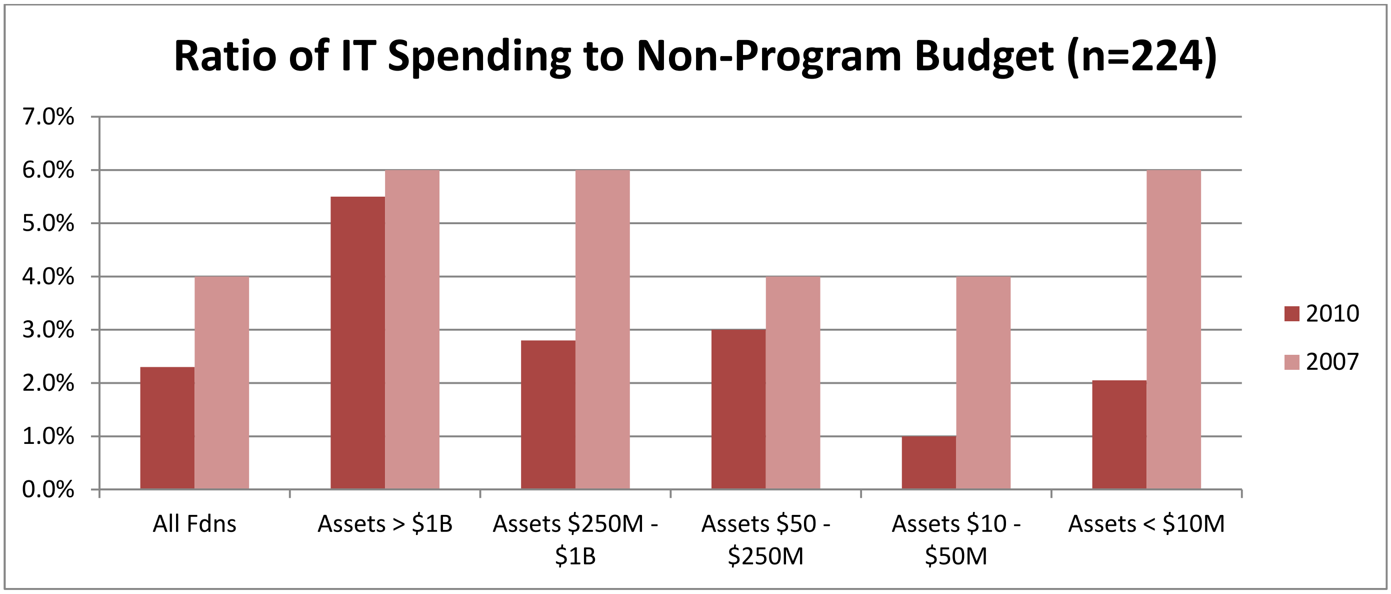


Budgeting

There seems to be a large variance among grantmakers with respect to overall technology spending. Some foundations reported spending less than $1,000 while others reported spending several million dollars annually. The average technology budget reported for all foundations was $579,757 and the median was $46,488. These numbers represent an increase from 2007, where the average technology budget reported for all foundations was $360,823 and the median was $33,787.

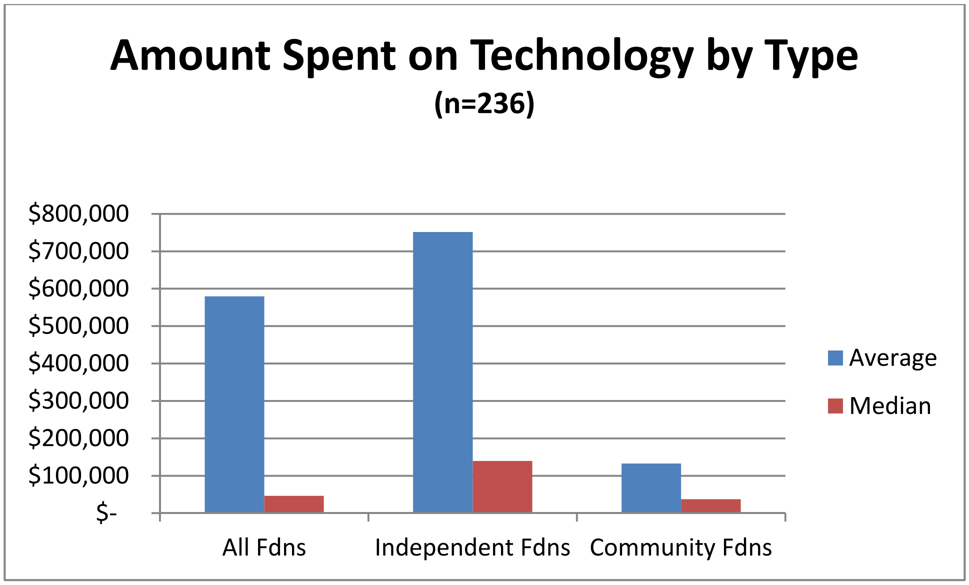


It is no surprise that the amount spent on technology varies greatly by foundation size. However, it appears that foundations with assets over $1 billion are spending more relative to the foundation's non-program budget than their peers in all asset categories less than a billion. The median percentage of IT expenses to non-program budget was 5.5% for foundations over $1 billion in assets. This number varied from 1% to 3% for the other four asset categories. In 2007, this ratio ranged from 4% to 6% for all asset sizes.



When comparing spending between foundation types, community foundations and public foundations appear to spend much less than their counterparts at family foundations, corporate foundations and independent foundations. The median technology budget reported for community foundations was $37,500 compared to $139,600 for independent foundations. The data represents 93 community foundations and 78 independent foundations. The percentage of technology spending to total non-program budget was .8% and 1.15% for community and public foundations respectively versus 4.55%, 4.35% and 4.35% for family, corporate and independent foundations respectively.

NOTE: To ensure consistent reporting on the 'non-program budget' data, the non-program budget information was adjusted by TAG, based on the 990 PF data for private foundations and the 990 data for community foundations. For private foundations, TAG used column d line 24 from the 2008 990PF. For community foundations, TAG used part 9 column b line 25 from the 2008 990.



Except for the larger foundations, most foundations are spending nearly three times as much on hardware than on software. Second to salaries, maintenance support fees and contracts are among the largest portions of technology budgets. Survey participants should analyze the detailed budget data by foundation type and size versus all foundations using the online benchmarking tool.

Challenges and Issues Reported

Overview

This section looks at what issues are challenging grantmakers today and how previously reported issues have since been addressed.

For the first time in several years, there are some new challenges reported. While the issues reported in earlier years have not been eliminated, they were not reported in the same significant numbers as they were in the past.

The primary issue that continues to challenge grantmakers is the implementation of online grants management systems/online donor information. The 2007 report indicated that the implementation of online grants management was hamstrung by the lack of an online grantmaking product that integrated with existing grants management software. Some new grants management software options have been introduced since the last survey, and the 2010 data indicates grantmakers have made some progress in this area. However, foundations still seem to be slow to adopt new online grantmaking technologies.

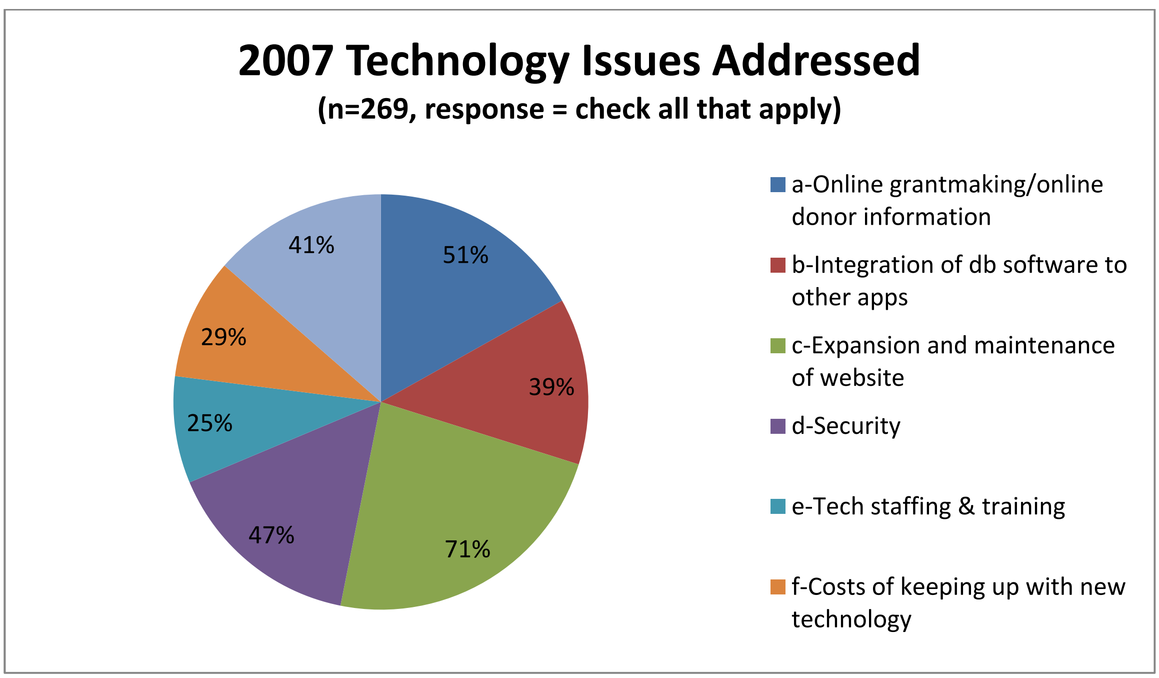
2007 Issues That Were Addressed

In 2007, we asked the open-ended survey question, "What are the top three issues your foundation is not currently prepared to address?" In 2010, when we asked, "Has your organization addressed any of these issues in the last two years?" progress was reported in several areas.

Consistent with 2007 data, foundations reported the most progress has been made with respect to expansion and maintenance of web sites (71%). Progress was also reported in several other areas, with 51% of foundations reporting they had addressed online grantmaking/online donor information, 47% indicating they had addressed security, 41% indicating they had addressed wireless computing and 39% indicating they had addressed integration of database software to other applications.

Again, consistent with 2007 results, the 2010 report indicates 51% of foundations reported they had addressed online grantmaking/online donor information. However, online grantmaking continues to be the most significant challenge mentioned by grantmakers. The 2007 survey report indicated the *"survey data appear to be inconsistent, which indicate only 28% of foundations have an online grant application system or service."* In 2010, the survey data indicates the number of foundations with an online grant application system or service has increased to 40% but 51% reported they had addressed online grantmaking so the data is still somewhat inconsistent.

It is encouraging to note that other areas reported as challenges for 2007 are no longer at the top of the list of challenges for 2010. While the expansion and maintenance of web sites is no longer listed as a top challenge, it has been replaced by a more specific and closely related topic, social media/social networking.



Other Issues Addressed

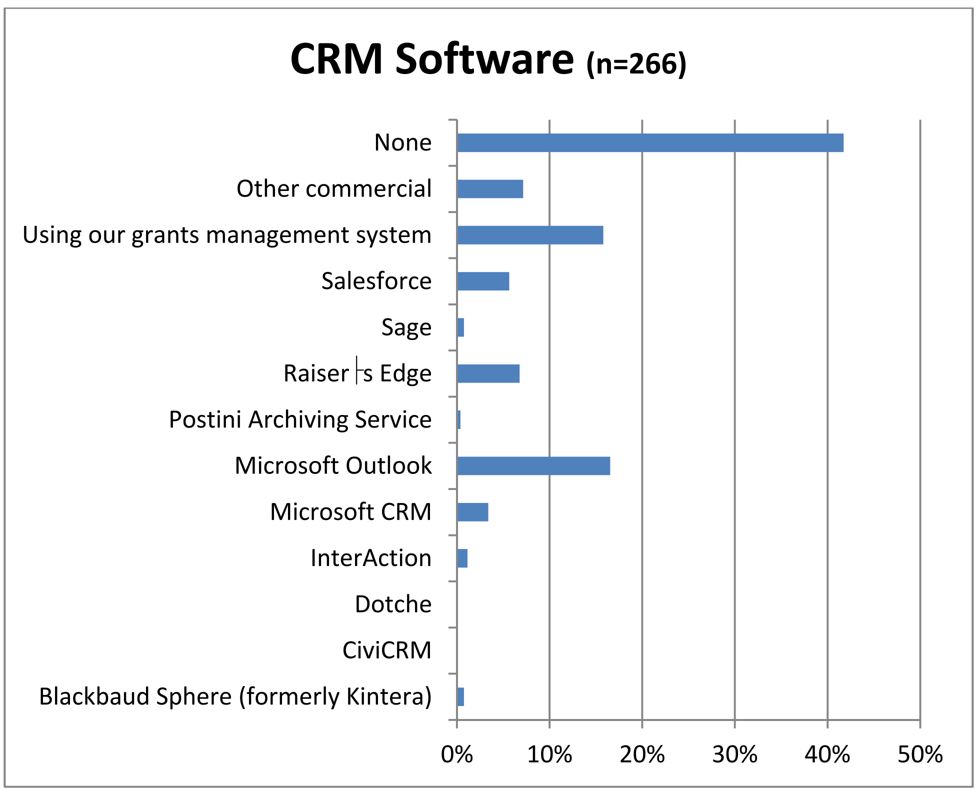
Overview

Neither Customer Relationship Management (CRM) software nor E-Mail Active Archiving software was listed as a primary issue in 2007 but the results from the 2010 survey indicate there has been a large increase in the use of both within foundations.

Customer Relationship Management (CRM) Software

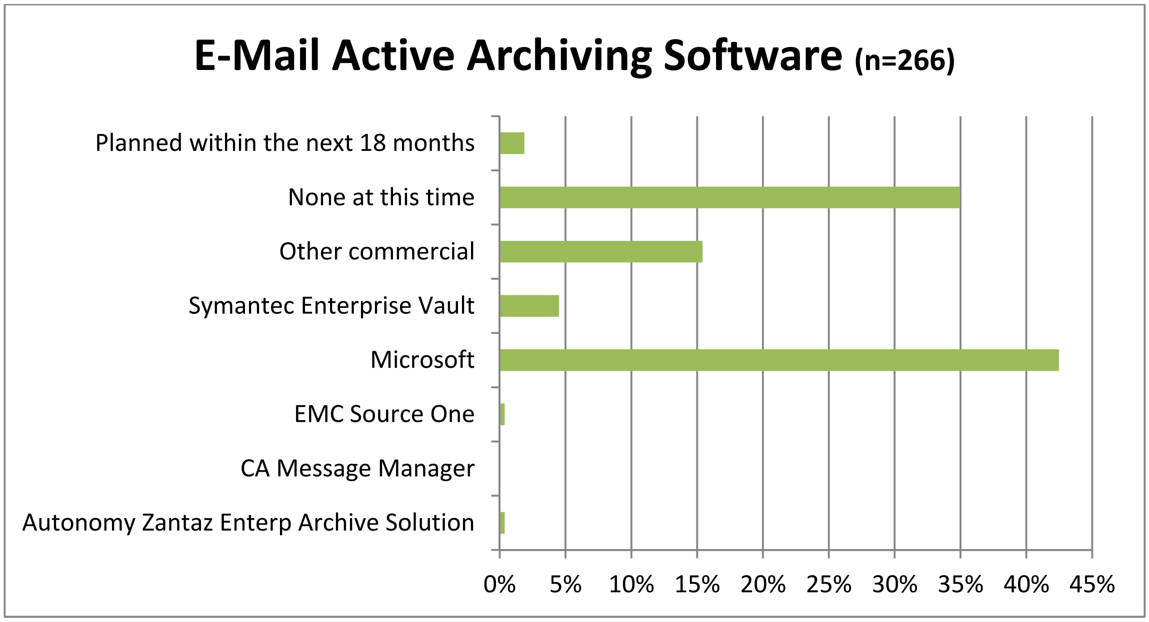
The use of CRM software has increased more than any other category of software, with 10% of foundations reporting its use in 2007, compared to 58% in 2010. Note: Of the 58%, 25% of foundations are using a true CRM product while 33% reported they use Microsoft Outlook (17%) or their grants management system (16%).

In addition, Blackbaud's Raiser's Edge and Salesforce are the two most popular commercial CRM-type products.



E-Mail Active Archiving Software

Foundation use of e-mail active archiving software has increased significantly from 24% in 2007 to 62% in 2010, with most of the 62% reporting that they use the Microsoft product. An additional 4% indicated they were planning to implement e-mail archiving within the next 18 months.



Technology Issues Grantmakers Are Not Prepared to Address

There were 183 responses to the question "List the top three technology issues your organization is not currently prepared to address," and the number one response continues to be "online grant applications and online donor information. In 2007, half of foundations indicated this was a challenge, which has decreased to about one-third of respondents in 2010.

There were two issues cited almost as frequently as online grantmaking: social media/social networking and cloud computing. No other issues were cited by more than 15% of the respondents, with document/records management and security being the next two most popular responses. As you can see from the data below, the responses did not change dramatically from 2003 to 2007. However, wireless computing and remote access is no longer cited as a major challenge for foundations and staffing and training issues are no longer in the top six.

Survey responses to the question: "List the top three technology issues your organization is not currently prepared to address"

	2003 Responses	2005 Responses	2007 Responses	2010 Responses
1	Online grantmaking/donor services	Online grantmaking/donor services	Online grantmaking/donor services	Online grantmaking/donor services
2	Expansion &	Security	Integration of database	Social media/social

	maintenance of web site		to other applications	networking
3	Wireless computing	Integration of database to other applications	Expansion & maintenance of web site	Cloud computing
4	Cost of new technology	Technology staffing and training	Security	Document/records management
5	Integration of database to other applications	Expansion & maintenance of web site	Cost of new technology	Security
6	Security	Cost of new technology		
7		Mobile and wireless computing		

Online Grantmaking

Overview

One-third of the grantmakers responding to the survey indicated online grantmaking and online donor information were their biggest technological challenges. For independent and family foundations, the issues continue to relate to the grant or scholarship application and grantee/scholar management processes. For community foundations, there is a greater challenge because the foundation's technology requirements are often driven by donor requests to process and access Information online.

A high level list of the issues cited is listed below.

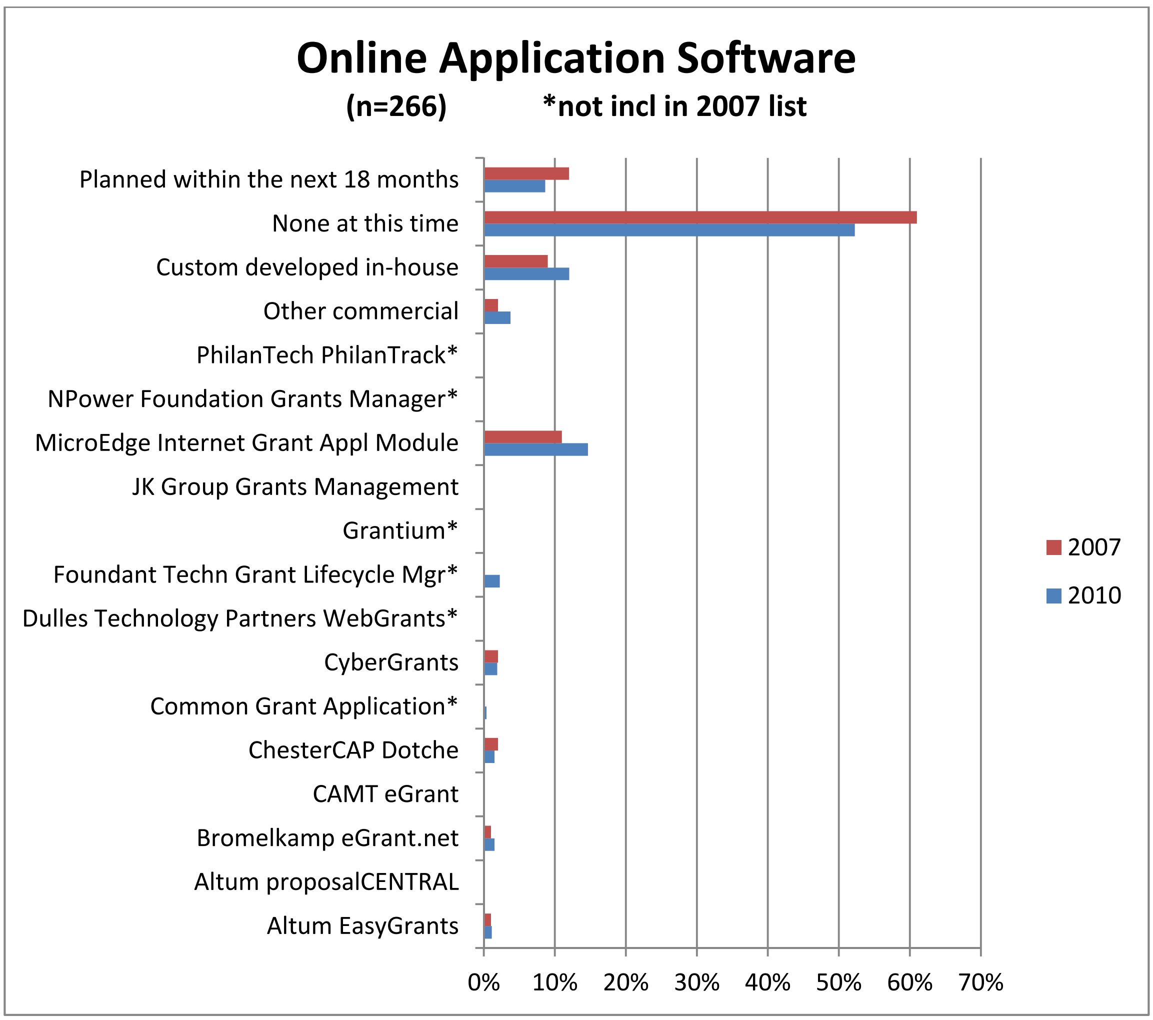
Independent/Family Foundation Issues
Incorporating an online application process into the foundation's existing proposal review process
Providing online access to grant information to grantees
Integrating online grantee report submission into the foundation's existing grants management process
Enabling grantees to update their own contact information
Community Foundation Issues
Providing donor access to real-time fund information and online fund statements
Building an online grant recommendation process for donors
Communicating with donors online

Online Grant Application Software

The percentage of respondents indicating they had an online grant application software system has increased from 28% in 2007 to 40% in 2010.

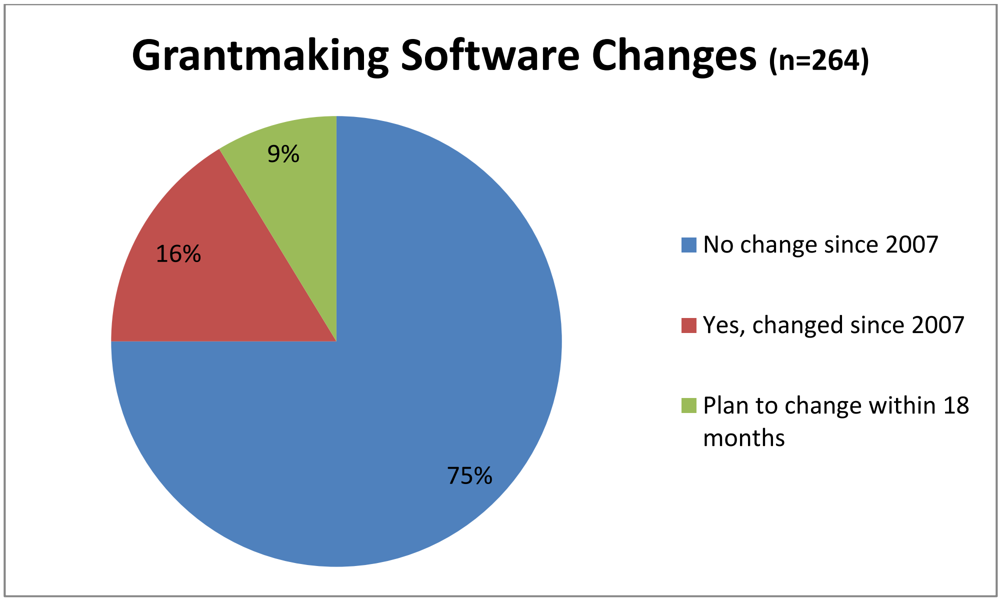
The survey results continue to indicate that foundations who have developed custom in-house grant management software or non-MicroEdge products have adopted online grant applications at a much greater rate (87%) than those foundations using MicroEdge products (23%). An additional 9% of foundations indicated they plan to implement an online grant application system within the next 18 months.

Although there are several new vendors providing online grant applications and online grants management software, foundations have been slow to transition to these new products. As you can see below, 15% of the foundations indicated they are using IGAM, 12% have developed a custom solution and 13% are using one of the other commercial products or services listed. Similarly, of those foundations using an online application, approximately one-third are using MicroEdge Internet Grant Application Module, one-third have developed a custom solution and the remaining third are using one of the other commercial products or services listed.



Has Software Changed?

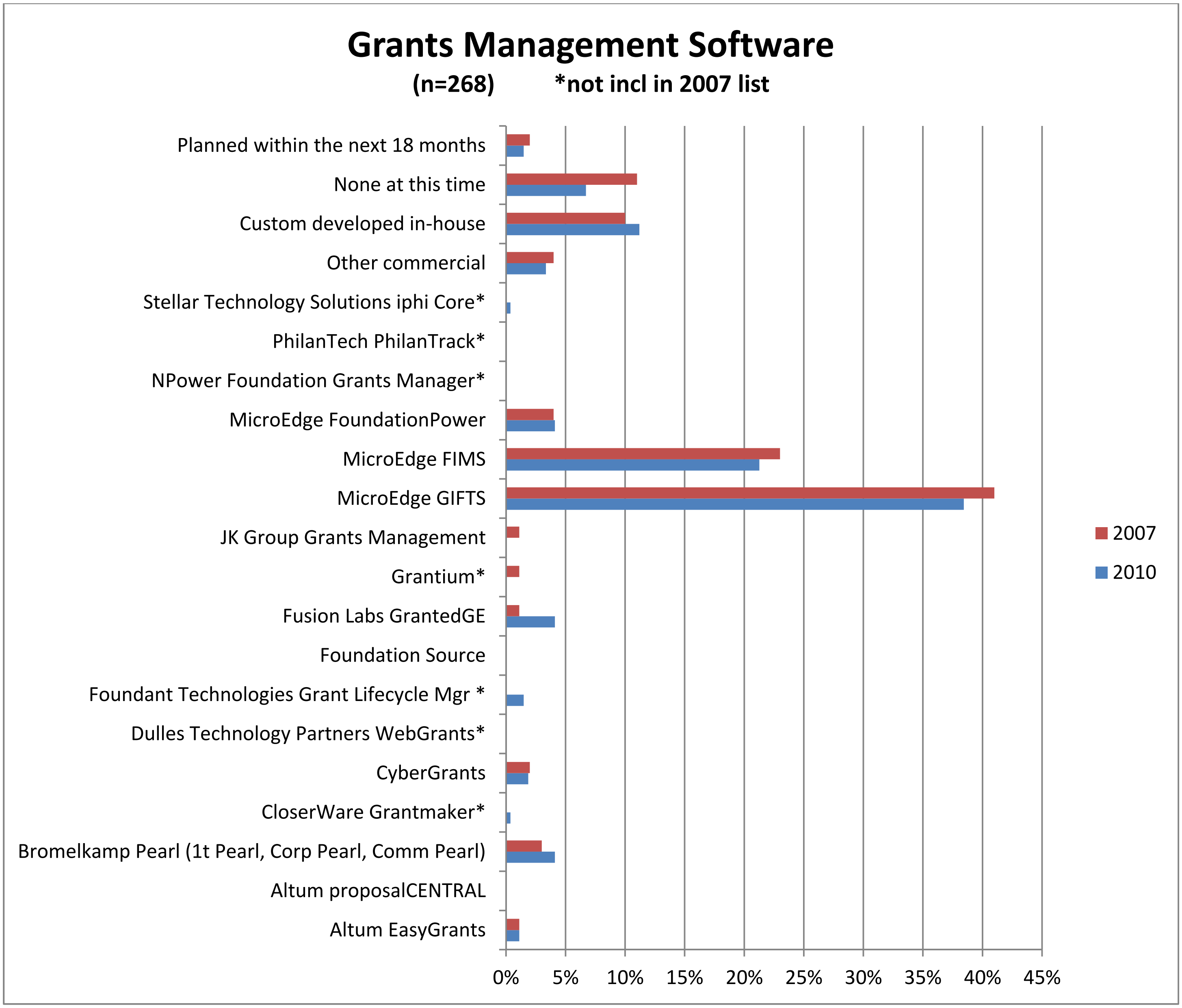
In 2010, the survey asked "has your foundation's grantmaking software changed since 2007 – or are you planning to change it within the next 18 months?" Only 16% of foundations indicated their grantmaking software had changed in the last three years. An additional 9% indicated they plan to change within the next 18 months but the majority of foundations plan to continue with their current grantmaking software.



Grants Management Software

The majority of foundations continue to use one of the MicroEdge grants management products: of the 216 foundations reporting that they use commercial grants management software, 171 or 79% reported using a MicroEdge product. This has decreased from 87% in 2007. MicroEdge's overall market share (including custom developed software) has remained consistent from 2007 to 2010, with a 70% share in 2007 compared to a 69% share of the market in 2010.

There are also many new options available for grants management software. Several foundations reported they have implemented two of the new products, Fusion Labs GrantedGE and Foundant Technologies Grant Lifecycle Manager. It is also interesting to note that only 1% of respondents indicated they plan to change their grants management software with the next 18 months. This could be good news for MicroEdge and troubling for new vendors entering the somewhat limited grants management software market. It may be that new and smaller grantmaking organizations will become a key market for new grants management software and hosted services.



Grants Management Software Priority List

Consistent with the responses to the question about technology challenges, when asked "What are your highest priority improvements or enhancements to your grants/gifts management system?" respondents overwhelmingly indicated online grantmaking.

The top responses are listed below in order of importance:

1. <u>Online Grantmaking</u> – As previously discussed, respondents would like an online grantmaking process that includes an online application, online grantee report submission, online grant recommendation process for donors, online access to information and online fund statements for donors.

2. Workflow and Document Management – Respondents indicated they would like to continue to move towards a paperless office. They want to have all of the proposal and grant-related supporting documentation available online in a central electronic file. They also want to streamline the proposal review process and utilize an electronic review system.

3. Integration - Respondents indicated they would like to integrate their grants management software to other systems, including accounting software, customer relationship management software, web sites, web-based applications and electronic mail.

4. Reporting – Respondents indicated they would like improved reporting and statistical analysis capabilities. Several respondents indicated they would like to track program output data to measure grantee reporting. Others indicated they would like key data to be available through a web-based reporting system or executive dashboard. There were many comments suggesting general reporting capabilities needed to improve as well.

5. Customer Relationship Management (CRM) – Many respondents indicated they would like to improve the CRM functionality within their grants system.

Social Media/Social Networking

Overview

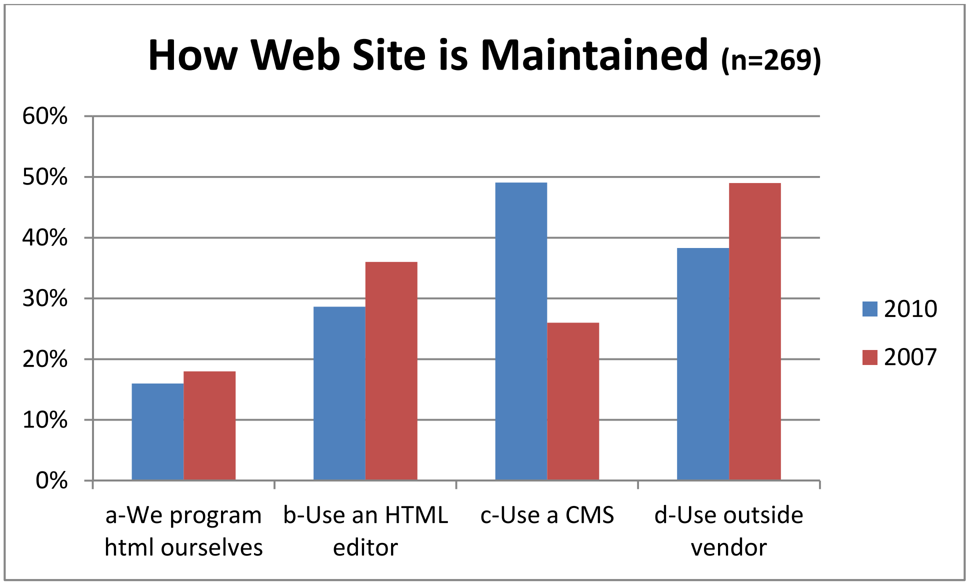
Previous survey results indicated maintenance and expansion of web sites was a primary issue for foundations. In 2010, the web site conversation has moved to a higher level for many foundation staff, with many survey respondents expressing concerns about how to incorporate social media. Social media and social networking was not on the radar for foundations when the last Grantmakers Information Technology Survey was conducted by TAG in 2007. Today, it has become one of the most frequently discussed issues among grantmakers. Foundations of all types are trying to determine the appropriate use of social media for their grantmaking organizations. While the opinions on its use vary greatly, there is no doubt that social media tools have become a primary way of communicating, particularly among younger generations.

The survey questions looked first at whether foundations were using social media, and then asked who is using it, how it is being managed and what social networking sites are currently being used.

Web Site Environment

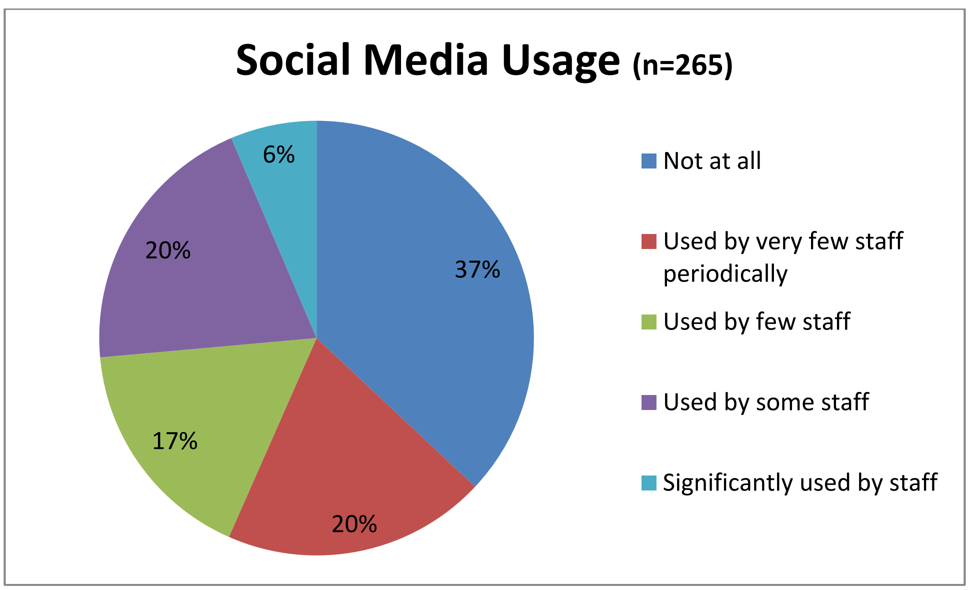
While the conversation has moved to social media and social networking, 45% of foundations reported their web site is database-driven versus being based on static HTML pages. This compares favorably to 2007, when 30% indicated their web site was database-driven. Similarly, regarding the maintenance of web site content, almost half (49%) of the respondents indicated they use a content management system (CMS). This is a significant increase from 2007, when only 26% of respondents indicated they used a content management system.

Drupal is the most commonly used CMS reported by survey respondents, with 15% of the market share.



Social Media/Social Networking Usage

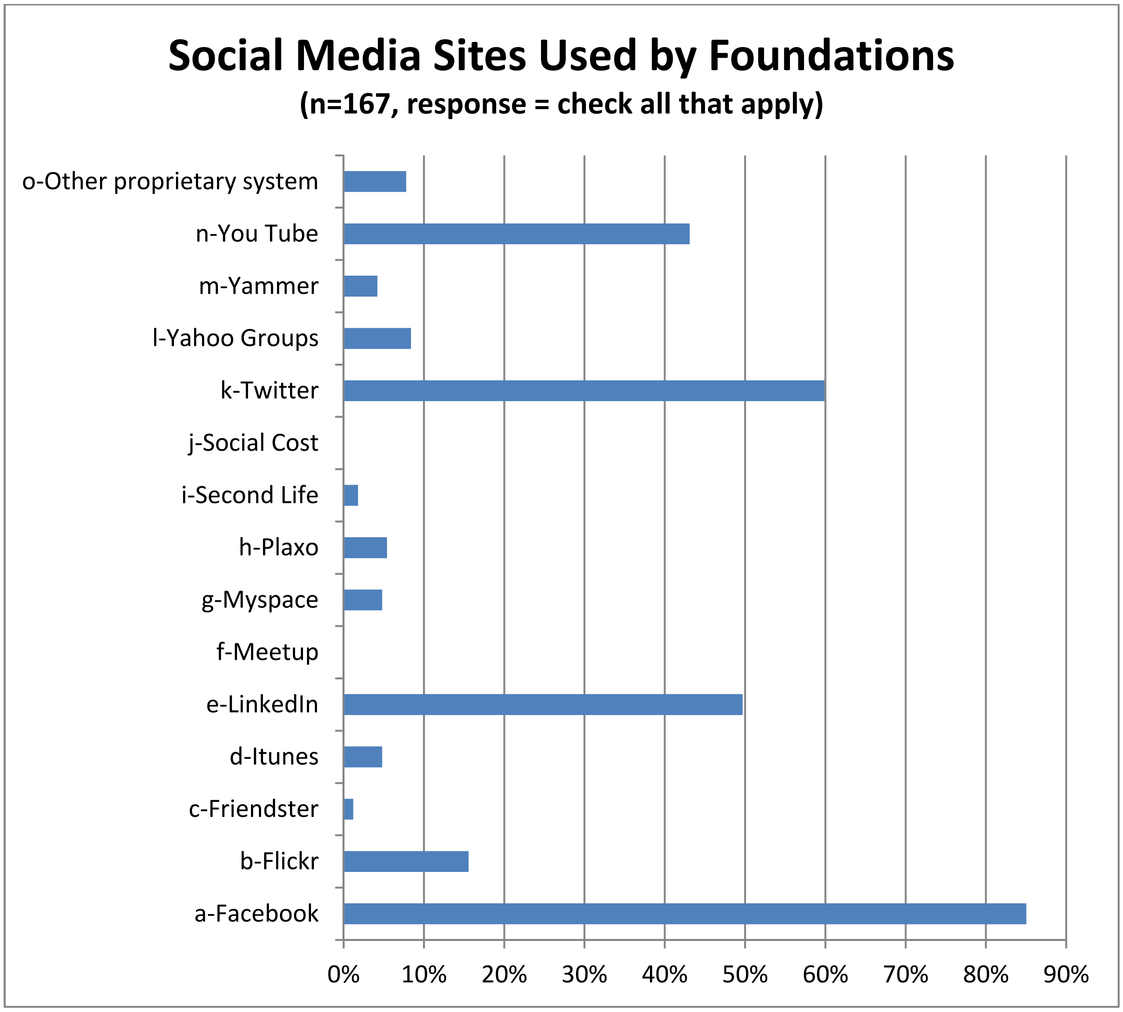
When asked "to what extent is your foundation using social media for foundation-related business", responses varied from 37% saying they did not use it at all to 6% saying it was used significantly by staff.



For foundations not using social media, "not enough time" was the main reason cited, followed closely by "concerns it's not appropriate for foundation communications" and just "not interested". Other reasons included resistance from management, concerns about lack of control and concerns about security.

What Social Media Sites are Being Used

Foundation use of social media sites mirrors the sites currently popular with the general public. Facebook is the most common, used by 85% of foundations that use social media. Twitter is used by 60% of foundations who use social media; 50% use LinkedIn and 43% use YouTube.

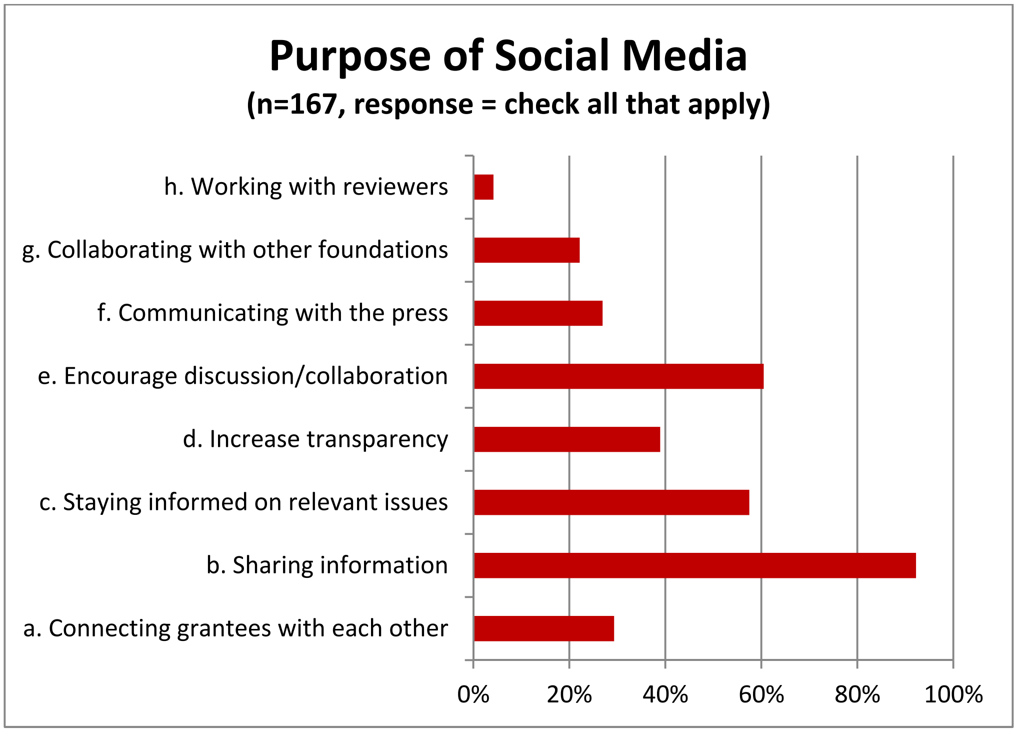


Purpose of Social Media

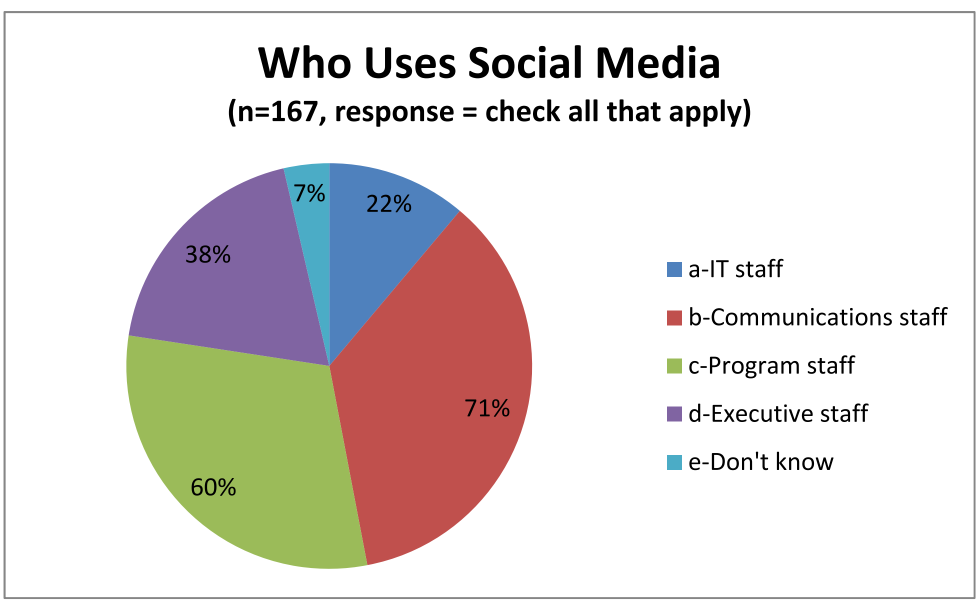
The main reason foundations are using social media is to share information, but it is also being used to stay informed on relevant issues and to encourage discussion/collaboration. Most foundations are not using social media to connect with grantees, communicate with the press or collaborate with other foundations.

When asked, "what do you hope to achieve with social media", many foundations cited the goal to increase transparency and strengthen the foundation's brand. Similarly, others indicated social media allows the foundation to be where the conversation is already happening and have the ability to tell their own story rather than relying on traditional media to tell the foundation's story.

Some grantmakers indicated they hope to build a community of advocates for their foundation's work and build a social network of like-minded activists or a network for social change. Several respondents indicated a concern about reaching out to the next generation. Because social media is increasingly the way young activists communicate, it is important to have a social media strategy to be able to engage youth.



Who Uses Social Media



Finally, the survey looked at who is using social media within the foundation.

This is currently a communications/programmatic staff activity, as indicated by the survey results to the left.

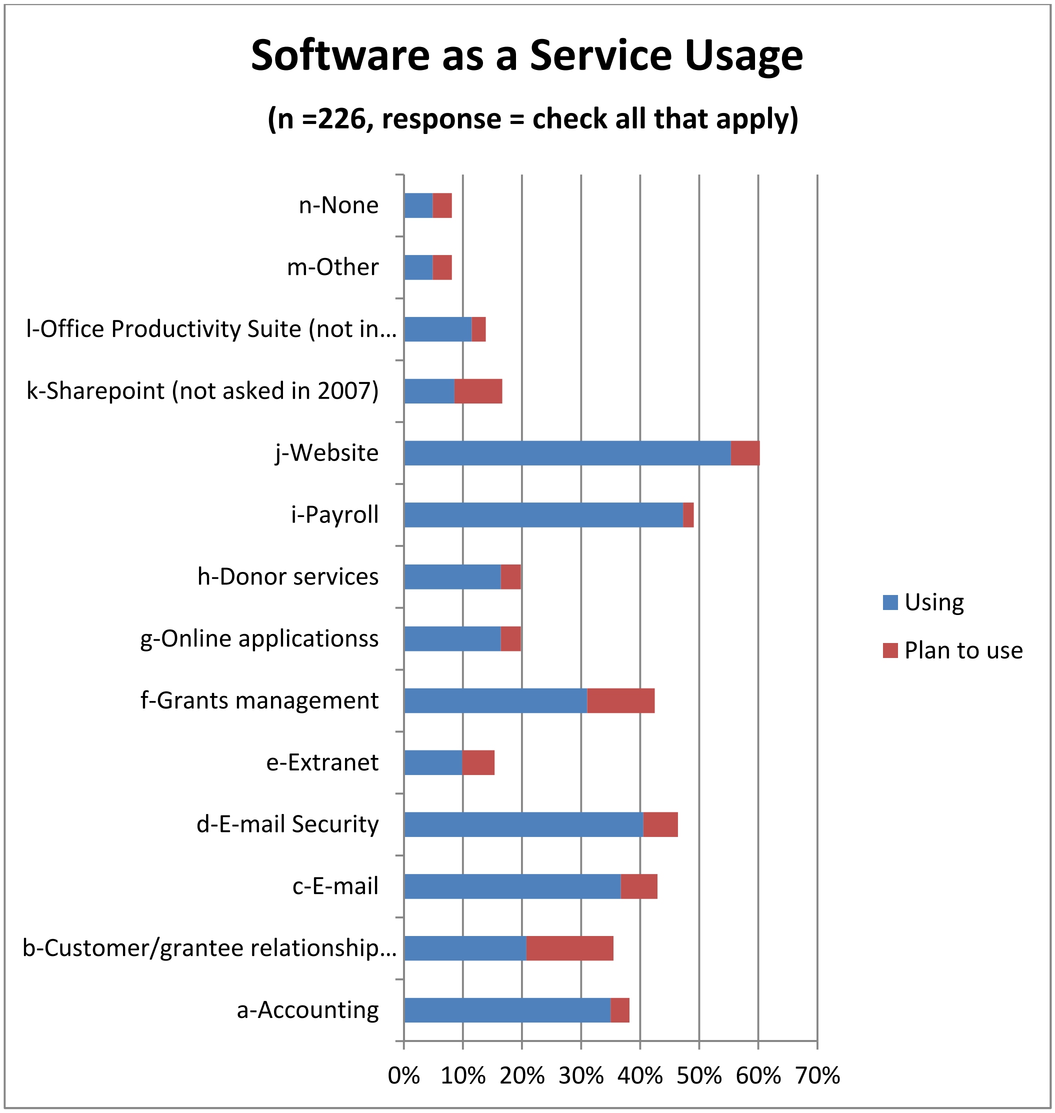
Cloud Computing

Cloud computing is another issue of concern in the 2010 survey. Although the increase in the use of application service providers (ASPs) appeared to be one of the strongest trends from 2005 to 2007, the industry was not talking about "cloud computing" until early 2008.

The data indicates that cloud computing is being used by both small and large foundations. It can be a cost- effective way for any foundation to manage non-grantmaking applications such as payroll. And, for foundations with decentralized staff and reviewers, it can be a very effective way to manage the proposal review process. Large foundations are using software as a service for e-mail security and small foundations are using it for e-mail and other core applications. And, the advent of Salesforce has made cloud-based CRM software an option which a growing number of foundations are beginning to consider and use.

The ability for staff to have 24/7 remote access to feature-rich software programs without having to incur costs to support internal technology systems and staff is a significant added incentive for many foundations.

Compared to 2007, the use of software as a service has doubled or tripled in most categories. Three times as many foundations reported using accounting and CRM software in 2010 compared to 2007. The number of foundations reported using e-mail security, extranets, donor services and grants management software doubled from 2007 to 2010. And, the number of foundations that indicated they did not have any software as a service decreased from 58 organizations to 6 from 2007 to 2010.



Document Management/Going Paperless

Overview

As evidenced by being reported as a top challenge and a priority improvement area, many foundations are struggling with moving towards a full electronic grants management process.

Many foundations indicated document management was a challenge, and others indicated they were struggling with “going paperless” and streamlining workflow. These three major related categories combined are a major new issue/challenge in 2010.

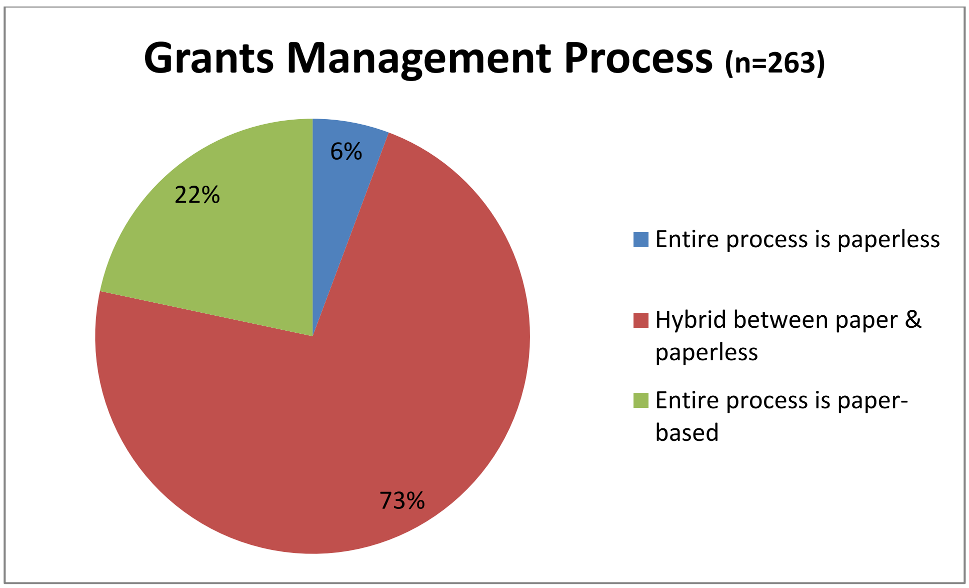
In addition to the high level requirements listed earlier in this report, foundations indicated the following grants management software/service needs:

- paperless grant and scholarship application processes
- move business processes online
- digital signatures for all grant documents
- paperless grant approval work flow
- improve process for reviewing requests
- accept applications directly into MicroEdge GIFTS
- electronic storage of all grant documents

Grants Management Process

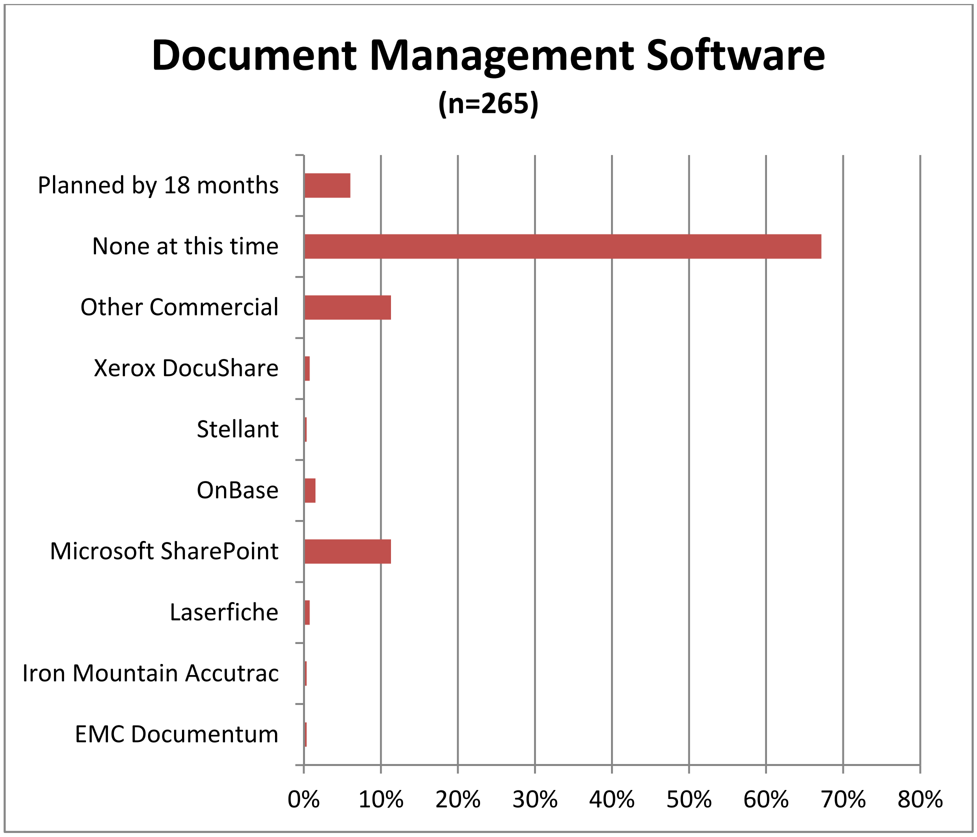
The 2010 survey asked foundations how they would describe their foundation's grants management process. As you can see below, only a few foundations (6%) indicated their entire grants management process was paperless. Most foundations (73%) indicated their process was a hybrid between paper and paperless and about a quarter (22%) indicated the entire process is paper-based.

This data is consistent with the lack of online applications, online review modules, online report submission and document management systems as reported. As foundations implement these software applications, the number of foundations reporting a paperless process should increase significantly. Therefore, this will be an important topic to monitor over time.



Document Management Software

In 2010, 26% of foundations reported they used document management software, up from 20% in 2007. An additional 6% reported they planned to implement the software in the next 18 months, down from 11% in 2007. As you can see, there has been limited change in this area from 2007 to 2010. Perhaps that is why this topic is listed as a major challenge.



Security

Overview

Security continues to be a concern for foundations. As software as a service (SaaS) becomes an option for many applications, the responsibility for data security moves from the foundation to the SaaS vendor for hosted applications. However, the ongoing and growing threat of viruses, spyware and spam has become an increasingly difficult challenge for foundations to manage.

To address this challenge, many foundations have moved to SaaS for e-mail and e-mail security while others continue to address security in-house.

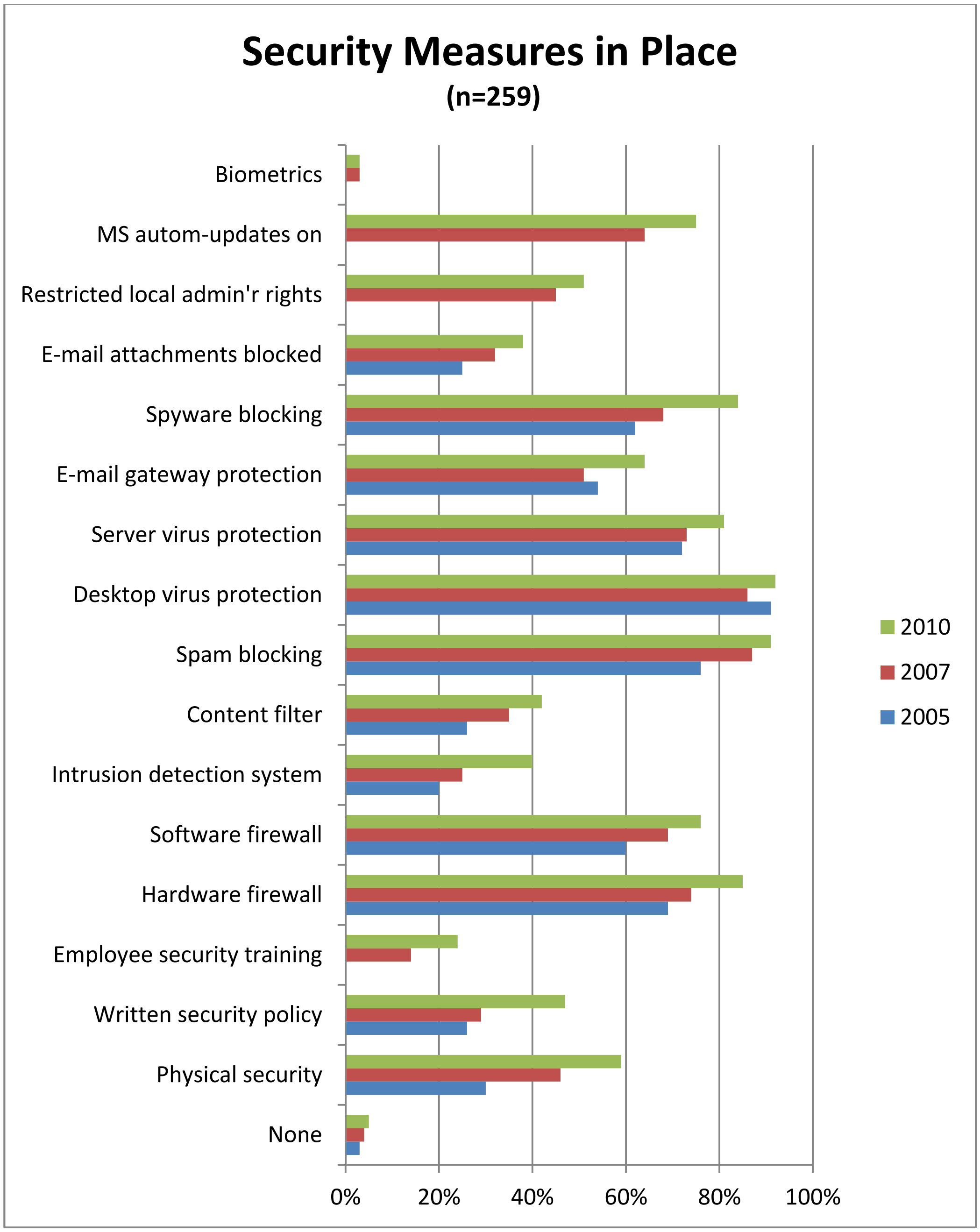
Security Measures in Place

Foundations reported an increase in percentages for each security measure listed in the survey. This is consistent with survey data in previous years, which also indicated an increase in security measures from 2005 to 2007. Interestingly, the 2007 survey indicated foundations did not have big plans for implementing additional security measures. Yet, the data from 2007 to 2010 indicates that the percentage of foundations reporting security measures in place increased in almost every category.

Consistent with 2007, foundations report success in addressing security measures but also cite security as an ongoing challenge. As you can see from the data below, more than 80% of foundations have implemented a hardware firewall, spam and spyware blocking, and desktop and server virus protection. In addition, 76% of foundations indicated they have a software firewall and 75% of respondents indicated Microsoft automatic updates are turned on to continually receive Microsoft security upgrades.

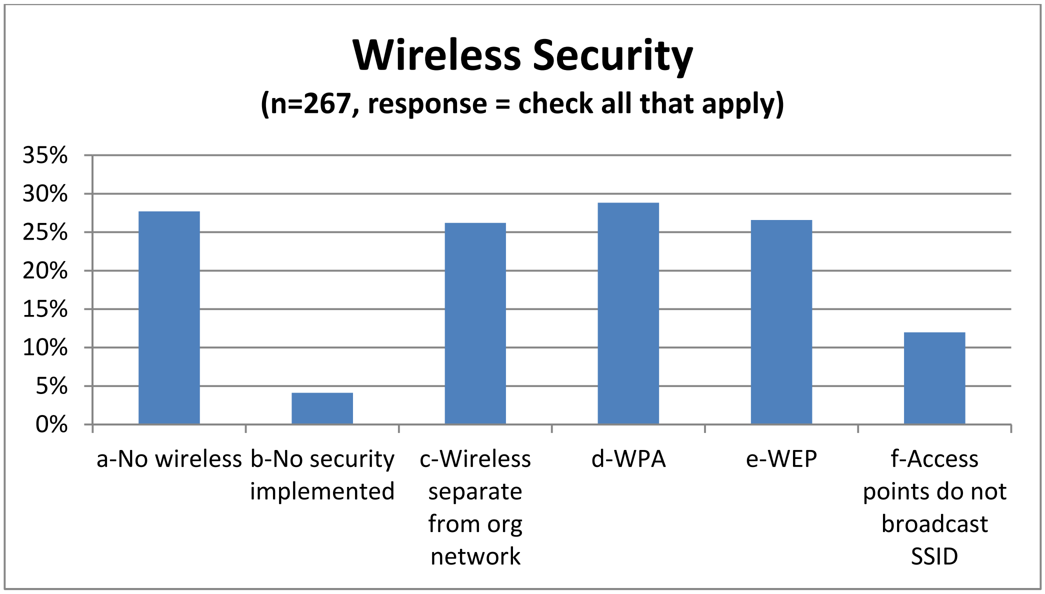
The area where the most progress was made relates to written security policies. The percentage of foundations reporting they have a written policy increased from 29% in 2007 to 47% in 2010, though only 24% of foundations indicated they train their employees with respect to security.

Other areas with at least a 15% increase in security measures reported including intrusion detection systems and spyware blocking.



Wireless Security

The number of foundations that report having a wireless network continues to increase, with 72% of respondents indicating they had a wireless network in 2010, up from 50% in 2007. Most foundations have also implemented wireless security, with security measures ranging from separation from the organization's network to Wi-Fi Protected Access (WPA), Wired Equivalent Privacy (WEP) and having access points that do not broadcast Service Set Identifiers (SSID).



Emerging Technologies

What the Leaders are Doing

Overview

There were 18 foundations that identified themselves as leading edge adopters of technology. Compared to all foundations, the leading edge adopters were larger and had technology staff, with the mean number of total employees equal to 21, a mean technology staff size one of 1 and the mean total assets equal to $327 million. For comparison, the results for all foundations participating in the survey are 9 total employees, no internal technology staff and mean asset size of $120 million.

Staffing and Planning

With respect to staffing and technology management, it is not surprising that the leading edge adopters view the role of technology more strategically than their counterparts.

- Almost 90% of the leading edge adopters viewed the role of the IT staff as a strategic partner compared to only 36% of the other technology adoption profiles.
- The roles and responsibilities of technology staff in leading edge adopters indicated a much higher percentage of participation in nonprofit boards, interacting with technology peers from other organizations, providing technical support and advice to grantees and making technology grant recommendations as part of the technology staff job responsibilities.

Given the outsourcing trend observed in the data for all foundations, it is interesting to note that the leading edge adopters have a higher percentage of managing technical services in-house for all service categories except for back office/check processing operations, than do their counterparts. This may be due to the fact that leading edge adopters have in-house technology staff capable of managing the technical services while their counterparts are outsourcing technical services due to their lack of in-house technical staff.

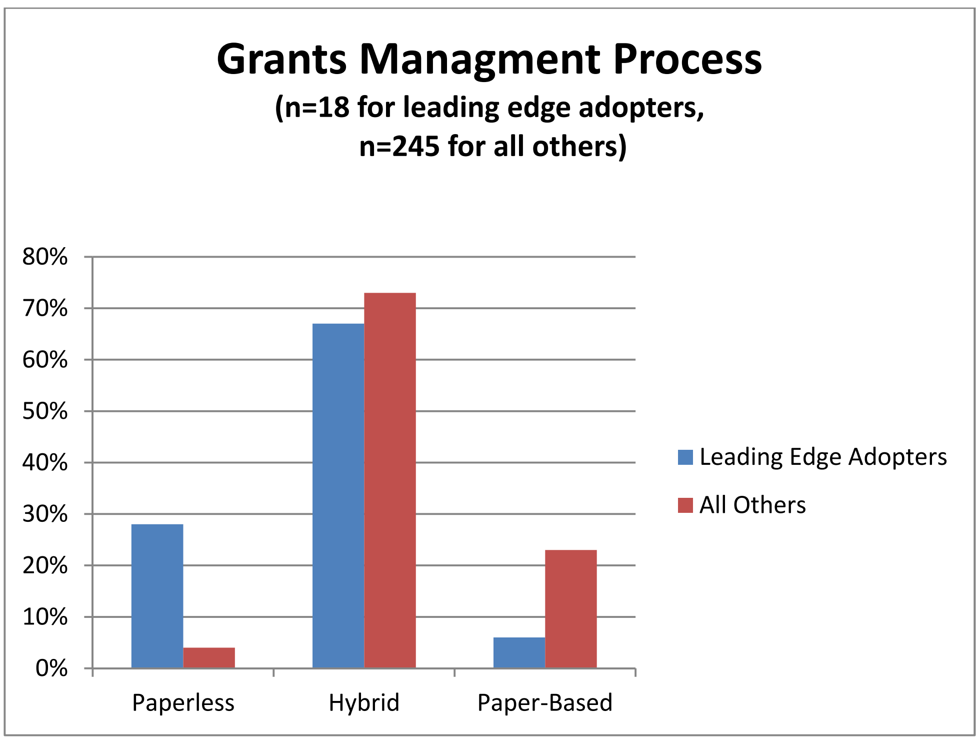
Leading edge adopters also do a much better job of planning.

- 25% more leading edge adopters have a written up-to-date technology plan and
- 20% more leading edge adopters have a documented up-to-date and tested disaster recovery plan than the other technology adoption profiles.

Application Software

From a high level perspective, “going paperless” appears to be a strong trend. In order to go paperless, appropriate application software must be in place, including an online grants application and records/document management software. A significant number of the leading edge adopters have online grants applications and records/document management software and are moving in the direction of paperless offices.

- 28% of the leading edge adopters reported their entire grants management process is paperless
- An additional 67% reported their process was a hybrid between paper and paperless
- Only 6% reported their process was entirely paper-based.



The implementation of application software is where the leading edge adopters differentiate themselves from their peers. The leading edge adopters implement new software sooner and utilize more software than their peers in other technology adoption profiles. The leading edge adopters also have a higher percentage of custom developed in-house grants management software.

- 28% of leading edge adopters have a custom developed grants management system and
- 17% of leading edge adopters have a custom developed online grant application.

This compares to their peers, where 10% have a custom developed grants management system and 12% have a custom developed online grant application. This is not surprising, since the commercial grants management software market seems to lag behind the leading edge adopters with respect to product enhancements. Given the small size of the grants management software market, the commercial grants management software vendors do not release products to market until the community is ready for implementation.

A greater trend is the adoption rate among leading edge adopters with respect to online grant applications.

- 63% of leading edge adopters have an online grant application
- An additional 11% plan to implement an online application within 18 months
- 38% of the other technology adoption profiles have an online grant application
- An additional 8% plan to implement an online application within 18 months

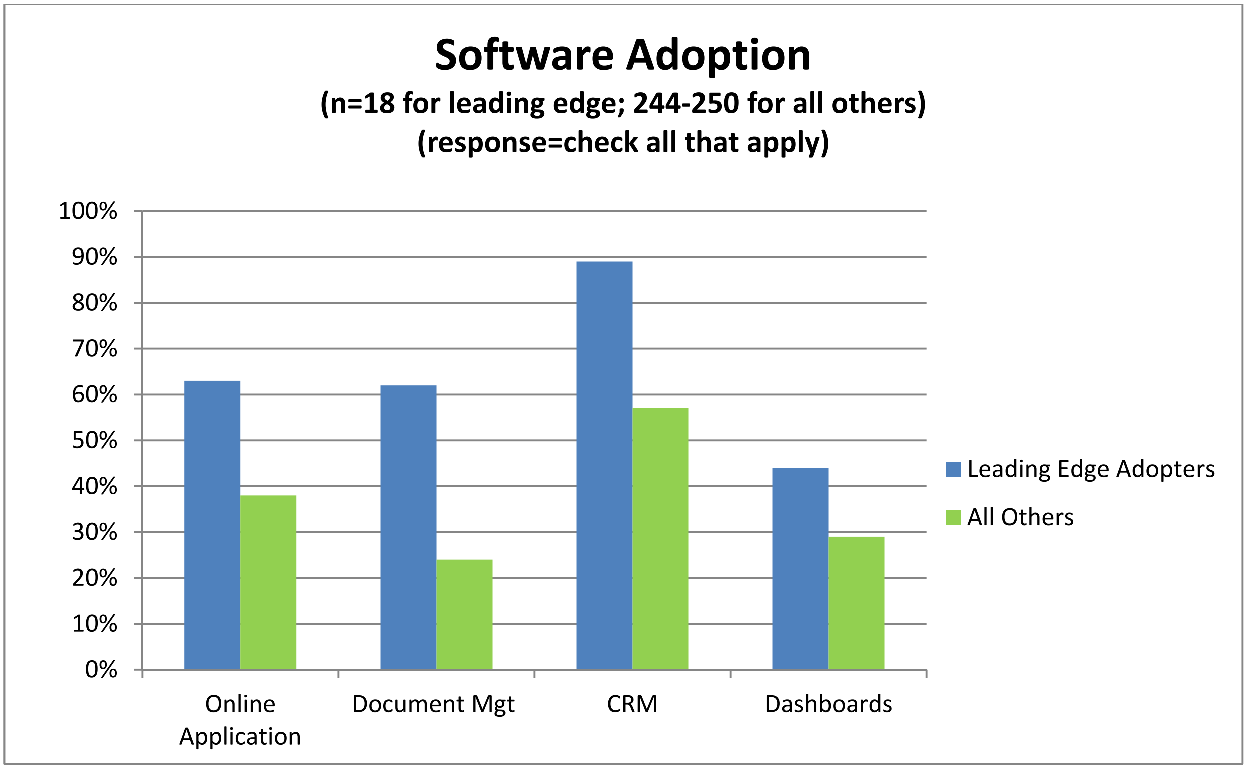
This is a differential of nearly 30% between the leading edge adopters and other technology adoption profiles.

It is not surprising that several of the leading edge adopters are planning to implement Office 2010 this year.

- 28% of leading edge adopters indicated they were implementing the Office 2010 product this year while only 8% of the other adoption profiles plan to implement Office 2010 this year.
- Nearly 40% of the leading edge adopters also indicated they are using Google Applications compared to 14% of the other adopter profiles.

There are three other categories of software where the leading edge foundations report a greater rate of adoption: document/records management software, customer relationship management software and the use of dashboards and score cards.

- 62% of leading edge adopters have implemented document/records management software compared to 24% of the other technology adoption profiles.
- 89% of leading edge adopters have implemented customer relationship management software compared to 57% of the other technology adoption profiles.
- 44% of leading edge adopters have implemented dashboards and score cards compared to 29% of the other technology adoption profiles. An additional 39% of leading edge adopters plan to implement dashboards and score cards compared to 25% of the other adoption profiles.



Communication and Collaboration Software

Consistent with having online processes, the leading edge adopters report 15% higher adoption rates regarding the following purposes of using their web sites:

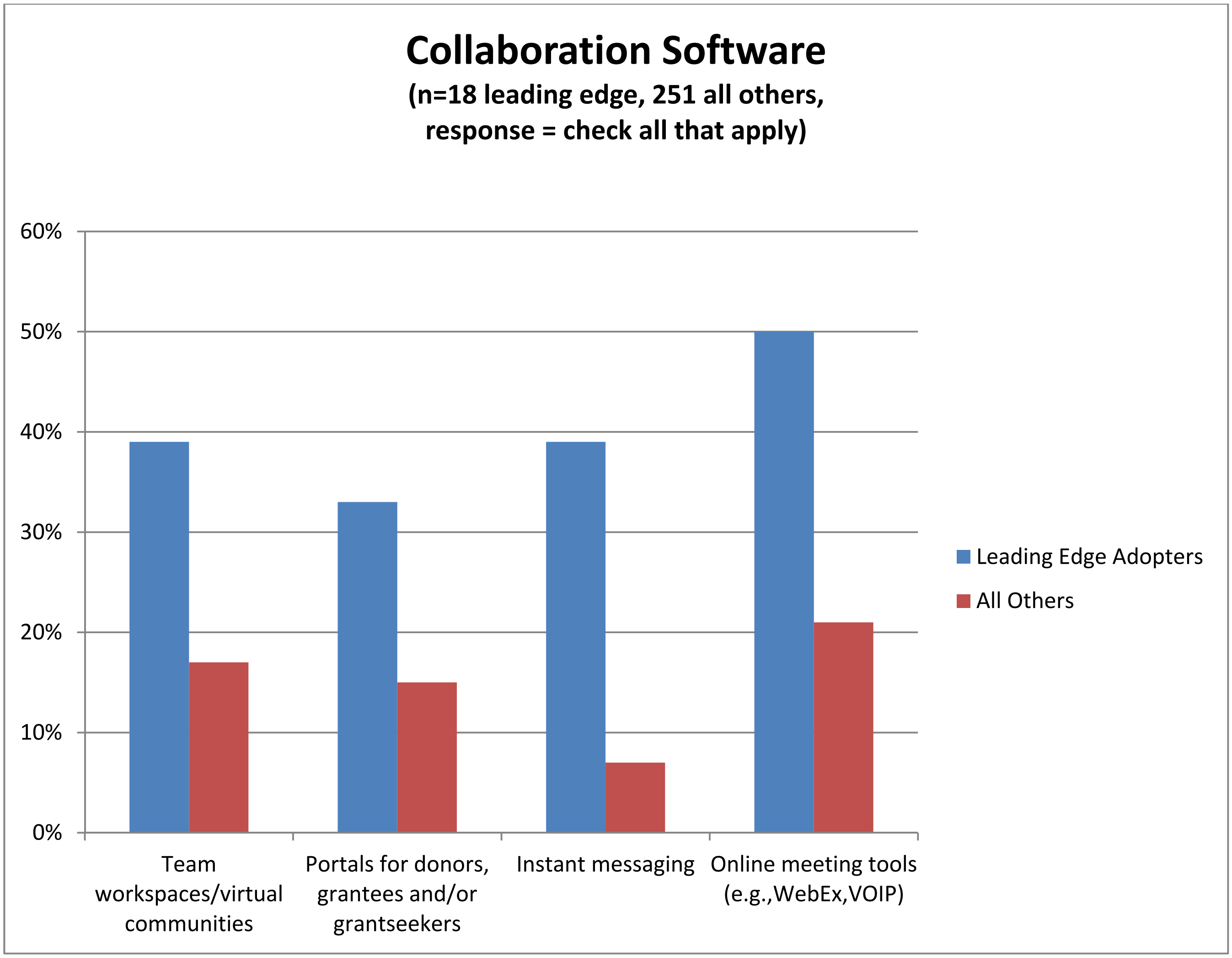
- Grant eligibility quiz
- Accept online proposals/scholarship applications
- Accept online grantee reports
- Allow grantees to update contact information
- Enable users to subscribe/unsubscribe to e-newsletter

About 75% of the leading edge adopters have database-driven web sites that are maintained using a content management system. This provides them with greater flexibility in updating content and adding new features to their web sites. There is a greater use of web portals and some collaboration technologies among the leading edge adopters and just a slight (10%) increase in the use of social media among leading edge adopters compared to all other technology adoption profiles.

- Only 6% of leading edge adopters indicated they do not have some type of web portal, compared to 42% of all other foundations who indicated they do not have some type of web portal.
- Between 30% and 50% of leading edge adopters reported using the web portals to provide general policy and benefits information, links to useful references, online forms, board of trustee materials, staff directory information and to share information with working committees.

The leading edge adopters are using some collaboration software – and at greater percentages than all other foundations. The most commonly used collaboration tools include online meeting tools such as WebEx, team workspaces/virtual communities, instant messaging and portals for donors/grantseekers. The differentials between the leading edge adopters and all other foundations are indicated below.

Leading edge adopters are also using search engines for aggregated foundation-side systems, blogs, wikis and GIS mapping but not to the same extent as the tools listed below.



Network Infrastructure

On the infrastructure side, it is not surprising that leading edge adopters replace their servers and desktops more frequently than all other foundations. Consequently, a higher percentage of leading edge adopters are currently using Windows 7 compared to their counterparts and they are beginning to use the 64-bit version of Windows 7.

Finally, with respect to the technology infrastructure, many of the leading edge adopters have implemented voice over IP telephone systems and have much more Internet bandwidth when compared to all foundations.

- 60% of leading edge adopters have 10 Mbit Internet access or greater, evenly divided between 10 Mbit, 45 Mbit and 100+ Mbit.

- 41% of all other foundations have 10 Mbit Internet access or greater, with 22% reporting they have 10 Mbit, 3% reporting they have 45 Mbit and 16% reporting they have 100+ Mbit.

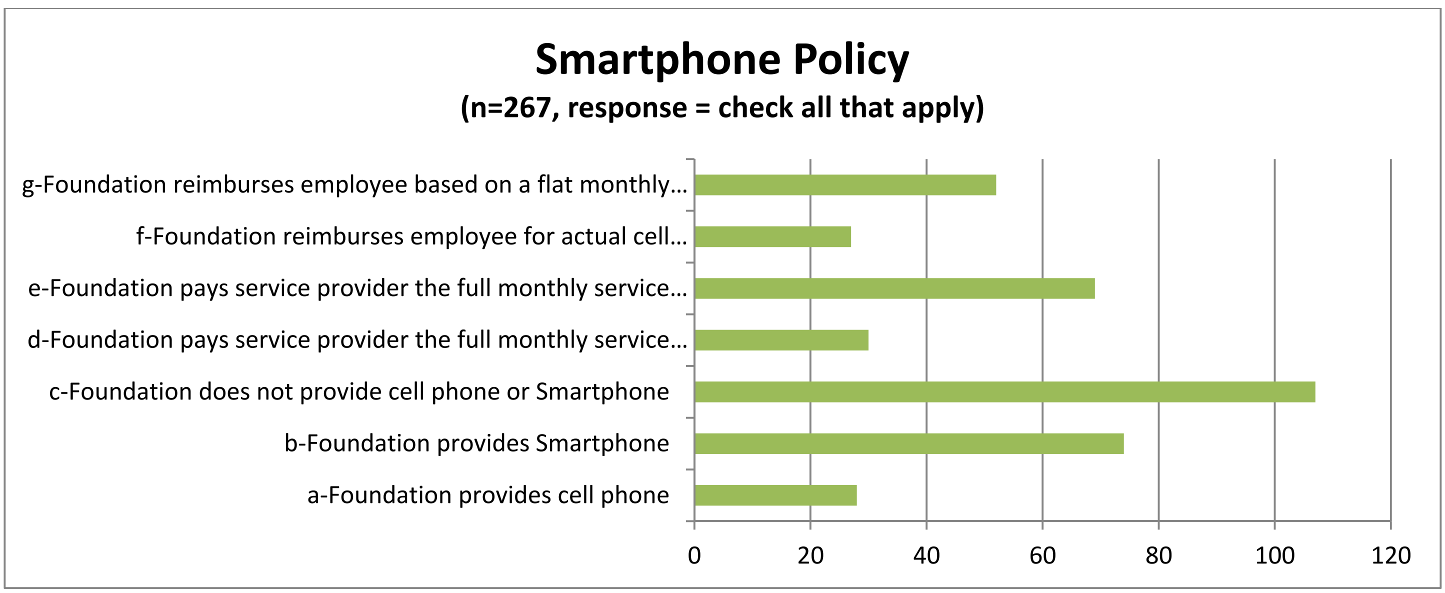
Smartphones

Clearly the rapid adoption of smartphones by consumers has had an impact and many foundations are in the process of sorting out cell phone/smartphone policies. Deciding if and what device to provide to staff and how to reimburse staff for ongoing usage charges is a challenge. Given that many employees are purchasing these devices on their own, foundations now have to manage a wide array of products.

This year's survey asked three questions about the use of smartphones: what is your policy regarding providing phones and paying for service charges, what percentage on ongoing service cost does the foundation pay for, and what specific smartphone technology does the foundation support?

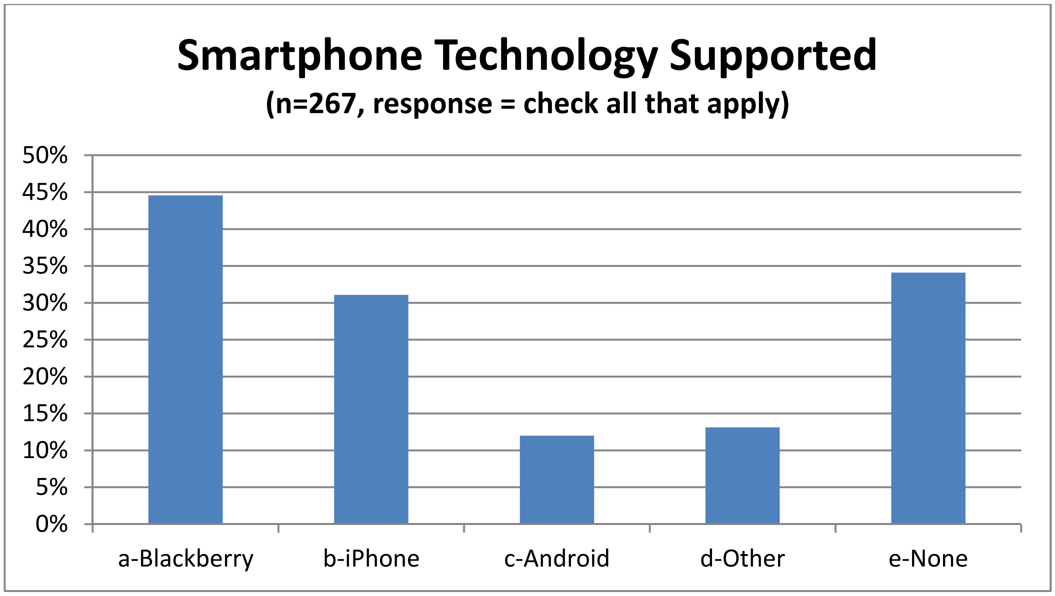
Smartphone Policy

The data is relatively evenly divided between those that provide a physical device and those that do not: 102 foundations indicated they provide a cell phone (28) or Smartphone (74) while 107 indicated they do not provide a cell phone or Smartphone. Similarly, the reimbursement of costs is also pretty evenly divided: 99 foundations reimburse for the full monthly service charge for cell phones (30) or Smartphones (69) and 79 foundations do a partial reimbursement based on actual cell phone/Smartphone usage (27) or a flat monthly rate (52).



Smartphone Devices

The Blackberry is the most common device supported, with 45% of respondents indicating they support the Blackberry. The iPhone was next with 31% indicating support, while 12% support the newly released Android. No smartphone support is present in 34% of foundations.



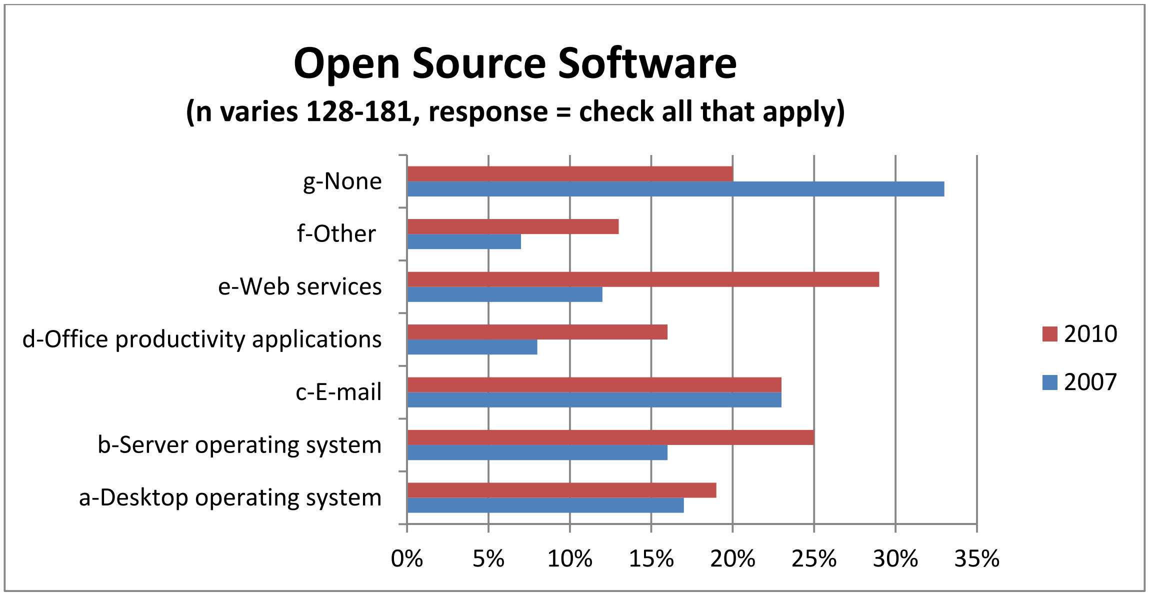
The median percentage of service cost the foundation pays for is 50%.

Remote Access

Foundations have not implemented remote access policies as quickly as previously anticipated. In 2007, 30% of foundations indicated they allowed staff to work from home, which increased to only 40% in 2010. Similar to 2007 results, more than half of the respondents indicated their foundation does not provide any support for home computer usage.

Open Source Software

It 2007, the survey reported the use of open source software appeared to be decreasing among grantmakers. In 2010, the data indicates the use of open source software has since increased slightly. However, the majority of foundations indicated they do not have any plans to use open source software.



One area where open source software has gained market share is with the web browser. In 2010, 50% of respondents indicated they use Firefox and another 16% indicated they use Safari. The data indicates foundation staff members are reportedly using both Internet Explorer and an open source browser too.