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Features

Disruption for Good

By Laura Arrillaga-Andreessen

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Rapid advances in technology are changing philanthropy in fundamental ways—making it potentially more rational, effective, collaborative, transparent, and democratic.

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Illustration by JOHN HERSEY

Until recently, someone making a small gift—whether placing a few dollars in a collection basket, sending a check in response to a mail solicitation, or donating via a credit card—felt like he was putting money into a black hole. Tracing how the money was spent was almost impossible, as was measuring the impact of those dollars. Enter technology. Although giving into the black hole still happens virtually through the many "donate now" buttons, a new generation of digital-savvy nonprofits is enabling donors not only to go online to donate a few dollars anywhere, any time, but also to receive direct feedback (including photographs, videos, data, or messages from the recipients themselves) on how their gift is helping transform lives or solve social problems.

It is hard to underestimate the extent to which technology could improve philanthropy. Managing donations electronically and transparently is just the start. Through crowdsourcing, anyone with access to the Internet can contribute ideas. On social media anyone can launch a global advocacy campaign. Digital data make it affordable for nonprofits of all sizes to assess social problems and track their progress toward solving them.

Of course, nonprofits must be willing, equipped, and able to use the data they collect. And new channels for giving do not in themselves create more philanthropists or increase impact. Having access to technology and using it for good are two different things. Online excitement about a cause is not always easy to translate into real-world action. (In fact, it turns out that gestures of support such as Facebook "likes" actually lower the chances of someone donating to a cause[1] because users feel satisfied with a public endorsement.)

But for committed givers, technology can enable greater impact. Whether participating in problem solving or getting real-time feedback on the impact of a program, everyone now has levels of access once available only to major donors and large organizations. Technology now reaches people who might never have thought of themselves as philanthropists, engaging a new generation of change makers.

Gaining access to these new technologies does not require substantial investments in software, platforms, apps, or systems. Open-source code, online procurement, and off-the-shelf customer relationship management software—low-cost technologies on which industries from retail to travel rely—can all increase philanthropy's efficiency and effectiveness. By increasing access and lowering barriers to entry and innovation, technology is enabling the democratization of philanthropy.

Although technology is a powerful force for change, this change does not take place easily or at the same rate throughout society. The advertising and entertainment industries, for example, have quickly harnessed the disruptive forces of the Web browser, mobile devices, social media, big data, and cloud computing. The philanthropic sector, however, is only starting to tap into technology's potential.

Historical, cultural, emotional, behavioral, regulatory, and organizational barriers—rather than technological ones—are often what stand in the way of progress. Change can be unsettling—particularly in a sector like philanthropy where accountability is almost entirely self-imposed. For example, it would be relatively easy to build an online hub where donors and nonprofits could pass on lessons about strategies that have not worked, but a litigious culture, as well as the very human resistance to admitting failure or to "snitching" on colleagues, might limit the number of people who are willing to use it.


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To understand the ways in which technology can change philanthropy and the barriers to that happening, I've created a framework that looks at technology's impact in four broad areas, what I call "gateways": greater access to information, greater access to networks, lower barriers to entry, and lower barriers to innovation. (Of course, in reality there is a great deal of overlap between the four gateways. Take, for example, the Jolkona Foundation, which allows people to make small donations online to people living in low-income communities around the world. Jolkona gives lenders information about and access to tens of thousands of potential beneficiaries; creates a community of donors; lowers barriers of entry by reducing the cost of philanthropic transactions; and by allowing donors to receive photos and e-mails showing how their money is being used, increases accountability.)

For each of the four gateways, I've examined the challenges and obstacles to creating greater efficiency and access in philanthropy, how technology is overcoming these challenges and breaking down these obstacles, and the challenges to implementing these technologies in philanthropy and how they might be surmounted.

GREATER ACCESS TO INFORMATION

Charitable donations are often referred to as "investments." Yet donors rarely embark on the same amount of due diligence and analysis they undertake when buying stocks, investing in a start-up, or buying into a mutual fund. Too often, giving is based on emotion. A study by Hope Consulting found that only 35 percent of individual giving decisions were based on research, and of that 35 percent, only 3 percent of donors did research to find the "most effective" nonprofit.[2]

To be most effective, philanthropic decision-making requires critical thinking as well as empathy. Would you have more impact, for example, by funding a seven-year-old Namibian girl's education for a year, or by donating to a large NGO working with Namibia's government to achieve universal access to secondary education? Making such decisions requires sophisticated understanding of problems that are extremely complex, as well as taking an analytical approach to your own philanthropic risk tolerance.

One of the reasons that philanthropists don't undertake a rigorous analysis of their giving is that the information needed to do that is often hard to come by. Comparing nonprofits in the same way that consumers compare car insurance is difficult. And without insights into what works and what doesn't, philanthropists constantly reinvent the wheel, using intuition, emotion, and personal relationships to plug the gaps that knowledge and analysis should fill.

At the other end of the giving chain, donors now seek better information on the impact that their gifts have. This is something the sector has long struggled to provide. In the absence of for-profit drivers such as stock price, market capitalization, investor pressure, and the need for product and price differentiation, philanthropic accountability has been extremely limited, with nonprofit or foundation scandals appearing regularly in the headlines. Added to these challenges, assessing social and environmental impact is much harder than measuring financial returns.

Technology helps provide a solution to these problems by opening up vast reserves of information, allowing givers to see their gifts' impact, and helping nonprofits and foundations to provide detailed and timely feedback on how they use donors' money.

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Disclosure: Laura Arrillaga-Andreessen's husband, Marc Andreessen, is an investor and a co-founder and general partner in the venture capital firm Andreessen Horowitz. Personally, and as a partner in his firm, Andreessen has invested in some of the companies mentioned in this article, including Facebook, Airbnb, LinkedIn, Box, Lyft, and NationBuilder.

Donors can now find online most research reports produced by large foundations, as well as their financials and nonprofit evaluations. It is essentially like having free access to the best money managers' analysis. Once-scarce information about the funding portfolios of family foundations is also going online, with foundations such as Good Ventures and the Case Foundation leading the way.

Meanwhile, online evaluators are doing valuable legwork for donors. GuideStar International provides information on millions of nonprofits in the United States, the United Kingdom, Belgium, India, and Israel. GreatNonprofits develops tools that allow people to identify, review, and share information on effective charities. GiveWell compares the impact and relative cost of different nonprofit organizations and makes recommendations to donors, helping them decide where to give. And a relative newcomer, the Social Impact Exchange's S&I 100 index, uses third-party evaluations to assess nonprofits' impact and scalability. Armed with this kind of knowledge, donors can make far more informed decisions about where to distribute resources.

As useful as these information resources are, they have their limitations. Ratings organizations approach assessments in different ways. Some offer data gleaned from nonprofit tax returns, such as spending on overhead (which may or may not correlate with impact), whereas others provide more nuanced ratings.

The inconsistencies in assessments of nonprofits are understandable. Measuring social change is a complicated business. One can count the number of foster youths mentored or HIV patients given medication, but it is harder to assess the impact of an advocacy group working to raise awareness of domestic violence or preventing first-time incarceration. In addition to immediate program results, donors need to understand intermediate and long-term outcomes. And the sheer volume of data that technology generates demands new ways of analyzing and filtering.

Technology provides many ways to gather and assess data, but human intelligence remains a critical part of measurement. Online ratings systems are a starting point rather than a comprehensive solution to philanthropic due diligence.

Donors also need to be encouraged to invest time in understanding why certain strategies failed and others worked and how this knowledge can help them increase the impact of their giving. One solution might be to create a donor hub—a dedicated website, Facebook group, or other social media forum—where donors could discuss why they did or did not fund an organization and which resources proved most useful in helping them make their decision.

Organizations such as the Council on Foundations, the Association of Small Foundations, or Social Venture Partners International could create online networks through which members could share lessons. Some are already doing this—the William and Flora Hewlett Foundation and the Irvine Foundation post stories about their failures on their websites. Other foundations could follow their example.

Even so, there are many barriers to information sharing, from lack of transparency and legal considerations to concerns that highlighting poor performance might drive donors away from an organization. Again, the human element comes into play. After all, who really enjoys talking about failures, mistakes, financial inconsistencies, and shortcomings? And who wants to denigrate publicly an organization with good social-change intentions? Technology can take us only as far as we are willing to go.

GREATER ACCESS TO NETWORKS

There was a time when it was difficult for philanthropists to connect with one another. The lack of time and the lack of close physical proximity hampered donors' ability to share their passions or learn from each other's experiences. For nonprofits, building donor databases was time-consuming. Responding to requests, thanking donors, and updating them on progress involved individual letter writing and labor-intensive mailings (not the electronic kind).

Without robust donor networks, funds tend to move in one direction—from an individual to a nonprofit or foundation—rather than flowing peer-to-peer (a donor giving directly to the ultimate beneficiary) or collectively, from groups of donors to other organizations (peer-with-peer).

Today the Web, donor management software, email, social media, and mobile communications have revolutionized the way donors and beneficiaries interact. Nonprofits can post images and videos online or exchange them via smart phones, narrowing the gap between those who give and the people they want to help. This means giving is no longer purely a top-down process, with large nonprofits, foundations, and wealthy donors acting as the philanthropic sector's leading players in driving social change. Technology allows donors to interact directly with beneficiaries and play a more hands-on role in creating solutions to global problems. DonorsChoose.org, for example, has tapped into the hunger of donors to make their own philanthropic decisions by creating an online education marketplace: teachers post projects that need funding—from books to field trips—and people can go online to choose which projects to fund.

Collective giving is also powered by technology, allowing individual givers to pool their resources online in virtual giving circles. For example, Change Gangs unites a group of giving circles donating to pets, poverty alleviation, and veterans. As people reach out to their networks, donors who don't otherwise know each other can coalesce around a cause or issue.

Some collective giving movements achieve remarkable scale. Take Giving Tuesday, which unites the US philanthropic community for a day of giving at the start of the holiday season. Partners create projects and spread the word via social media. Results have been impressive. In 2013, about 10,000 companies and charities participated,[3] generating about 500,000 tweets with the Giving Tuesday hashtag. According to Blackbaud, between 2012 (when Giving Tuesday launched) and 2013, the average gift size increased by 40 percent, and the total amount of gifts Blackbaud processed increased by 90 percent, from $10.1 million in 2012 to $19.2 million in 2013.[4]

Yet given the potential connective power of technology, it's surprising that the philanthropic sector has been slower to adopt it than have other sectors. After all, consumers regularly share thoughts about products or services with one another when shopping (from Amazon ratings to Yelp comments). One might think donors, who want to improve lives, would have a greater incentive to share knowledge. If it is worth sharing thoughts on a new running shoe, why not share them when you are developing solutions to eradicate malaria? With so much more at stake, digital networks have the potential to increase our impact, connecting us with givers from diverse communities and taking our giving across geographical boundaries.

Of course, the advent of online networks does not in itself generate new waves of giving. Social media excitement is not always matched by gifts. A recent study in the journal *Sociological Science* found that only 0.24 percent of people who "liked" the Save Darfur Cause on Facebook actually donated to the organization.[5] And a recent study by Blackbaud found that only about 1 percent of online fundraising occurred through social media; just 2 percent of American nonprofits raised $10,000 to $25,000 through Facebook; and a mere 1 percent raised $25,000 to $100,000 on Facebook.[6]

Creating networks of people to give collectively or share information is one thing, but without formal organizations with ambitious goals and stated missions, it is hard to develop robust strategies. This is the next challenge for the sector. More effective collaboration tools are needed. How might technology allow geographically dispersed people to tackle a social issue together? And could algorithms analyzing social media's ripple effect create evidence to inspire deeper commitments and help campaign leaders to guide supporters on which actions to take?

When new ways are found of harnessing the good intentions expressed online, technology will be able to turn virtual support into tangible action, with social media giving individual donors the power to effect a disproportionate amount of change. In ancient times it was Archimedes' lever that could move the world. In today's philanthropic world, technology is one of the most powerful levers in our hands.

LOWER BARRIERS TO ENTRY

As has long been the case with early-stage businesses, social change organizations (such as advocacy groups, nonprofits, and foundations) have faced significant, if not prohibitive, start-up costs in financial, intellectual, and human capital. Without technology, nonprofits struggle to identify and manage volunteers, just as volunteers struggle to track down opportunities.

Achieving the necessary scale to implement the systemic solutions needed for widespread impact is also challenging. It requires gathering data and integrating evaluation into programs at every step, creating data for proof of concept, maintaining constant program iteration, building awareness, sustaining interest, and igniting followers to act—processes that are costly and difficult without technology.

With technology, however, the playing field is leveled, allowing change makers of all backgrounds, resources, and ages to enter the marketplace and scale up their solutions. Of course, it still takes a serious investment to create a staffed foundation or nonprofit. But the connectivity of the Web and social media means anyone can launch a giving movement or an advocacy campaign, informing and inspiring thousands of people at relatively low financial cost.

For example, in 2011, a group of Ecuadorian women created an online petition on Change.org to close a network of "clinics" that were torturing lesbian patients. More than 100,000 people joined the movement, prompting the Ecuadorian government to take action to eradicate these clinics, free the women trapped inside, and launch a national campaign to fight homophobia.[7]

The Web is also doing for volunteering what job boards have done for employment searches. For example, LinkedIn Board Connect uses the networks and connections that nonprofit board members (and aspiring board members) have on LinkedIn to find board members with the right skills and acumen.

On Catchafire, a New York City–based social business, users can browse online to find organizations whose needs meet their skills (it also calculates how much money a certain number of pro bono hours will save the organization). A much larger organization, VolunteerMatch, allows users to enter their charitable interests and zip code and search for volunteer opportunities. For young people, DoSomething.org matches people with opportunities that do not require money, a car, or an adult—and everything is done via mobile.

When it comes to the more practical side of running a nonprofit, technology also plays a powerful role. Gone are the days when donor care meant sorting through Rolodexes and stuffing envelopes. Organizations can become almost entirely paperless. PayPal and other online payment systems mean donors can give to most organizations via a website or mobile site.

Software services such as Eventbrite, MailChimp, Salesforce, and SurveyMonkey allow foundations and nonprofits to manage mail-outs and events and gain a clearer picture of who their donors are, what segments they fall into, and where their passions lie. The cloud-based philanthropic programs of Box and Dropbox also enable increased efficiencies for the nonprofit world. Donors can even create and manage their own fundraising pages, something charity: water, a nonprofit that brings safe, clean water to people in developing countries, offers its supporters.

Nonprofits can lower costs by connecting online to share resources such as computer equipment or office space or to get group discounts when purchasing supplies. Nonprofit-share, for example, is developing a platform though which nonprofits can find other organizations that are working on issues similar to theirs and are located near enough to share resources. And NationBuilder, an online community organizer tool, enables nonprofits to reach and manage large populations of supporters, donors, and activists.

Many of the cost-saving services powered by the Web are not specifically targeted at the nonprofit sector. Nevertheless, as the sharing economy expands, the potential savings and efficiency gains are tremendous, whether nonprofits use TaskRabbit to outsource errands and administration, Airbnb to find inexpensive accommodations while traveling, or Lyft to find background-checked community drivers.

Cost savings and increased efficiency benefit donors, too. With lower transaction costs and leaner operations, a higher percentage of philanthropic dollars can flow into programs and services, ultimately improving the lives of many more people.

Although access to many online services and social media is free, it is worth remembering that skilled employees are needed to make the best use of them. Often, these workers expect higher salaries than nonprofits can afford to pay. Because their skills can be well worth the money, the nonprofit sector needs to find ways to attract this talent. Organizations can also tap into the pro bono services of the corporate sector. Much of the technology that could help nonprofits advance their missions already exists—organizations just need the talent to use it effectively.

Meanwhile, as more and more of our lives exist online and in the cloud, technology poses privacy and security risks. When nonprofits store donors' addresses, email addresses, and financial information digitally, they become susceptible to hackers. And if technology has made it easier for nonprofits to establish an online presence, it has done the same for the scammers pretending to be these organizations.

To secure the trust of donors and volunteers, nonprofits must develop robust security systems that protect the information of donors, volunteers, and beneficiaries, and they must help donors to distinguish legitimate nonprofits from the scams.

Finally, by lowering barriers to entry, technology creates a new problem—overload. As fundraising campaigns and volunteer opportunities flood email inboxes and social media sites, quality becomes diluted and it becomes harder for donors and volunteers to choose which organization or cause to support. Maintaining quality and helping people navigate the many ways of getting involved will therefore become increasingly important for the sector.

LOWER BARRIERS TO INNOVATION

The complexity and severity of the world's social problems demand experimentation and innovation. That is why philanthropy is often described as society's risk capital. You would think that, free from the shackles of government bureaucracy and shareholder pressure, philanthropists would find it easy to be innovative and take risks. Far from it.

For nonprofits and foundations managing funds donated by others, the risk-taking needed to solve social problems often runs up against the relative paucity of donor dollars. Most nonprofits lack the capacity or funds to use beta testing, prototyping, or data analytics to generate insights that inform better decisions. Often working in isolation, nonprofit leaders find it difficult to bounce ideas off one another, harness collective wisdom, or access external sources of innovation.

For individual philanthropists the challenges are similar. Creating innovative giving strategies is hard if they can't tap into the wisdom of others. Forums and sources of advice do exist. Conferences and workshops—such as the Stanford Center on Philanthropy and Civil Society's Philanthropy Innovation Summit—bring together networks of donors, and private banks offer advice through their family offices. But such events can be expensive or limited only to clients, and not every donor has the kind of wealth required by private wealth management firms.

Most philanthropic funding, however, comes from ordinary people with extraordinary generosity, not from the millionaires and billionaires who appear in the mass media. And to be effective in their giving, these ordinary people also need access to communities in which they can exchange ideas and sources of innovation. Social networks are beginning to transform the way that individual philanthropists collaborate with one another. The matchmaking power of the Web creates networks of donors who would otherwise have no way of finding one another.

For organizations, technology is no less powerful a tool. By using technologies such as 3D printing, computer modeling, and simulation, nonprofits can create prototypes and test the effectiveness and practicality of social interventions and shift course as necessary. Feedback loops can be embedded into social service programs at greater scale, speed, and accuracy. With multiple choice assessments or quizzes for each module, online learning gives teachers real-time feedback on whether or not content and methods are proving effective.

Using mobile technology, communities themselves can report directly on local challenges and come up with their own solutions. Take Crisis Text Line—the brainchild of social entrepreneur Nancy Lublin, CEO of DoSomething.org. Using this service, teens can reach a counselor 24/7 via text. Crisis Text Line has also tapped into the power of data. An algorithm gathers every word used in the texts and gives real-time prompts to counselors, suggesting that they ask certain questions and provide specific information. If, for example, a teen uses the words "scared," "unsafe," and "home" in a series of texts, a counselor is given information on potential child abuse and can follow up to provide support and coaching on a regular basis.

The Web also allows nonprofits and foundations to tap into the wisdom of crowds. Innovations can be sought from individuals and organizations living anywhere in the world and from any sphere of life—often through competitions and games. The "Make It Your Own Awards," launched by the Case Foundation in 2007, was one of the first competitions to use the Internet to apply a "citizen-centered" approach to solving social problems. It invited individuals or groups to submit ideas online, with the top 20 finalists each receiving a grant of $10,000.[8]

New ways of finding ideas bring challenges, too. The excitement of working within a limited time frame during an online competition means people may come together to collaborate on a project they might not have the time to implement over the long term. And although everyone is looking for sources of innovation, it is worth remembering that plenty of good ideas already exist and could be scaled up, rolled out across multiple markets, or piloted from within an existing nonprofit. Without mechanisms for sifting good ideas from bad and turning online enthusiasm into real-world impact, crowdsourcing and social media could lead to over-innovation at the expense of focusing on scaling up proven solutions and achieving measurable change.

Moreover, while digital data give nonprofits new insights into the challenges they are trying to overcome and the progress they are making, organizations run the risk of "data overload." As the volume of data collected increases, new ways of filtering the information that is gathered will be essential. Palantir, which builds software to glean insights from large sources of data, is at the leading edge of these efforts. Through the company's Philanthropy Engineering team, it partners with nonprofits on initiatives ranging from the allocation of medicines that are about to expire to the coordination of efforts among volunteers in the wake of a natural disaster. Palantir offers its services at no or very low cost ("low bono"), but not all nonprofits have the knowledge or data infrastructure to partner with the company. Here again, translating online innovation into tangible progress on solving problems will require offline support (for this reason Palantir provides its nonprofit partners with human support as well as its software).

CALL TO ACTION

Empowered by technology, philanthropy is in the nascent stages of what could be a significant transformation—moving from relying on good intentions to achieving greater scale and measurable impact. Yet technology can do only so much. At every stage of disruption, cultural and historical barriers (combined with institutional and individual inertia) erect hurdles to progress. The absence of the market forces that motivate the private sector to embrace change has also slowed philanthropy's adoption of technology.

To be clear, the barriers to adoption are not technological—the systems needed to transform philanthropy exist today, and tapping into them requires relatively modest financial investment. For philanthropy to embrace technology and the advances it brings, it will take a change in mindset among both philanthropy professionals and individual givers.

Time and the changes in demographics it brings will affect the adoption of technology. In 2017, Millennials will surpass Baby Boomers as the group having the largest purchasing power in the United States,[9] and this new generation will make up almost 50 percent of the workforce by 2020.[10] Besides being more comfortable with technology than their elders, Millennials have grown up with a greater global awareness and a global sense of community.

If Baby Boomers can make the mental and organizational shifts necessary to embrace technology, however, these tens of millions of "digital immigrants" could play an even greater role in solving the world's greatest problems, combining their knowledge and experience with the passion, digital savvy, and enterprise of the Millennials.

As online platforms democratize giving and pressure mounts to find new, measurable models of change, harnessing technology could dramatically increase our ability to develop scalable solutions to some of the world's biggest problems. All the technology tools we need are in our hands right now. What are we waiting for? ■

NOTES

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