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Disrupting Philanthropy:

Technology and the Future of the Social Sector

DRAFT v 2.0

By Lucy Bernholz with Edward Skloot and Barry Varela

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Introduction: The Hype, the Hope, the Hazard

> "Digital technology is fundamentally changing our business in a way that no development in the last two hundred years equals, except the onset of electricity."[1]

The high expectations and troubling fears about the impact of digital technology on "business as usual" are nothing short of extraordinary. The opening quotation, from a leader in the music business, was directed toward that industry, but it almost doesn't matter what line of work, play, creation, or distribution we are discussing. Digital seems to change everything.

The question for us is: Does it change how philanthropy works? We consider this question from three vantage points:

- By looking at the landscape of philanthropic giving and the technological shifts that matter for different segments of that landscape.
- By recounting a few notable stories of philanthropic practice reshaped by digital technologies.

[1] Peter Jenner as quoted in Greg Kot, *Ripped: How the Wired Generation Revolutionized Music*. New York: Scribner & Sons, 2009, p. 1.

- By scanning the horizon to consider the implications that technology-enabled practice holds for philanthropy and for the production of social good.

These three vantages align, more or less, with past, present, and future intersections between technology and philanthropy. We'll look at these changes primarily from a U.S. standpoint, nevertheless recognizing that one of the signal characteristics of digital information is that it knows few national boundaries. We'll also examine some of the current and foreseeable downsides of the technological reshaping of philanthropy.

The hype

Like other activities that involve information creation and exchange, philanthropy has not been unaffected by the revolution in digital technologies. Some of the hype is actually true.

However, philanthropy is unlike industry in two key ways. First, the individual, idiosyncratic interests of donors drive much of philanthropy. Philanthropy is fragmented, diverse, passion based, and only somewhat subject to the power of rational external forces. The only thing many philanthropic actors share in common is their tax code designation, and as we will see, even this generalization is becoming less true. The second way philanthropy differs from other industries is that many of its participants are engaged voluntarily and may therefore remove themselves at any time. This means that market pressures are less forceful. There are entire segments of philanthropy—namely individual giving and endowed independent foundations—on which market forces exert little, if any, direct influence in terms of giving decisions. Its idiosyncratic, fragmentary nature, along with the fact that it's largely immune from

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the disciplining effects of the market, immunizes philanthropy to a large extent from the forces of change that work in recognizable patterns (recognizable if only in retrospect) on other industries. Change never moves cleanly, unilaterally, or predictably across philanthropy, and almost any generalization about the sector will be contradicted by numerous individual exceptions.

That said, it's safe to observe that digital technology has already caused at least one fundamental change in philanthropy: the appearance, in the last several decades, of numerous large and influential philanthropic entities (for example, the Bill and Melinda Gates Foundation, the Skoll Foundation, and the Omidyar Network) whose assets derive from fortunes made in digital technologies.

More important, technology also has become the lifeblood of new philanthropic networks, and has begun to unleash the power of aggregated individual donors and activists. Technologies are changing how philanthropists find and share information, how they communicate with each other, their grantees, the public, and their enterprise partners, and how they measure their work and deploy their resources.

The hope

While not every institution on the philanthropic landscape has changed its behavior, the landscape itself looks fundamentally different than it did even a decade ago. This landscape includes both funding institutions and individuals (i.e., those with money, or the "donors"), the enterprises that work directly to produce social good (the "doers," such as community

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organizations, nonprofits, public agencies, faith-based institutions, and commercial ventures with socially beneficial attributes) and a range of intermediaries that connect the two (community foundations, national donor advised funds, socially responsible investment funds, online giving markets, information exchanges, and others). Change is most visible in this "connective" category, but there is also a good deal of innovation among donors and doers.

Digital technologies increase access to information, thus shifting the possible ways people organize to use it. These new ways—networks, flash causes, nonmarket volunteer entities—will require norms and governing structures that are different from those that currently exist. It is not at all certain how and when these new norms and governing structures will come to fruition, nor what they will look like when they do. For now, we live in a tense period between old ways and new ways of creating social benefit. It is important to remember throughout our analysis of technological change that digital forces do not predetermine a future of philanthropy—the future will be written by the myriad ways we deploy, innovate, reorganize, and reregulate our choices for funding public goods with private dollars.

The stories of change recounted in this paper—the experiments by institutions, individuals, and networks—are just teasers at this point. They point us in directions where we might scan the horizon, but their cumulative impact won't be known until they, too, become part of our past.

The hazard

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We are wary of utopian analyses of the power of technology. While digital tools have changed how and with whom information is shared, enabling extensive creativity and innovation and fundamentally shifting some institutions, the effects are not all benign. Access to new information tools is not equitable, and the divide between those with and without will not close simply because technology lowers the price of information.

Free from the effects of market forces, private foundations can choose to ignore the changes in philanthropy, and indeed in society as a whole, that new technologies are generating. But they do so at some peril to their relevance. Foundations make up a small portion of the funding of social good, and their political capital may suffer if other institutional forms prove more effective. Foundations' natural constituency of supporters—donors—have new choices that may better serve their philanthropic intentions in the future.

Institutions rarely sit by and let their business models fall apart without pushing back, either through regulatory protection, market acquisitions, or their own efforts to innovate. We should not expect anything different from incumbent philanthropic institutions. The tendency of digital technology to decentralize control and access will inevitably clash with certain incumbent expectations, practices, and regulations. We may see regulatory battles in which the various forms of philanthropic giving—endowed independent foundations, individuals, intermediaries, public grantmaking charities, and new revenue-focused funders—are at odds with one another, for market share, for protection, and for regulatory support.

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Before we look more closely at the influence of technology on philanthropy, however, it is helpful to understand why digitization is such as powerful force.

Ones and Zeros: Reproducible, Remixable, Readily Available

Digitization converts information into strings of ones and zeros. Once something—a text, an image, a sound—has been digitized, it can be repeatedly reproduced with no degradation and at no marginal cost. Computation and storage costs, while still not zero, are approaching that number. Anyone with network access can upload a photograph to Flickr, a video to YouTube, a spreadsheet to Google Docs, and these digital artifacts can be reproduced, remixed, and made available for download. Endlessly. Cheaply. Globally.

Reproducibility, remixability, and availability of information: These are the first-order changes of digital technology.

What interests us are the second- and third-order changes that ripple out from digitization. In less than two decades we have seen digital technology transform music distribution, newsgathering, financial services, and software production. A recent review of consumer behavior in 16 countries found that 95% of all music accessed on the Internet is done so without any payment to the artists.[2] The music business is now fundamentally different—artists need to find new ways of supporting themselves because sales of recordings won't work. The newspaper industry failed to capture the shift to online classified advertising and the power

[2] Randall Stross, "Will Books be Napsterized?" *The New York Times*, October 3, 2009.

of citizen journalists, and it now finds its business model in jeopardy. Scientific and technological research and development, enterprise systems such as inventory management and quality control, even the way people make new friends and keep in touch with old ones—all of these activities, and many others besides, have been transformed by the new ways information moves.

The ready availability of information—now accessible via mobile devices carried everywhere—also shifts the behaviors, including the sense of speed and response time, and expectations of individuals and communities. Consider, for example, the last time you arranged to meet a friend somewhere you had never been before. You probably set a time and a place and left it at that. Odds are that you did those two things via text message, email, or cell phone. You may have mapped the address using a website or GPS technology, possibly while you were on your way to the meeting. When it became clear that you were going to be late, you called your friend to let her know when you'd be showing up. The sequence of actions and events described is unremarkable. Except for the fact that a mere ten years ago the entire interaction would have been impossible. This simple story illustrates how our personal relationships to information—how to arrange a simple cup of coffee—have changed because of our constant access to, and use of, digital data.

Digital information can be shifted around so that the original or originals are rearranged ("remixed," in digital parlance). Remixability engenders new kinds of creativity, new kinds of criticism, and new scales for innovation. Think of the hundreds of thousands of videos on YouTube made up of snippets of sounds and images remixed for purposes ranging from the

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satirical to the devotional. Remixability also leads to far-reaching commercial and legal efforts to control, limit, and manage how material is used and what kinds of sharing are allowed. Thus remixability can spark systems change as well as incremental shifts. Digital information complicates our legal traditions of ownership and use (many of which are themselves relatively recent phenomena). It propels creativity toward goals both positive and negative.

The functional changes that digital data facilitate—new competitors, higher-level information analysis, remixing of data, and new information dynamics—constitute a set of forces that are reshaping whole industries, governments, and communities. They do so for several reasons: they lower the costs of participation, they shift the boundaries of expertise from within organizations to outside them, and they give everyone the tools of both production and consumption. They expand accessibility and individuals' sense of empowerment. What does it portend for philanthropic action and institutions when we marry those functional abilities with expectational shifts? What are our expectations about who has information, what information matters, and how we can get it? How do we want information to be shared? Who owns data on giving? On effective change strategies? Who owns the results of research commissioned by tax-exempt funds? How are expectations about data different today than twenty years ago, how are they being met (or not met), and for whom?

The Philanthropic Landscape

Philanthropy is a regulated industry of financial and information services and products that has developed to facilitate basic acts of human kindness and to redress complex social

failings that neither markets nor governments have been able, or seen fit, to fix. There are two major categories within this industry—the providers of capital and the enterprises that do the work. What is notable about these two categories is how significantly they themselves have changed in the last few decades. Whereas it might once have made sense to describe these two categories as "donors" and "nonprofits," each of these terms now describes only subsets of the two. Both the "donors" and "doers" of social good have changed significantly—and so have the relationships between them.

The capital side

The capital side of philanthropy includes individual donations; philanthropic grants; social, mission, and program related investment funds; government dollars; fees for service; and product sales. It includes all of the financial products for donors. These products range from endowed staffed foundations to lending portfolios on Kiva.org. The industry also includes all of the vendors who sell these products—large mutual fund companies such as Fidelity Investments, estate planners and donor advisors who counsel individuals and families and who help establish family foundations, and the foundations themselves. It includes the range of back-office support providers to these structures—attorneys, accountants and wealth managers and the service professionals who can assist donors with these products, including family offices, trust companies, and firms such as Foundation Source. It also includes the rapidly growing subindustry of online giving marketplaces such as GlobalGiving, DonorsChoose, MyC4, GiveIndia, and GreaterGood South Africa.

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This list of product providers represents one result of technological innovation. Improvements in information processing allowed innovation in the types and scale of financial vehicles for the social sector. The rapid growth of national donor advised funds (e.g., Fidelity, Schwab, Vanguard, National Philanthropic Trust) and most of the other entities on the list above would not have been possible without exponential improvements in data storage and transaction processing, widespread access to the web, and the growth of web-based stock trading and banking.

For the most part, the examples above exist solely to "hold" charitable or philanthropic capital—funds that have been set aside and exempted from most taxes—to fuel philanthropic work. One additional change in recent years is the rapidly increasing flow of non-tax exempt dollars into this marketplace. Some portion of the $2.71 trillion in socially responsible investment funds comes into play.[3] These funds come in the form of social investments that are directed to both financial and social return producing enterprises. In turn, these investments can be held, managed and directed digitally from any number of structures, including specialized mutual funds, investment firms, foundation endowment portfolios, pension funds, corporate investment arms or marketing departments, foundation consortia, and social venture funds.

The enterprise side

Where once we focused on nonprofit organizations—those tax-exempt agencies that were set up under the tax code to provide community benefits—social goods are now produced by a

[3] We do not have a single industry standard measure yet. See http://philanthropy.blogspot.com/2009/09/impact-investing-index.html.

wide variety of enterprises. In addition to nonprofits, public agencies, and quasi-public authorities, we find market-based enterprises such as B Corporations and the emergent low-profit limited liability companies (L3Cs).[4] B Corps include companies such as CleanFish, which works to preserve ocean biodiversity by changing the fishing industry, and Better World Books, an online book reseller that sends proceeds to literacy programs. There are enterprises that look like retail shops but are in fact employment development programs, such as Juma Ventures and Greyston Bakery.

Change also comes from temporal, volunteer-driven efforts that can make huge differences in our communities, but are—by design—here today and gone tomorrow. These "flash" causes depend on technology. They can move lots of money and draw lots of attention to an issue. In February 2009 Charity:Water raised hundreds of thousands of dollars through parties in more than 100 cities, all organized by volunteers via Twitter, an online message broadcasting service. These dispersed, crowd-organized events are common tools of community organizing and political fundraising.

Information exchanges for philanthropy

All of the vendors, products, services, and changes described above center around the financial resources that fuel philanthropy. These funds are critical and huge, aggregating to three hundred billion dollars each year in the United States alone.[5] The universe of "doers," where the focus is on the creation, maintenance, or expansion of some type of public good, is keenly

[4] For a pithy explanation of the L3C, see this post by Gene Takagi on the Nonprofit Law Blog.
[5] *Giving USA*, 2008.

dependent on information. Where and what are the needs? What interventions or solutions exist? Who is doing innovative and effective work? Who is funding and in what area? What is happening as a result of those efforts? How can we get involved? These questions are the daily course for both financial resource providers and the enterprises doing the work. They are at the heart of a dynamic new information marketplace—or datascape—for philanthropy.[6]

This datascape shows some of the earliest signs of digital technology's entrance into philanthropy and its effects on the field. The ability to digitize, store, and share massive amounts of information facilitated the creation of organizations such as GuideStar and data sets such as the Foundation Center's Philanthropy In/Sight, an "interactive mapping tool [that] enables users to visualize the spending patterns of private foundations and public charities through a familiar Google Map interface." More people are connected to more relevant, integrated, and accurate data, more quickly and routinely, than ever before, and the pace is, if anything, picking up.

In addition to these data-scaping organizations and tools, transactional sites developed to facilitate direct giving and lending to causes and enterprises are now commonplace. Collectively these sites have moved billions of dollars in each of the last three years. While we typically focus on these online giving marketplaces for their financial transactional value, they also create two large new information repositories that can be invaluable sources for both donors and doers. The first repository contains information about entrepreneurs, organizations, and causes around the world or around the corner. Every single project featured on one of these sites is its own data

[6] See the Hewlett Foundation's work on nonprofit information marketplaces. "Datascape" is Bernholz's term for the information landscape.

point about needs and opportunities. The second repository contains data about giving patterns and behaviors.

When these data on enterprises and revenue flow became available online, we began to ask questions about trends, outcomes, and aggregation. We now seek tools to compare enterprises and revenue flows, monitor and fund social sector organizations, finance their technology capacities, connect directly with identified groups, and find and engage with others like us. A small sample of providers of this information would include GreatNonprofits, Charity Navigator, and insideGOOD. They help us connect by enabling us to give our money, volunteer our time (VolunteerMatch, All for Good), sign our names to a petition (Care2.com, change.org), or all of the above (Social Actions). We can join online communities (MoveOn, Razoo) that filter information, email us with updates, and help us find neighbors who share our interests and stimulate collective action that never before was possible. These organizations represent the second stage of tech-enabled, data-driven information intermediaries, ones through which we can analyze trends and patterns in aggregate behaviors, which will help us in our thinking about choices, risk, selection, effectiveness, and course correction.

The long tail of philanthropy

The long tail is a marketing strategy, made possible by networked technologies, that entails connecting products that have relatively small customer bases to those customers. Large companies such as Amazon and Netflix service the long tail by stocking not only very popular titles like the latest Dan Brown novel or Jim Carrey movie—products that may have millions of customers—but also thousands of things like poetry collections and documentaries: products that

may have may have only hundreds of customers. Cumulatively, the long tail of books sold by Amazon—ten copies of a scholarly study here, twenty copies of an obscure memoir there—exceeds the sales of best-sellers, and has proven to be a profitable strategy. Similarly, specialized retailers of products with relatively few customers—sellers of things like straight razors or vacuum tubes–can stay in business because the web enables them to connect to every potential customer, regardless of physical location.

In the same way that eBay allows the 200 individuals in the entire world who are interested in purchasing a birdhouse shaped like an Airstream trailer to connect with the four sellers of such items, philanthropic information intermediaries allow individuals to find and fund the small enterprise or project that is of interest to them. The long tail of philanthropy describes this dispersion of resources contributed for social good: millions of people each providing small amounts of money to a million or more enterprises. These small donors benefit from digital information/transaction tools that allow them to find what they are looking for easily, quickly, and cheaply.

Figure One, “The Long Tail of Giving,” shows how the market for dollars is organized. Information exchanges focus on the long tail (marked in green): potentially millions of small donors who are seeking to connect with thousands of recipients and who, cumulatively, account for more dollars than do the relatively few big organized philanthropies that make up the left-hand side of the curve. It is the similarity between marketing on the long tail (poetry chapbooks v. best-sellers) and giving on the long tail (you and I, each with $50 to give, v. the Gates Foundation) that is crucial to understanding the future of one aspect of philanthropy.

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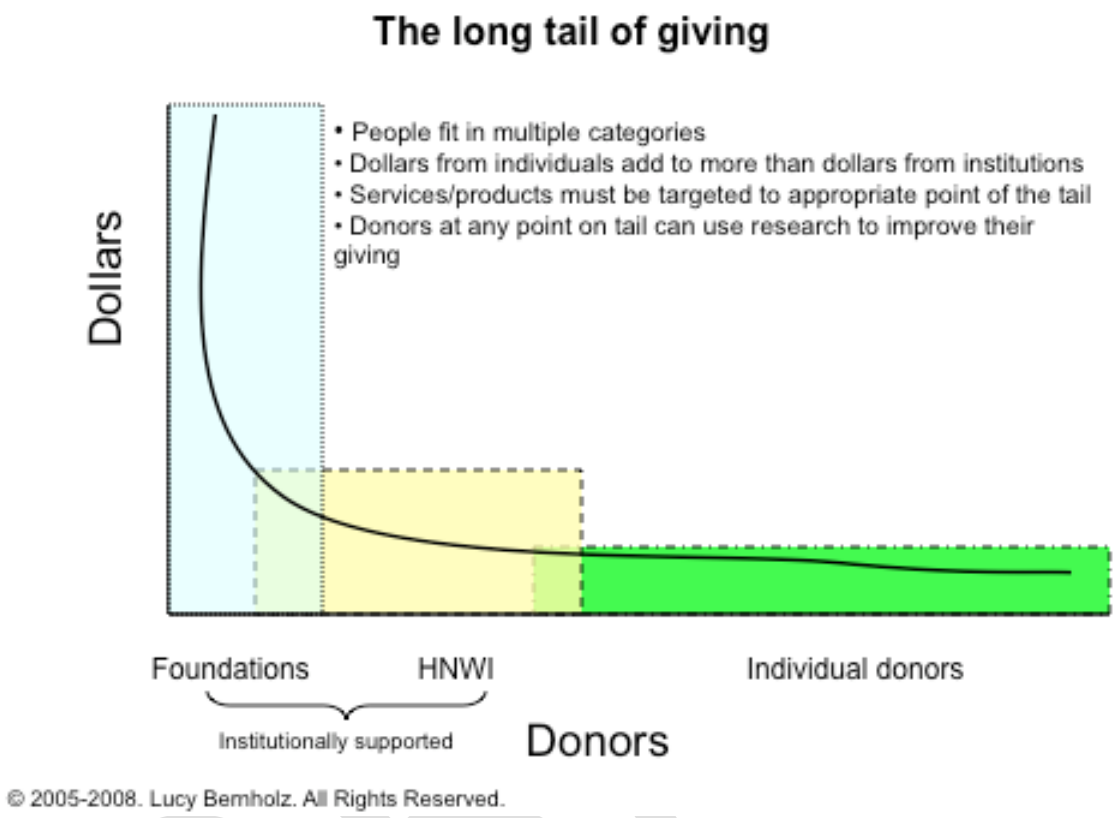
Figure One: The Long Tail of Giving



Information innovation is beginning to influence the left-hand side of the diagram as well. Many of the financial resources aggregated on the left are held in forms that come with networked information services built in. The professionals who run foundations, donor advised funds, trusts, social investment funds and other philanthropic institutions rely on a variety of systems to manage their internal operations: electronic grants application and management systems, websites for communication, online reporting forms, and so on. Foundations are beginning to experiment with sharing these systems for strategic purposes with peer

organizations and others, building their own collaborative databases and source files. Much of this information can be re-sorted or reconfigured for individual grantmaking purposes.

To date, however, it is individual donors who have benefitted the most from technological innovation, flocking to online transaction markets, organizing fundraisers and activist events through Twitter, communicating political and social messages through texting, and coordinating disaster responses through cell phones. As we will see in the two stories below, innovation in information systems for institutional funders is just beginning.

Stories of Change

The new philanthropy information aggregators—from GuideStar to Charity Navigator to Give India to Argentina's Ministry of Culture's interactive map of programs—could simply not exist without digitized data. So too the rise of social investing and social enterprises can be linked to the influence of digital technologies, in that they represent a blending of motive, form, strategy, and outcome expectation that is itself reflective of the culture of endless remixing.

Digital technologies have unleashed new behaviors, expectations and institutions that in turn rely on and represent new means of ownership, involvement, and expertise. What does this look like in practice?

Some foundations are seizing the moment. For example, Michael Milken's years of experiences in funding prostate cancer research drove him to reconsider what kind of leverage an

endowed foundation can have in the funding of medical disease research. He came to believe that medical research was conducted inefficiently, even counterproductively, and that funders were part of the problem. He chose to focus his funding on strategies that could translate basic research into medical therapies, and he recognized the potential to amplify the impact of his own funding by drawing in others. With the launch of FasterCures and the FasterCures Philanthropy Advisory Service, Milken expanded this strategy to other diseases and disease research. At the heart of these efforts are changes to the way medical disease institutions develop and share knowledge and how funders do the same. The Michael J. Fox Foundation, an unendowed entity focused on research to find a cure for Parkinson's disease, has taken a similar path.

FasterCures

FasterCures now offers high-quality independent research on a variety of diseases and disease research institutions to other donors, so that they can find what they are looking for without doing a lot of duplicative research. FasterCures also brings together disease research organizations to share ideas on knowledge development, organizational practices, community engagement, and research—so that if experts working in one disease arena have a breakthrough, the process of others' learning from it and applying it can be accelerated. FasterCures has fostered a network of "cure entrepreneurs" to move innovative solutions across formerly siloed institutions and disease communities, and has invested heavily in building a data-based system for sharing funding research and strategies with donors and other foundations.

FasterCures is built on the premise that the in-depth analysis of a set of issues (in this case, disease research) can be done well enough to be of value to other potential donors or

investors. FasterCures aims to build a set of research and tools for donors that will inform their giving at a much lower cost than if each donor had to do the due diligence himself. The tools will also begin to highlight certain gaps in the funding streams, engage potential grantee organizations in improving the metrics that are tracked and reported, and build a shared resource in which more funds can go to the search for cures and less will be spent on the overhead of investor/grantor due diligence. FasterCures is one example of a foundation-led effort to change how institutions work and how other donors work. It uses databases and websites, webinars, and online search functionality to share its research, and its technology has facilitated real change in analysis, strategy, outreach, and collaboration. FasterCures is also changing how disease research organizations function, as they can now benchmark themselves against a set of independently generated and tracked standards, report their results against consistent parameters, and organize their work in new ways. The FasterCures feedback loop—linking how data are gathered and reported, with how donors use them to make funding decisions, with how organizations use data on funding decisions to make their own decisions, generating new data—is only just becoming established. Documenting "tracked citations of produced research" and "number of cross-disciplinary teams funded" may begin to alter the incentives that drive medical disease research. FasterCures may serve as a model for philanthropy in almost any field.

The Edna McConnell Clark Foundation

Similar outcomes, from a very different base, can be seen in the work of the Edna McConnell Clark Foundation (EMCF) in the early 2000s. Led by Michael Bailin and, since 2005, by Nancy Roob, the EMCF had been funding programs in five unconnected fields until Bailin challenged his board to focus its grantmaking in only one area in order to increase impact.

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The field selected was disadvantaged youth. The board approved this mission and strategic shift. EMCF was a strong believer in deep due diligence, evaluation, and data, and used what it learned to improve its own work over time and focus its strategy on "large, long-term investments in nonprofit organizations whose programs have been proven to produce positive outcomes and that have the potential for growth." Still, successful as the new approach was, it was not enough to achieve the foundation's mission. In order to catalyze significant change in the lives of families in distress, EMCF needed to take its work to scale, and that implied changing the ways other, similarly focused foundations worked as well.

Thus EMCF began to pull together its several-year effort to collect, analyze, and use data about effective organizations in ways that would later allow it to attract tens of millions of other philanthropic dollars to the work it was doing. This initiative, which EMCF calls the Growth Capital Aggregation Pilot (GCAP), positioned the foundation as the lead investor (committing $39 million) in a $120 million, multiyear fund to support, improve, and expand three sizable and effective social sector organizations: Nurse Family Partnership, Youth Villages, and Citizen Schools. By 2009, 22 other investors had committed the remaining $81 million, and the federal government had selected all three of the portfolio organizations as exemplary organizations worthy of public investment. The GCAP funders work from common metrics and coordinate payment schedules, and all organizations and the funders share financial models and outcomes. Using data as a centerpiece, EMCF led the development of a new investment syndicate that has substantially expanded the reach of its partner organizations and helped improve the lives of tens of thousands of young people. It has also taken the concept of funder collaboration to a new level

and brought into the field tens of millions of dollars that might otherwise never have been forthcoming.

The examples of FasterCures and EMCF reveal the fundamental shift that can take place in foundations when they determine to use data as a resource, share what they know, and work with others to achieve a common goal. And the shift depends on foundations' being able to collect, analyze, use, and share data with potential collaborators near and far, like and unlike, big and small.

The next iteration of this type of shift is already visible, as organizations such as SeaChange Capital Partners, SEGUE (a unit of the Nonprofit Finance Fund), and the Growth Philanthropy Network use similar strategies: data-rich analyses of specific issues and organizations to attract and manage significant growth capital for key organizations. They are taking the foundation-led, data-centric model from Milken and EMCF, moving it into either a new entity (SeaChange) or a new network (Growth Philanthropy), and aspiring to succeed by aligning others around shared missions. What enables this to happen is technology.

Five philanthropic practices

The stories of FasterCures and EMCF illustrate five common philanthropic practices that have been reconceived and redeployed through technology- and data-driven innovation. Specifically, they are:

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- *Setting goals and formulating strategy* — how social sector funders and enterprises make decisions about what to do, where, and how (FasterCures and translational research on diseases)
- *Measuring progress* — how social sector funders and enterprises measure and report on their impact (shared performance measures in GCAP) and how recipients of grant funds measure their own progress from a consistent, rigorous, and nondefensive place.
- *Accounting for the work* — how funders and enterprises account for their work, to the public at large and to regulators (reporting systems for both FasterCures and GCAP)
- *Networking for good* — how funders and enterprises interact with those outside their own organizations, whether they be clients, volunteers, partners or competitors (both funders focus on informing other funders and building funding partnerships)
- *Using data for external change* — how funders and enterprises use and share information to advance their goals (both FasterCures and GCAP are data driven)

The stories that follow highlight examples of donors and organizations adopting or experimenting with various technological tools in each of the above practice areas. For shorthand purposes, we will refer to funders and enterprises in the social sector, remembering that both of these categories are quite diverse.

Setting goals and formulating strategy

How do funders decide what social problem to tackle? How do they choose what to fund? The answer to both of these questions is often tied to personal passion and area of expertise, but

there is an increasingly visible use of external data, market research, and assessment work being done to inform these choices.

The explosion of online giving markets provides evidence of this at one level—these searchable catalogues of giving opportunities allow potential donors to sift and sort by geography, gender, social issue, funding need and other variables before deciding on where to direct their gifts. These platforms provide standardized information on each of the choices, allowing the user to compare, for example, several different types of water-quality strategies that could achieve their goal. A potential donor might consider lending to a farmer to invest in a water pump, donating to a nonprofit water pump manufacturer, making a small investment in a new water cleaning technology, or supporting a community fighting to retain control of its local water supply. Whereas finding these options in the past might have taken years of research and access to local experts in several countries, better, clearer choices can now be made by anyone with access to an Internet connection.

For institutional funders, the tools for assessing a landscape have also changed. Their process often begins at the strategy-setting stage, where they might commission an analysis of funding patterns and then map that information against public data sources on needs or demographics. Tools such as Gap minder—a data visualization source that makes relationships between data sets easy to see—are now readily available. Network analysis, which can help

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identify and depict patterns of relationships among individuals, organizations, or funders, is another increasingly useful means of understanding a situation.[7]

Foundation professionals and social investors are slowly beginning to seek external input into their strategy setting practices. The Lumina Foundation for Education in Indiana has posted its strategic planning process, the plan itself, and the progress measures being used on an interactive website where the public can comment. The foundation also has a YouTube channel where you can watch and comment on video interviews with key decision makers. The Peery Foundation in Palo Alto, California recently pushed its strategic planning conversations into public view using Twitter—welcoming thoughts, sharing its planning tools, and actively discussing its ideas with anyone who "followed" the Foundation's board or staff members on Twitter.[8] In 2007, the David and Lucile Packard Foundation used a "wiki" to solicit possible approaches to dealing with the problem of nitrogen pollution. In each case the foundation expanded the scope of data it was gathering to include the input of external stakeholders.

These experiments move us in the direction of using the web to "crowdsource" ideas for giving or aid. One well-known example comes from Paul Buchheit, an early Google employee, who wrote a blog post looking for advice on donations from his donor advised fund and then built a series of online tools—including a Google moderated voting site and a FriendFeed

[7] See examples of how Oxfam has used networks of participants to spread the impact of specific projects.
[8] See the Peery Foundation's hashtag stream—a website that captures Twitter discussions about the strategic planning process. The Twitter discussions prompted prominent bloggers to weigh in on the process.

group—enabling anyone to post suggestions.[9] The British Government proposed a similar project to guide some of its funding for international aid. The John S. and James L. Knight Foundation has also used crowdsourcing tactics in its News Challenge grants program.

Measuring progress

The last decade has seen tremendous innovation around measuring social change. With roots that trace to both the United Way and public agency efforts at outcome reporting, the social sector has been hard at work trying to isolate, calculate, track, and report meaningful measures of their impact. The pace of innovation in the last few years has accelerated for several reasons. First, singular efforts at calculating impact, such as the social return on investment (SROI) work begun at REDF (formerly called the Roberts Economic Development Fund) in the 1990s, slowly gathered attention and gave birth to alternatives.

Second, a growing movement of social investment vehicles, from program related investments to social investment funds, has increased the pressure for quantifiable, comparable measures of social change.

Third, the maturation of independent advisory firms to philanthropists and social investors required points of differentiation, and offering new ways to measure success was one area of competitive advantage. This pressure to measure extends directly to the use of technology itself—the rapid rise of social media is paralleled by dynamic debates and rapid innovation in

[9] See Paul Buchheit's blog, the Google site, and the FriendFeed Group. Further discussion of this effort can be found at Beth Kanter's blog.

ways to measure the impact of these tools.[10] There is a parallel here to the technology-enabled lightning-fast stock-market trading practiced by firms like Goldman Sachs—a point of differentiation that produced a competitive advantage adding up to many millions in profit.

Finally, nonprofit organizations and social enterprises have led the way in seeking measures of progress that help them improve their work and raise funds in a highly competitive grantmaking system. Facilitated by low-cost digital technology such as identity card readers that enable better tracking of service use, the ability to track inputs and outputs has grown more robust; with better tracking has come improved ability to analyze, share, and jointly produce measures and tracking systems of value. These improvements have, in turn, altered the approach to, and value of, evaluation and assessment. Evaluation and assessment reports are still not widely shared, but as the culture of philanthropy changes, and norms and expectations around sharing change, the flow, scale, and longevity of philanthropic dollars will surely change as well.

One example of shared measures comes from the community development field. NeighborWorks America is a national nonprofit organization started by Congress in 1978 to support community revitalization efforts around the country. In 1997 a subset of community development organizations connected through NeighborWorks began to develop a joint system for measuring the outcomes of their work. Over the next 12 years, that effort, known as Success Measures, has evolved into a comprehensive online evaluation system for community development programs, which allows individual organizations to track and improve their work. The data from individual programs is comparable, stored on the Internet "cloud" so it can be

[10] See the work of Chris Brogan, Beth Kanter, and KD Paine, among others.

accessed from anywhere, and managed for the good of the whole. It can be used to benchmark progress in the field, identify new areas of work, and assess strategic options across geographic regions and demographic groups.

Donors and investors are also actively engaged in developing whole new systems for measuring progress. The Acumen Fund, an independent social investment fund focused on alleviating poverty in Asia and Africa, began developing internal measures of progress that could be used across its portfolios, each of which dealt with distinct domains such as job creation, health outcomes, or access to clean water. As Acumen progressed in this work, major partners such as Google and Salesforce.com joined in and began the push for measures and tracking systems that would be of use to organizations outside of Acumen, as well as to enable it to raise more investment dollars. Doing so required the development of a shared taxonomy of outcomes and of systems that could track information within a single organization as well as feed into a common data set, eventually serving as a data platform for many organizations. Thus was born the PULSE platform—a software system for tracking these outcome measures. The Impact Reporting and Investing Standards (IRIS), a shared taxonomy of outcome definitions, is currently being launched alongside the PULSE platform.

Sharing progress data is one significant change; sourcing it from actual participants is another, more complicated and costly one. One of the barriers in all measurement endeavors is the cost of reaching out to all relevant constituents. Cutting corners by measuring proxy indicators may obscure, rather than clarify, what really happened to those affected by a given program. Yet networked technology can reduce the expense of obtaining on-the-ground data. For

example, GlobalGiving, an online marketplace for donors around the world, recently watched as one local group sought text message input on the impact of its work. Working in a small African village, the group's leaders handed out bumper stickers that asked people to text their thoughts about the program to a certain number. Anyone with an opinion could respond, anonymously, about the impact, management, and role of the organization in the community. The cost to gather the data? The cost of the bumper stickers. More sophisticated data collection and analysis of stakeholders is also underway, including efforts modeled on customer feedback and constituency voice. Keystone Accountability, a UK-based research and consulting firm, now offers a free tool on its website to enable nonprofit organizations to acquire anonymous constituent feedback.

A more sophisticated example of how different data collection is in the era of social media can be found in the YouthTruth evaluation. A partnership between the Bill & Melinda Gates Foundation and the Center for Effective Philanthropy, YouthTruth distributed a survey (online, on social networks MySpace and Facebook, via email, and with the help of MTV) to high school students attending schools receiving funding from the Foundation. The data collected is used to inform the schools, the funders, and the evaluators. The process inherently recognizes the value of the "end user" experience. It also equips students with the data if they want to use it, while also pointing them to other resources that might help them improve their schools. This type of evaluation turns "subjects" into "actors." It changes the dynamics at every level—from when data are collected, from whom, how they are used, and who can analyze it—at a cost that is negligible when compared to traditional approaches.

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These examples are only a few of many tools for measuring progress that now exist. A 2009 study by McKinsey and Company found more than 150 such tools being used in the American social sector. That study informed the creation of a database of these tools (which can be accessed for free, commented on, and improved) and will soon be housed at the Foundation Center. Similarly, a recent analysis of shared metrics by FSG-Social Impact Advisors provides several stories like the NeighborWorks example. That study is now hosted on a website that invites readers to contribute additional examples and comment on those provided. In short, the very act of researching these issues has changed. It no longer suffices to document an issue and provide a snapshot in time. Many major reviews, this one included, now have companion websites that incorporate interactive conversations about the research and new resources as they are identified.

Accounting for the work

While measures of progress are important, there is yet a larger issue of accountability that these measures don't reach. That question has to do with the degree to which organizations in the social sector, both funders and enterprises, are held to account for their work to the broader public and to regulatory and tax agencies. At the most basic level, in the United States, this accountability is required as part of the tax-exempt status afforded many of these organizations. The questions of accountability—to whom and for what—are already feeling the ripple effects of our new digital expectations.

Regulatory accountability in the U.S. is generally limited to financial issues—funds must be properly invested, tracked, paid out, and reported on. Both state and federal agencies require

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such reports, and much of the aggregate data that we have on the sector comes from analysis of the tax forms filed by nonprofit organizations, philanthropic foundations, and individual donors.

Some subsets of foundations, such as community foundations, are creating and using industry-wide norms and benchmarking tools. The Community Foundation Insights toolkit, is designed to help an organization measure its costs, adjust its fees, and reconsider its staffing patterns. With the aid of data storage and analytic tools, what once might have been shared only among a few colleagues personally acquainted with one another can now be captured for the field as a whole.[11] The Center for Effective Philanthropy's data sets on foundation responsiveness, grantee satisfaction, and board practices are another example of technology enabled, industry-wide benchmarks. Some foundations, such as the William and Flora Hewlett, Geraldine R. Dodge, Surdna, and John Hartford Foundations, have put their CEP reports on their websites. Many more have used the feedback to change policy and practice.

Increased visibility is a precursor to greater calls for accountability. A 2007 investigative series in *The Los Angeles Times* about the endowment holdings of the Bill and Melinda Gates Foundation brought broad attention to an issue otherwise tracked only by investment advisors. The series catalogued numerous instances in which equity holdings by the foundation actively undercut its philanthropic goals. Interestingly, the foundation flip-flopped in its response to the series, finally landing on a "no change in policy" stance. Recent financial scandals, including the enormous endowment losses generated by the Bernard Madoff ponzi scheme, have led to calls

[11] Another relevant example is this wiki of technology use by foundations, assembled by Blueprint Research & Design and now hosted at Northern California Grantmakers.

for greater oversight of charitable investment practices. Were this to happen, networked technologies would be the enabler.

There has not been an industry-wide, proactive effort to deploy digital tools for better accountability. Smaller experiments, such as Grantsfire, an open platform to allow grants data to be easily aggregated, have gained limited traction. The furthest most foundations go to share data is to provide easy online access to required forms—digital versions of their 990PF tax forms, annual reports, and, in some cases, databases of their activity, such as grants made and publications produced. Even the benchmarking efforts of community foundations and the Center for Effective Philanthropy don't address data sharing as a standard of practice—yet.

Digital databases, software applications, and visualization tools are increasingly popular for watchdogs of public spending and lobbying. The Sunlight Foundation alone has provided several dozen different tools for monitoring political spending. Open government data sources are also increasing at both the municipal level (San Francisco and Washington, D.C., are among several cities that have opened access to city databases) and the federal level (President Obama's Open Government Initiative and data.gov are two examples). Some of these efforts are philanthropically supported, such as the Pew Charitable Trusts' Subsidyscope website, which tracks federal subsidies, but there have been few sector-wide efforts to open the databases of information held by philanthropic funders.

Networking for good

Much of the recent excitement about technology has involved social networks—online communities where individuals and institutions can share information about themselves, find friends, colleagues, and shared interests, and—possibly—activate other members of these networks toward some kind of action. The names of these communities are familiar—Facebook, MySpace, LinkedIn—but their roles as tools of change in philanthropy are less clear. These networks are robust platforms for experimentation, and each one brings on a wave of fundraising efforts that garners a great deal of attention and then seems to pass. Analysis in the Washington Post of the funds raised through Facebook led to a high-spirited public disagreement on blogs, as some argued the dollars were minimal and the tools therefore useless, while others focused on the networks as awareness-raisers, not fundraisers.

Fundraising is only one possible use of these networks. The Hewlett Foundation has a Facebook page where it shares stories about its areas of interest, its staff, and its grantees. Meanwhile, the David and Lucile Packard Foundation uses its Facebook page only for internal purposes. Ning—a web company that allows anyone to create social network sites—hosts more than 1000 such groups for nonprofit organizations, foundations, and charities, and Big Tent Design supports networks specifically for community groups.[12] Connecting to like-minded people, hearing from supporters, and sharing information are key goals in these scenarios. These same goals explain the use of other digital tools that facilitate outreach and engagement, including Twitter, blogs, and virtual worlds such as SecondLife.

[12] Author analysis of Ning blog, bigtent.com, and search results.

One place we can observe pervasive experimentation with digital tools is in the way conferences now occur in the social sector. Whereas these events were once focused on exclusive access to information available only to those who paid registration fees and traveled long distances, the historic pattern has been stood on its head. Now industry conferences are very focused on sharing the discussions beyond the walls. A recent conference on social capital markets devoted several weeks before the event to building up awareness on blogs and Twitter, had volunteers updating Facebook and Flickr pages before, during, and after the event, showcased two different video channels, one live and one recorded, and equipped several participants with small video cameras to capture sessions as they happened. All of this information was posted online for the benefit of both those at the venue and those who could not attend. This commitment to making visible, and thus learnable, what was once literally held behind closed doors marks a major shift in our expectations about information and networks. Similar social media strategies are becoming *de rigueur* for major industry conferences.

Many of the newest digital technologies are notable because they facilitate "two-way" discussions. The crowdsourcing examples mentioned earlier show how foundations, donors, and enterprises are using some of these tools. Prize competitions, such as ASHOKA's Changemakers, the X Prize, the MacArthur Foundation's Digital Media and Learning Competition, and the Case Foundation's "Change Begins with Me" challenge showcase this commitment to engaging new types of partners in both developing solutions and discussing the issues.[13] All of these examples also demonstrate the importance of sustainable leadership by a key institution, as we also saw with the Edna McConnell Clark Foundation and GCAP.

[13] McKinsey & Co. wrote a paper on philanthropic prizes, "And the Winner is…"

One of the realities of technological innovation is that the edge is always a few steps away. When it comes to using existing digital tools to create change in the social sector, the current edge appears to involve the use of mobile phones to feed into mapping or aggregator platforms that look across individual signals to reveal patterns. The African network Ushahidi was built to help people organize quickly in response to natural disasters or other crises. By the fall of 2009 it was being used as a news platform for grassroots coverage of the G20 conference. Similarly, FrontlineSMS, a free software program that enables mobile-phone users to send text messages to large groups, has been used to monitor elections in Mexico, conduct a donor survey in Singapore, and report human rights violations in Ghana.

Another point on the edge involves the use of games for social good. While industry and the public sector, especially the Department of Defense, have used simulation technology and game-playing pedagogy to test new ideas and teach new skills for years, philanthropic support for games is less pervasive. One significant example of where games have worked is in HopeLab's development of Re-Mission, a video game for youth living with cancer that helps them stick to their medicine regimens. Independent evaluations found a significant increase of regimen adherence by young people who played the game. Organizations such as GamesForChange and Serious Games are helping build awareness of these "pro-social"games. Games and mobile phones—in fact all digital technologies—readily lend themselves to quantitative measurement.

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Networked change agents may require change on the part of funders—change that may or may not be immediately forthcoming. Ushahidi, for example, was started by an unincorporated group of colleagues spread over two continents and several countries. Even though the informal, networked structure proved capable of building an effective platform for change, it also proved to be a stumbling block to raising foundation funds. We will see more such disconnects as enterprises that are "native to the digital world" continue to proliferate.

Using data for change

Different uses of data are at the core of the behavioral and expectation changes fostered by digital technology. Our individual use of search engines is proof enough of this. For many of us, the ability to find instantaneously what we are looking for—whether it be a restaurant, a news item, or the balance in our retirement accounts—has changed how we behave. We are now so used to immediate access to data from almost anywhere that we are more likely to take note of it when we can't find it than when we can. Just think of the last time your browser was slow, your connection to Google lost, or you were out of cell phone range. This is important only because the degree to which we are comfortable with data online indicates the degree to which we will demand more from those data sources. It is no longer enough to find an Indian restaurant within five blocks in an unfamiliar city. We also expect to be able to find crowdsourced reviews of it.

Where data for social good are concerned, we see this same rise in expectations. Individual websites that offer donation possibilities or volunteer opportunities are one thing. We now expect—and have—systems such as Social Actions or All for Good that will pull together all of the donation or volunteer opportunities in a given locale or on a certain issue and push that

information to a user so she doesn't have to go looking for it. We can barter for or donate our goods simply by posting them online at FreeCycle or Craigslist, we can find volunteer opportunities at VolunteerMatch, and phone applications such TheExtraordinaries or Catalista now let us donate our time wherever we are and whenever we like.

The next frontier in this regard is the blending of donations with investments. Online giving markets that manage charitable donations are merging with investor-level exchanges that manage social investments. In some cases, such as the Danish-based site MyC4, the user determines on a case-by-case basis whether she is making a gift, a loan, or a profit-seeking investment. Other sites, such as Kickstarter, which supports artistic and cultural projects, freely acknowledge that the funds they drive to projects can be classified as investments, gifts, loans, or any combination of the above—leaving the decision to the funder and the artist. On newer platforms, such as the soon-to-launch NeXii, individual registered users will be able to manage portfolios of grants and investments, track them against financial and social indices, and compare their own performances against those of others. These platforms are designed to be useful to individual investors, commercial investors with social goals, and endowment managers seeking to track all of their grants and social investments in one place. At the root of these platforms are technologies derived from financial markets and data derived from the social sector. It remains to be seen whether they will become popular enough to challenge the role of donor advisors or community foundations, or whether these organizations will find a way to adapt to, or even adopt, new technologically enabled platforms.

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While we cannot accurately predict which of today's online marketplaces will be leading in transactions processed a decade from now, it should be clear that the aggregate data from those transactions and platforms will itself be a key source of information for and about the sector, and a starting point for the next generation of innovation.

One of the stickiest issues for donors and enterprises where data are concerned revolves around ownership rights of information. The whole world of copyrights and patents has been turned inside out by digital technology. The philanthropic sector can take credit for launching one of the most robust open licensing alternatives to traditional intellectual property regimes in the work of the nonprofit Creative Commons, a user-focused system that puts rights management in the hands of the creator. It has expanded from written and photographic work to cover scientific data, music and video, and classroom lessons and is now valid in countries all over the globe. Oddly, however, it is still relatively unknown and unused by foundations in relationship to their grantees. A recent study performed by the Berkman Center at Harvard Law School found that while "Open licenses promise significant value for foundations and for the public good and often for grantees as well," these structures are rarely used, as "many grantees and foundations are relatively uninformed and inexperienced with open licenses." Reflecting on the work of the Milken Foundation, FasterCures, and a few other philanthropies, it is possible to imagine that greater, easier access to important information for the public good may yet be in our future.

In addition to the many examples of the use of digital technology noted above, foundations, even without taking the step to adopt open licenses, are taking more steps to enter into the "information economy" in an active way. The Hewlett Foundation recently began posting applications received to its education program to the web for anyone to download. The

idea here is that the universe of applications is itself a valuable source of data about the state of the field, and that the work that goes into these applications, including literature reviews and market analyses, can be useful to those in the field doing the work.

Another approach, similar to FasterCures, is the creation of shared databases of organizations or projects. Examples include the Pennsylvania Cultural Database, Grantmakers for Film and Electronic Media's media database, Techsoup Global's Repository of Equivalency Determination Information, and the newly launched Social Entrepreneur API. The issues covered range from cultural programming to non-U.S.-based nonprofit equivalent organizations, but the underlying practice and philosophy of these projects is the same—organize data to make change easier, faster, and more catalytic.

Over the Horizon

The technology expert Clay Shirky has observed, "Communications tools don't get socially interesting until they get technologically boring."[14] This is certainly the case in philanthropy. Philanthropy is, by its very nature, idiosyncratic and fragmented. Recent data underscore this fragmentation. In 1990, The Foundation Center counted 32,401 foundations. By 2007 that number had more than doubled, to 75,187. A technology or practice must be widely adopted, and broadly transformative of individuals' expectations, before we can expect to see it making a real impact across philanthropic enterprises. Online databases of information, sharing documents with PDFs, searching and sorting giving opportunities—these are the technological

[14] Shirky, *Here Comes Everybody: The Power of Organizing without Organizations*, London: Penguin Press, 2008, p. 105.

innovations that, to date, have actually shifted philanthropic practice, and early adopters surely now view them as, in Shirky's phrase, "technologically boring."

Technology itself is neither good nor bad, and its effects can be either. Some of the changes that we have seen may not just fail to live up to expectations, but may also bring negative consequences. The rush to common metrics, for example, facilitated by easy data sharing, may backfire by focusing attention on low-cost, low-effect standards. Other technology-enabled changes may bring negative consequences. While increased transparency is an important goal in philanthropy, there may be a point at which transparency limits creativity or risk taking. There is a time lag between when a technology becomes available to change our behaviors—such as the ability to comment on blogs—and when our behaviors catch up with the technology—as anyone who has ever been slandered in an online forum can tell you. The etiquette of the web is not the same as the etiquette of board meetings, printed opinion pages, or personal participation in a public forum. From nastiness and hate speech to the ability to manipulate search engine rankings or to hack a secure a connection, our tech-enabled institutions are still fragile and vulnerable to deliberate mischief. Such a possibility runs counter to philanthropy's inattention to setting standards and policing itself.

Newer technologies—cloud computing, virtual networks, global, multi-product information/transaction platforms—are playing only marginal roles in philanthropy at this point. They have not yet induced widespread interest, let alone change. But the trajectory is fixed. As today's new technologies become commonplace, the next order of change—expectational and

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behavioral—sets in, and that is where we will see the early indications of what the future will hold. What should we be looking at for signs of those futures? Here are some possibilities:

- Data as platforms for organizational and social change
- New business models to support social good
- New models of governance, from centralized to porous
- New tensions between market-based and non-market solutions

Data as platforms for change

Public data is leading the way in this regard. Cities, states and the federal government are opening up their data sets for anyone to access, analyze, and activate. These data sets serve as the organizing function: the application makers, the users, and the activists may be far-flung, but the data bring them together. Motivated individuals can engage as "content analysts" or investigators where massive documents are concerned, can direct disaster responses from within the epicenter of an event or even forestall damage by alerting those in harm's way, and can quickly fact check arguments. These data platforms don't require individuals to be part of organizations to take action; instead, the data facilitate the creation of broad-based, dispersed, often spontaneous and temporary networks. As more such data become available, new correlations and connections will be revealed in every area in which philanthropy has an interest, from test scores of middle-schoolers to disparities in public health to racial discrimination in housing. The ability to mix and remix data will influence both governmental and philanthropic policies.[15]

[15] Paul Hawken, in his book *Blessed Unrest*, discusses systems change possibilities from this viewpoint, focusing on nonprofit organizations with similar missions.

To date, philanthropic data are not accessible in the same way that public data are. This is likely to change as more and more real-time grants data migrate to the web and independent aggregators find ways to pull that information off of the cloud and mash it together. In line with this type of change, we are also seeing the "cloud-based" sharing of file cabinets of research. As of 2009, research funded by the National Institutes of Health must be published in the openly accessible PubMed database within 12 months of completing the work. With the force of the funder behind this, the movement to public access to such research will only accelerate. This builds on voluntary efforts such as the Public Library of Science (PLoS) and Science Commons, which have laid the groundwork for sharing information in pursuit of common goals. It's not yet known what force—third party intermediaries, regulation, market forces, leadership within the field—will drive a similar opening-up of philanthropy, but open access to philanthropically funded data and research is within our reach. To the degree that new data will lead to new measurements of change, we should also expect to see major shifts in the sector.[16]

One of the newer technological components of the data platforms is their existence in "the cloud." This is techno-speak for data and applications that are hosted remotely and can be accessed anywhere. The best known examples are probably Facebook, Google Mail and Google Docs, Flickr, and SalesForce.com. This technology shift, from desktops to cloud-based information, matters to philanthropy in two ways. First, it can save organizations a lot of money and allow them to allocate human resources differently. Second, cloud computing accelerates most of the behavioral changes we've already seen put into play. When *I* can access my data

[16] Steven Johnson, *The Invention of Air: A Story of Science, Faith, Revolution and the Birth of America*. New York: Riverhead Books, 2008, p. 69.

from anywhere *I can choose to share it with anyone else anywhere anytime*. The ability to share allows us to work together, create new things together, and improve them together. We already have several tempting examples of co-created tools that may lead to significant practice shifts. For example, we now have housing standards that different community development organizations contribute to, use regularly, and provide benchmarks for far-flung organizations. Then there is nonprofitmapping.org, a national effort led by volunteers and managed remotely with free software to change how states report nonprofit data. This example not only uses cloud computing, but also shows how a virtual team, without an organizational home or a permanent institutional affiliation, can work together to solve big problems.

New business models to support social good

The transition from nonprofit organizations and philanthropic funders to a social economy made up of a spectrum of enterprises and financing sources has already occurred. That said, the business models that will sustain change are still developing. Profit-seeking enterprises are unlikely to fare well in the areas of human rights, violence prevention, poverty alleviation, or civil liberties. Not every social good can be produced at market sustainable rates. Many are well within the purview of government responsibility, and the discussions of social capital markets, social finance, and sustainability need to take these realities into account. We have moved from the "either profit or social good" debate, but have not sifted through the many variations of support models for social benefits. Nor have we conclusively found new models of sustainability, and the market bust of 2008-2009 shows that even large endowments are vulnerable. We probably won't ever settle this matter, because each society sets its own priorities and because innovation will continue to occur. Nevertheless, we must continue to watch the

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ways that technology shifts costs and creates new opportunities to generate (and lose) revenue, thus forcing business models to continue to evolve.

Peer networks provide a glimpse of another model. Just as an environmental program officer in a large foundation has a peer group of program officers at other foundations, environmentally focused donors are now connecting directly with their peers. The same thing is happening with regionally focused donors, activists interested in public data access, individuals who share the immigrant's diaspora experience, and those committed to global giving. The Acumen Fund and the Edna McConnell Clark Foundation show how a data-driven portfolio approach can be used to attract donors to new forms of investing; the Global Impact Investing Network's Investors Council, SeaChange Capital Partners, SEGUE, and Growth Philanthropy Network are all examples of new networks for donors and social investors.

We've seen the rebirth of the Philanthropy Workshop West, an independent network of donors and family foundations. And, of course, we've seen a decade of expansion in giving circles and Social Venture Partners. These peer networks represent two things, one we can point to definitively and one we can speculate about. First, they show just how the market is rebundling financial products and knowledge products in philanthropy—the donors are doing it themselves. As peers find peers, and peer networks find data, the role of the professional changes. Staffing a single foundation may cease to make sense. Consortia of active donors may begin to thrive, especially for place-based or thematic endeavors.

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Second, these peer-supported, data-informed, passion-activated, and technology-enabled networks may just represent a whole new structural form in philanthropy. In 1911, Andrew Carnegie created a huge, general-purpose philanthropic entity—the foundation in its modern form. Two years later, the Rockefeller Foundation was established by John D. Rockefeller. Both men found that, to achieve their philanthropic goals, they needed a centralized, top-down institutional structure that could provide financial and knowledge services. The rebundling of data by peers in the new century hints at possible new approaches. Networking and just-in-time data matter more, and the structures that support them will need to be as flexible, scalable, and portable as the networks they serve. On the cusp of the first American foundation's centennial, we may be looking at the dawn of a new complementary form of giving that is more informed, more aware of complex systems, more collaborative, and ultimately more effective.

New models of governance, from centralized to distributed and porous

New business models require new modes of governance. Most of the successful examples we can find of distributed governance, such as the building of open source software platform Linux, are helped by the existence of data-sharing norms and licenses that are unique to the software arena. For other kinds of ventures—such as in higher education, medical research, or service provision—where open source content sharing is not a norm, there are fewer rules of the road for governing networks.

This will be a key opportunity in the future, but in the near term it poses quite a challenge to the relationships between capital providers and social sector institutions. Challenges range from the mundane, such as how foundations can fund dispersed, unincorporated networks, to the

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more significant implications of the mundane: If they cannot do so, will foundations cease to be a useful source of capital to change driven by these entities?

These new forms, driven by the values of sharing and open participation, may also demand a reconsideration of the traditional power dynamic between donors and doers in the social sectors. Social media such as YouTube have already forced many corporations to face the fact that they can no longer control the message about their company or product. Will power dynamics between doers and donors similarly shift in the coming years? More visibility of the sector, greater transparency from both capital providers and enterprises, and instant access to information about other options imply that there will be some new norms of behavior. A resurgence of interest in the laws of the commons, applied beyond natural resources and software systems, is perhaps an early harbinger of things to come. Just as agrarian communities managed pasture land for the good of the whole, efforts such as the Public Library of Science, which holds open access scientific databases and research, show how information resources can be managed for the good of the whole.[17]

New tensions between market-based and nonmarket solutions

These networks, especially those that are volunteer driven, data enabled, and solution oriented, are radically different from incorporated enterprises with bylaws, bank accounts, mission statements, and boards of directors. They rely on new models of community

[17] David Bollier and Larry Lessig are two of the foremost thinkers on the power of the commons in the digital age. Bollier's book *Viral Spiral: How the Commoners Built a Digital Republic of Their Own* traces the history and transition of commons law from the Internet to other areas of society.

accountability, operate outside the existing regulations for grant funding that require nonprofit organizational status, and are managed by individuals who are seeking social solutions, not monetary gain or market success. They exemplify the nonmarket solutions that economists and historians expect to thrive in moments of disruptive innovation.[18]

These solutions are becoming increasingly possible at the same time that we see the development of social investing exchanges, venture banks, and shared financial reporting. This historical moment is marked by two seemingly contradictory impulses—the proliferation of market-based solutions (B Corporations, L3Cs, social stock exchanges, and impact investing) and of nonmarket intermediaries such as nonprofitmapping.org and flash causes. How will these forms evolve and coexist, and what new hybrids are yet to emerge? What challenges might they raise to the legal systems that shape philanthropic activity, such as nonprofit tax exemptions? What changes might regulatory structures such as intellectual property law or patent regulations bring to bear on these emergent forms?

Beyond the horizon

No one can predict the future, and efforts to scan the horizon of change are best done by many minds working together. As we've seen, networked information has already affected, in some limited domains, the way philanthropy is conducted and the way social good is produced. But philanthropy, clearly, is not like the music business or the newspaper business. While no music label can operate the same way it did twenty years ago, and no newspaper can ignore the

[18] Yochai Benkler, *The Wealth of Networks: How Social Production Transforms Markets and Freedom.* New Haven: Yale University Press, 2006.

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Internet, there are thousands of private foundations, and millions of individual donors, who disburse their charitable assets, whether money, time, expertise, or physical labor, using no technology that didn't exist in 1989 (or 1889, for that matter). Nevertheless, change is inevitable, and the further penetration of networked technologies into everyday life, among all social strata in all parts of the globe, would seem likewise to be inevitable. Today some of the poorest members of the most poverty-stricken nations have access to SMS messaging[19]; tomorrow your neighborhood family foundation, in the fourth-floor apartment upstairs, may have a website.

While the decentralizing effects of networked technologies are familiar—again, look to the music business—there is, also, a counter tendency: the creation of seemingly "natural" monopolies on the web. Through a certain ineluctable logic—sellers want to go where the most buyers are, and buyers want to go where the most sellers are—the online auction business has produced a single major player, eBay. Similar logic has produced, sometimes shockingly quickly, natural monopolies among online payment systems (PayPal), classified ad hosting (Craigslist), user-generated video hosting (YouTube), and social networking sites (Facebook, which appears to be in the process of dethroning MySpace). Among all the many online giving markets, will the logic of natural monopoly formation (donors want to go where the most nonprofits are, and nonprofits want to go where the most donors are) produce a single dominant site with a dominant methodology of operation and assessment? If a monopoly (or oligopoly) does emerge, what are the implications?

[19] For example FrontlineSMSMedic, which provides a "free, open-source software platform that enables large-scale, two-way text messaging using only a laptop, a GSM modem, and inexpensive cell phones," has created networks in Malawi, Bangladesh, Burundi, and Honduras, among other locales.

How will better data sharing affect the way individuals donate? Will people be more aware of social problems, and donate more, growing the philanthropic pie? Or will "issue fatigue" set in, causing them to donate less? Or will total donations remain unchanged? Will better data raise awareness of "root cause" problems, as with the "scientific philanthropy" of a century ago, resulting in a redistribution of donations—away from, say, the local church and toward organizations engaged with widespread social issues? Will donations become less focused on the local and more toward the regional, national, or international? Will there be a generational split; that is, will older people, who are less wired, remain attached to the old ways, while younger people give fewer dollars to the Salvation Army and United Way and more dollars to Kiva and DonorsChoose? Such a pattern seems to be emerging in faith-based philanthropy, particularly among Jews and Catholics. Will there be a similar class-based split, reflective of the so-called digital divide? Are these alternative giving approaches "good" for philanthropy, or will they effectively slice and dice donations into smaller, and less effective, pieces?

How will networked technologies affect the major charitable volunteer civil society organizations—Rotary, Kiwanis, Big Brothers Big Sisters, Habitat for Humanity, and others? How will they affect church groups? These are the vehicles through which most Americans donate their time and money, and they represent, in the aggregate, a much larger segment of the philanthropic sector than do the staffed foundations. Will Rotary and Kiwanis become more "strategic"? Will they be more effective if they do?

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In an analysis of the financial models of American theatre, opera, orchestra, and dance companies, Bowen and Baumol identified "cost disease" (also known as the Baumol Effect) as the fundamental problem that bedevils arts organizations.[20] In most sectors of the economy, Baumol and Bowen noted, technology tends to increase work productivity. There are, however, certain labor-intensive activities, such as an orchestra's producing live symphonic music, that undergo little or no growth in productivity over time. Relative to the rest of the economy, these activities become ever more expensive: they suffer from cost disease. Likewise, some of the areas that philanthropy concerns itself with are more likely to see significant benefit from a highly networked nonprofit sector than are others. For example, improved networking and more efficient exchange of information will almost certainly improve vaccination research. But what of a labor-intensive human service, such as foster care? Technology may improve foster child placement services around the edges, but at the most basic level, foster care consists of one good family agreeing to take in one troubled child, multiplied many times over. There's only so much efficiency new technologies can bring to this arrangement. The same is true for homeless shelters, soup kitchens, and mentoring programs for troubled students. Labor-intensive endeavors like these can't be made very much more efficient; relative to medical research, human services will become more costly over time. Will the program areas that benefit most from new technologies become more attractive, or less attractive, to philanthropy?

Finally, how will our legal and institutional structures of philanthropy keep pace with the new opportunities for organizing, facilitating, informing, and funding change that technology facilitates? What new forms of accountability will emerge? How will institutional funders work

[20] Baumol, William J., and William G. Bowen, *Performing Arts: The Economic Dilemma.* New York: Twentieth Century Fund, 1966.

with distributed networks? What new policy frames are necessary to maximize the potential impact of these new social forms and minimize their downsides? What new governance structures may come into being as part of these changes?

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We have attempted to discern the recent changes that have brought philanthropy—through technology—to its current place. We've tried to identify and describe emerging patterns in what is a largely fragmented and idiosyncratic industry. We've tried to raise questions that will confront the third sector in the next few years. The answers may be encouraging, or they may be disturbing, or they may be both. For now, we have tried to set the table for many conversations about the future shape(s) of philanthropy.

We encourage you to join us in these conversations through email, in wikis, and at conferences. We hope you will use this paper in discussions and planning meetings and in academic and practical settings. Please join us via any of the means noted below, and we encourage you to let us and others know how and with whom you've used this research, and especially what you've learned.

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Blogs

Lucy Bernholz

Allison Fine

Beth Kanter

Tom Watson

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