

The electronic marketplace unleashes whole new ways for people and organizations to work together in the social sector ...and profoundly challenges the dominance and the operating styles of organized philanthropy.

DeTocqueville Meets eBay: Giving, Volunteering, and Doing Good in the New Social Sector

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Alexis De Tocqueville first published his famous observations about the powerful and positive role of associations in American life in 1840. For the better part of two centuries, his words and his name have conveyed the fundamental tendency of Americans to come together for both mutual and public benefit. This essay explores changes that today’s electronic marketplace is bringing to the organized civic and social action that de Tocqueville found so distinctive, and suggests what these changes may mean for foundations, large and small.

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Key developments in the external environment for foundation work

What are some of the major marketplace trends impinging on foundations? Here are four. None of these are things you haven’t already heard about. But taken together they are creating some hugely interesting new possibilities – and some challenges as well.

- New and different donors are pouring into the system. New foundation creation is at record levels: nearly half of all foundations (c.30,000) have been formed just since 1990. High-visibility giving by the very rich has also surged: a recent edition of Business Week tracked the pledges and gifts over the past five years of 50 top individual philanthropists. These gifts and pledges added up to an astonishing \$47 billion (about 50% more than all foundation giving in 2002). Women and members of racial and ethnic communities are increasingly recognized and reached to as significant contributors.

Researchers, diplomats, and others are just beginning to pay real attention to diaspora giving – immigrants to the US who send money back home. Fewer than two million Filipino Americans, for example, are sending about \$5 billion back to the Philippines every year. (Greene, 2002) Donor advised funds, in community foundations, other non-profits, and commercial enterprises are growing very rapidly; one study has estimated six-fold growth in these funds since 1998. (Foord, 2003) The existence of these new donors has spawned a veritable industry of donor advisors and service providers. It is driving the formation of new forms of philanthropic infrastructure, and has given rise to at least one major national initiative, New Ventures in Philanthropy, at the Forum of Regional Associations of Grantmakers.

- What people expect from institutions is changing dramatically. Most of the organizations people deal with every day are doing business in ways unimaginable ten years ago. Retail providers allow us to order on line, and to track the progress of our order any time we wish. Banks let us see our balances, move money between accounts, and make loan transactions, 24 hours a day on line. Automobile manufacturers provide material that allows us to compare the performance metrics of the cars we are considering. Some school systems have installed video systems to let parents see inside the classroom – anytime. In this context foundations, with their closed doors and quarterly dockets, seem increasingly out of step.

- Business is becoming an accepted part of the social benefit delivery system. There is no real continuing need to discuss “whether” the firewall between commercial and nonprofit enterprises is being breached. In fact, profit-making companies are involved at virtually every step of America’s giving process. Fidelity’s Charitable Gift Fund – a pioneer 12 years ago – is now America’s largest public charity. Major foundations turn to profit-making consulting firms for due diligence with prospective grantees. American Express urges cardholders to make charitable donations – and gives extra reward points if they do. Jed Emerson’s work on the blended value proposition lets us see the connections between five related public-benefit fields with different roots in charitable and/or profit making work – corporate social responsibility, social entrepreneurship, social investing, philanthropy, and sustainable development. In this climate, it is not surprising that one large new foundation player – Skoll – defines its work as being in the social sector, rather than the nonprofit, or that eBay and Omidyar Foundation founder Pierre Omidyar recently announced he was reconfiguring his foundation to become the Omidyar Network, in part to permit direct investment in profit making enterprises with the capacity to deliver social return.

- The Internet makes it easy to reach, organize and equip individuals. We used to reach and mobilize volunteers and activists through their organizations -- the member newsletter, or the organizational “toolkit” for taking action. Today, we can put knowledge in people’s hands, connect them with like minded activists across town or around the world, and give them either ideas or marching orders for how to take action – all electronically and whether or not they “belong” to an organization. People can be aggregated to very large numbers very quickly, and in ways that bypass many of the fixed costs of older style nonprofit mobilization (from the salaries of people-intensive hierarchical organizations, to printing and postage). They can be plugged into existing organizations locally (see, for example, connectforkids.org); or assembled as a virtual strike force at the ready (savecascobay.org, created almost overnight in May 2004 to stop a liquefied natural gas terminal on an unspoiled Maine island).

The emergence of a new breed of player

How are these changes – the entry of new donors into the marketplace; the expectations for open, fast acting and customer responsive institutions; the presence of business as a credible and effective partner in social action; and the capacity of the Internet for direct and instantaneous reach to and aggregation of large numbers of individuals – playing out across the sector?

As one response, consider the emergence of GlobalGiving, an organization often described as “the eBay for development.” GlobalGiving is an open, web-based platform for individuals, companies, and other groups or organizations that want to find and fund grassroots projects in social and economic development.

It’s the brainchild of two former World Bank employees who came to believe that too many of the problems tackled by the Bank were not amenable to the big ponderous structured solutions it pursued. They experimented, inside the Bank, with what was considered a radical and wildly successful “innovation marketplace” that completely cut loose from prior procedures the Bank had in place to develop, vet, and allocate funding support to new ideas. The energetic and worldwide response they got caused them to leave the Bank to create something new.

The result – still a work in progress – is GlobalGiving. It presents as a web site for small and individual donors who want to select projects from a menu of more than 250 vetted projects in nine theme areas around the world – preserving the Oaxaca watershed in Mexico, for example (\$30,800 needed for the project featured) or using theater for social change in India (\$18,421 needed).

In reality, though, it is a multi-faceted platform for a great range of individual, organizational, and corporate players who come together to support promising projects by social entrepreneurs in every corner of the globe. It’s organized as a for-profit company, with an aligned but independent GlobalGiving Foundation that receives and disburses donations to projects. Hewlett Packard and Visa are worldwide corporate partners. GlobalGiving supports

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customized employee-giving programs for corporations. It provides feature roles for a cluster of worldwide NGO's (Ashoka, for example) that select and vet the projects offered on the site, and get exposure for their own work as well. There is a "Donation Wizard" feature for donors who are not sure what they want to do. A Haitian portal is now in the works, for diaspora funding for that country.

Right now, GlobalGiving is aggregating the giving of thousands of donors. Dennis Whittle, CEO and co-founder, has his eye on millions of donors, in the aspiration to create what he calls "the world's richest marketplace for international aid and philanthropy," and by richest he means not just money, but also ideas, expertise, capacity and impact.

Another example, from the volunteering side of sector, is Meetup.com, a for-profit venture that provides a free electronic service and structure for people who want to organize face-to-face meetings, about anything, anywhere. It came to prominence in the Howard Dean campaign, but its mission -- much broader and enormously ambitious -- is to revitalize community in America. It traces its genesis to a few seminal books, including Bowling Alone. Pierre Omidyar has been a significant supporter and investor.

Meetup is currently the electronic backbone for 1.2 million people who are meeting face-to-face in small groups, mostly in cafes and coffee shops, on 4000 different topics, in the US and about 50 other countries. Some of these topics seem right at home in what we think of as the nonprofit and social action sector -- voter registration, human rights, women's rights, progressive Muslim concerns, political campaigns. Others perhaps less so: witchcraft, knitting, poker, and NASCAR racing.

Implications for the social sector

GlobalGiving and Meetup are only two examples of an emerging explosion of electronic infrastructure to support giving, volunteering, connecting, and influencing in today's social sector. As sites, they may or may not survive and thrive. But they almost assuredly give us a window on the future.

They point toward a time when there will be a marketplace of philanthropic funding for social causes in which major foundations will be much less dominant, and where their giving heft is taken up -- or perhaps even dwarfed -- by more agile small foundations and individuals, who will be able to come together, share the research they used to do individually, make decisions faster, and aggregate their giving to achieve larger impact.

They suggest a time when philanthropy overall will be seen as a much more integrated system than it is today, drawing on the different strengths and impulses of old and new, large and small, and individual and institutional donors.

They suggest the possibility that this expanded philanthropy will itself be integrated into larger platforms that support the work of a variety of social change partners, including businesses seeking social benefit, and government.

They open up the possibility of equipping millions and millions of new individuals to be participants in the arena of social action, but also suggest that the distinctions between charitable volunteering, social activism, personal growth, and use of leisure time will become even more blurred. They also suggest the possibility that situational “flash action” for the cause du jour, mobilized through the Internet, will become more prevalent in our sector – but that the capacity represented by stable 501(c)(3)’s could either go unused, or atrophy.

Action steps for foundations

What are some of the things foundations might do, if they thought these trends and examples were worthy of attention? Here’s a starter list.

1. **Act faster, more openly, and responsively.** Say no (and yes) more quickly. Move away from the quarterly docket. Set up an electronic system to show where proposals are in the process. Set up a process to make a grant decision overnight, if the circumstances are right.
2. **Invest in efforts to grow new giving.** New donors may be pouring into the system now, but many more would join the ranks if they were asked, cultivated, and supported. So far, not enough foundations have stepped forward to build the new giving/donor support infrastructure we need, particularly at the community and regional level.
3. **Build the systems to cluster giving, especially among small foundations, to achieve greater efficiency and impact.** Take a cue from GlobalGiving: Find ways to come together to reduce the huge barriers that small foundations and individuals face in learning about an issue area, identifying and qualifying potential grant recipients, dispensing enough money to make a difference, and staying in some relationship with the grantees.
4. **Find more ways for old and new donors to work together.** It’s all “philanthropy,” perhaps – but so far there are very few projects on the ground that bring new and old donors together. Each has much to learn from the other
5. **Accept the role of business and social entrepreneurship in social change.** Seek rather than shun the business partners whose skills, strengths and needs can provide the right complement to your work.
6. **Challenge the paradigm that controlling, labor intensive hands-on, and “all by ourselves” is the same as “excellent.”** There’s much to be learned about due diligence and control from Globalgiving –

which asks able and proven nonprofits in the business of social and economic development to make recommendations, and then asks donors to accept that qualification, combine with others, and move quickly.

7. **Stay the course in supporting the development of the big platforms that support giving and volunteering.** There is significant promise in the big emerging entities – GlobalGiving and Meetup, described here, or others like Volunteer Match, Guidestar, or MoveOn – that have the potential to link, connect, mobilize, aggregate, and inform people and organizations in ways that benefit the whole sector. A cluster of major US foundations is carrying the philanthropic investment in development of these platforms (Hewlett, Skoll, Mott, Kellogg, Ford, Carnegie, among others.) There is room for more partners.

8. **Be a navigator-leader.** Allocate some foundation resources to explore and map what’s going on in the new social sector, since there is much we do not yet understand. Then share what you learn. For example: What are the demographics of the users of the new entities and systems described in this chapter? To whom are we opening doors? Who is still not being reached or enabled? What electronically-generated “redundancies” in the sector does it make sense to get rid of? Which must we keep and protect, and why?

“As soon as several of the inhabitants of the United States,” de Tocqueville wrote, “have taken up an opinion or a feeling which they wish to promote in the world, they look out for mutual assistance; and as soon as they have found each other out, they combine.” (De Tocqueville, 1840) The tendency to “combine” that de Tocqueville found so striking stays with us as a nation. There are today extraordinary new possibilities for how we enable, and then fund and deploy, the “combinations” of talent and resources that contribute to public benefit. Foundations, in combinations among themselves and with other partners, may find a future more exciting than they imagined -- and more relevant than their detractors have predicted.

References

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