

Susan Saxon-Harrod: I wonder whether this morning’s speakers will agree or disagree with the novelist Tom Wolfe, who wrote a piece in Forbes Magazine sometime last year, long before the high-tech stocks started to slump.

To paraphrase Tom Wolfe: the Internet spreads over the globe; the human mind spreads with it. Now magical beliefs are leaps of logic based on proximity or resemblance.

Similarly, we have the current magical-web euphoria. A computer is a computer, and the human brain is a computer. Therefore the computer is a brain, too. And if we get a sufficient number of them operating all over the world, we’ll have a super brain that converges on a plane far above such old-fashioned concerns as nationalism, and racial and ethnic competition.

He goes on, “I hate to be the one to tell you, but the simple truth is the web, the Internet, does one thing. It speeds up the retrieval and dissemination of information, messages and images to partially eliminate such chores as having to go outdoors to the mailbox, to the bookstore, or having to pick up the phone to get hold of your stockbroker.

“The retrieval and dissemination of information is the one thing the Internet does, and the rest is ‘digi-babble.’”

I wonder whether you agree with Tom Wolfe. Or do you believe that technology, including the Internet, can be used effectively to mobilize people globally around a common cause to achieve world-changing results?

Commentating on this and other questions will be David Eisner, vice president of corporate relations, AOL Time Warner, and senior vice president, AOL Time Warner Foundation; Mike Whitlam, chief executive officer of the Mentor Foundation and for many years chief executive of the British Red Cross; and finally, James Austin, the *John G. McLaine professor of business at Harvard University Business School.

Your moderator is Simon Rogers, deputy director of Guardian Unlimited in London.

We are most fortunate to have David Eisner here to talk to you. At AOL Time Warner, David is responsible for setting strategic direction and policy in social priorities, which include extending Internet benefits to all, engaging communities in the arts, empowering citizens, and civic participation. Within this agenda, he develops partnerships from online safety for children, initiatives to bridge the digital divide, and creating digital opportunities for underserved communities. Within this audience, he is particularly known for being involved with creating Helping.Org, which includes a number of websites, including INDEPENDENT SECTOR’s nonprofit pathfinder, GuideStar, and Volunteer Match.

We’re delighted to welcome him to his first Spring Research Forum and as our first speaker this morning.

David Eisner: Thank you very much. It’s my pleasure to start off providing some good digi-babble. That quote that all the Internet is about is speeding up the access and retrieval of information reminds me very much of some comments that were made around the time when there was a debate about whether the telephone should be in every home. A prevailing thought was that all the telephone really does is enable people to talk to their neighbors without having to walk across the street.

In fact, it's much more than that. I want to thank INDEPENDENT SECTOR for playing a leadership role in helping the overall sector manage the dramatic changes that are sweeping around us. This forum, and the papers that have been collected for it, are illustrative of that leadership.

I'm grateful to be able to explore with this panel and all of you the role of technology in building communities. It's a subject I'm passionate about, and that AOL Time Warner cares deeply about.

There has been a lot of talk about how the Internet is going to revolutionize nonprofits and the philanthropic sector. Unfortunately, immediately thereafter the discussion goes to the power of e-philanthropy and new forms of fundraising. I want to be really clear on this point. The impact of the medium is going to be revolutionary and profound. But that revolution is not going to be around, as some people think, fundraising.

It's true that the Internet offers the promise that nonprofit organizations will be able to perform important functions in pursuit of their missions more effectively. That includes fundraising, recruitment, advocacy, publicity, and every other part of managing an operation, as well as delivering services.

But the greater efficiency of doing these things is not what's revolutionary. The truly transformative impact that the Internet will have on nonprofits is specifically in the area of building community.

Before getting into specifics, let's just think about this at the highest level. What the Internet is all about is building community. If you look at America Online, Yahoo, eBay, Amazon – virtually every successful consumer-based business has succeeded on the strength of its ability to provide community, whether those communities are around chatting, sharing information, participating in auctions, in current news, financial services, or anything else.

Another thing that we know is that the strongest communities in the world are those where people come together about things they feel passionately about – about helping other people, about their causes and beliefs. So I don't think it's overreaching to say that if we get this right, if the nonprofit community pushes forward with integrating this new technology, 10 years from now the most powerful online communities will be those devoted to public interests, to helping people.

This also means that if we get this right that the causes we care passionately about in all of our organizations, and philanthropy itself, may be able as a result of this revolution to move from the side of the economic stage more toward the center. Through building communities on the Internet, we can link public interests we care about and that we represent centrally and indivisibly to one of the driving economic engines that will power the information age, the Internet.

That's the good news. The bad news is that it's not going to happen automatically, easily, or by itself. It's going to take all of us getting used to new ways of thinking, new kinds of partnerships, new evaluations of our individual and collective value propositions. It's not going to be easy or comfortable, and it's going to take a whole lot of work.

Just so you don't think you're being picked on, everybody is doing this work. Every business, every sector in our society is currently reevaluating itself and figuring out new value propositions based on what this new information age means for it.

I'd like to talk this morning a little bit about the work that lies ahead of all of us, and maybe in the process of that overcome some of the misperceptions that are out there.

First, let me drill down – “drill down” is an Internet industry term for providing greater details – what I'm talking about in terms of building community on the Internet.

I want to talk about four trends that I think are central to understanding the power of the Internet to build communities. First, more people are going to be able to have more affiliations as a result of the Internet than they've had in the past. People can participate in more communities because it's easier. As an example, in an offline world I participate in some professional organizations and some religious organizations. I participate in some groups that focus on my kids, and I try to participate a little bit with my neighborhood.

But frankly, that's about all I have time for in addition to work. As much as I would like to do other things, offline the cost and the time required to engage is too overwhelming. Online, I've found that I can participate in many other types of communities. And since becoming part of the online world, I'm now inside the youth-development community. I get to follow domestic-violence issues which I hear about. I focus on international extreme poverty. And I've re-picked up my fascination with chess, which is something that I never would have been able to do outside.

And I think that you're going to see that this becomes one of the strongest opportunities for nonprofit organizations overall, because people care about a lot of these social issues. But the fact is that they don't have time to integrate that caring into their day-to-day lives. When it becomes easy for them, and when they simply go online they can receive messages, they can participate in conversations, they can get news, you're going to see more people able to participate in more of these social causes than ever before.

And that's going to be a fundamental benefit to the philanthropic community.

A second trend that the Internet brings that changes and expands communities is the “ask” gets easier. Over and over again, we know that when people are asked why they didn't make a contribution somewhere, or why they did make a contribution somewhere, the answer is fundamentally around whether they were asked and how they were asked.

On the Internet, the opportunities to link that ask with what people do in their day-to-day lives is extraordinary. Imagine a situation where every time a consumer was touched by a story on domestic violence, or on saving the Chesapeake Bay, there was a button next to that story that said, “Would you like to do something?” Imagine if every time there was a story on something that touched their hearts there was a button that said, “Do you know what's happening in your community?”

This is something that's going to start happening in this community. We know that when people are done watching documentaries, reading touching stories about youth or other issues, they feel that they want to do something. That feeling dissipates quickly before there's an opportunity to look in a phone directory or visit a local volunteer agency.

The immediacy of those buttons, and the ability to make that ask quickly, is going to change how many people we can draw into our communities.

The third trend that's important is that the cycle of engagement is going to become frictionless. All of us are used to the basic cycle where in order to have a person become an active part of our community, first you have to attract them, interest them in what we're doing. Then we have to inform them. Then we have to somehow recruit them, get them to sign up. And finally we need to mobilize them.

At each step along the way, traditionally we experience a lot of dropout. It's very difficult, after we attract someone, to keep their attention long enough to inform them. After we inform them, we have dropoff between informing them and recruiting them. And so on, between recruiting them and mobilizing them, there's dropoff.

Online, it can all happen in one place. It can all happen at the user's convenience. And it can all happen in a click. We don't have to give somebody a pamphlet and say, “We hope you're excited by this. If you are, please call this number.” Because that's where we get the dropoff.

Instead, they get excited when they're reading it, and right there they hit the click and have the opportunity to be recruited. And as soon as they've been recruited and they're signed up, they have four options. Would you like to email your member of Congress, would you like to send this note on to a friend, and so on.

We're going to see that these cycles of engagement happen faster. That's going to be an important benefit to this sector.

Fourth, networking. We're going to see that as a result of the Internet, practitioners in all these communities are going to have the ability to work more closely together. They're going to be able to share information with each other. They're going to be able to match demand with supply, whether that's matching volunteers to volunteer needs, matching contributors to financial needs, matching expertise to where it's needed. We're going to be able to create learning environments, and we're going to be able to develop best practices.

Some of the organizations that I'm involved with now, *Sea Change for example, are doing terrific work in building these learning communities and these marketplaces between social entrepreneurialism and investors.

I think we're going to see that these communities end up number one, making the subject area far more professionalized, consistent, higher quality, because the information-sharing will be so much better. And secondly, we're going to see that the outcomes from these communities will be so much stronger because we're not going to see over and over and over again people reinventing the wheel.

The final trend that I think is important to focus on in terms of how the Internet impacts the philanthropic sector of growing communities is an increase in focuses on niches.

Up until now, we really haven't seen it because folks like AOL and other ISPs have been rushing as quickly as we possibly can to get the Internet out to the mass audience. Most of what we've been doing is focused on non-niche, mainstream audiences where we have the lowest cost of member acquisition.

Quickly, we’re going to start moving into a world where we are focusing more and more on specific niches, as the low-hanging fruit of people that already have computer access are already signed up. And we need to focus on getting new communities online.

As we start focusing on niche marketing, and as broadband begins to expand access so that there is a greater opportunity to put content online, we’re going to start seeing a higher premium for niche-oriented content. So that your organizations that are focused on environmental content, or on women’s content, or on youth-development content, that content is going to come at a higher premium and it’s going to be used to help build communities around those issues.

So those are a few of the trends that I think auger really well for how the Internet can help build communities. Let me spend just a little time talking about some of the barriers we need to address if we’re going to take advantage of these trends and fully realize the opportunities to build communities on the Internet.

Unfortunately, they’re every bit as daunting as the opportunities are wonderful. Let me hit four of them.

First, all of us have to focus on building innovative uses of the medium as a force for accomplishing social objective. Many pilot programs have told us what we suspected, which is that this technology offers never-before-seen potential to take communities that have been traditionally denied the ability to participate in society and help them participate economically, socially and politically.

But we have not fully exercised these applications, and it’s important that we do.

Second, we must continue to press urgently forward with finding new ways to ensure that everyone is able to enjoy the benefits of the Internet, that no group is left behind based on income, education, geography, race or ethnicity. Obviously, this is a responsibility that industry has very strongly. It’s a responsibility that’s also shared with government.

But it also must become a higher priority than it currently is among after-school and literacy programs, among youth-development and mentoring initiatives, and other community-based programs. And it’s important to remember when we talk about overcoming the digital divide that we’re not just talking about getting computer hardware, software, wires and connectivity into these places. We’re also talking about training. We’re also talking about community education. And we’re talking about developing content so that when people come there, they find things that are relevant to their lives.

Third, we’ve got to continue to find new ways to support the development of tools that make giving, volunteering and civic participation easier and more compelling. For the past couple of years I think a lot of us have assumed that this would be something that would be picked up almost exclusively by the for-profits. And today it appears that the nonprofit sector will have to bear an increasing role in making e-philanthropy a reality.

Let me point out that I don’t think the challenge to the sector in this area of e-philanthropy is so much how to build the software and the applications themselves. I think the true challenge is in finding new ways to work together toward common goals.

Does it really make sense to have more than five different organizations toiling independently to develop national databases of volunteer opportunities? Does it make sense to have literally dozens of organizations assembling the same data about the sector for use by Internet donors? Why can't organizations come together in their common interests to use common tools?

Let's look on the business side for a minute. Could you imagine if every Internet company developed its own browser? If AOL can share a browser with Microsoft, its arch-competitor, if all the competing airlines can share the common SABRE database of flight information, if all the car companies can list their pricing on Cars.Com, why is it so difficult for nonprofits to come together to share the same basic data and tools infrastructure all of them need?

Well, in large part it's because the sector hasn't really figured out the Internet yet. It hasn't figured out how the business models work. And that in turn leads me to the fourth and final barrier I want to talk about today.

Most nonprofits don't use the Internet themselves. This is an issue that I'm sure you're all familiar with. It's very hard to have a discussion like you're having here for the past couple of days without talking about the importance of increasing capacity in the nonprofit sector. But it's a truism. How can we possibly hope to erase the digital divide for underserved communities if the organizations that represent and serve and advocate on behalf of those communities are themselves on the wrong side of the digital divide?

Likewise, how can we expect consumer demand for online giving, volunteering and civic participation to grow, if the organizations they're trying to reach are not able to respond to their emails, or even to acknowledge contributions that come to them online?

Some of the most important players in addressing the capacity issues for nonprofits are grantmakers. It's important for grantmakers to focus on providing grants for technological capacity. But what's really important is even where grants are not related to technology, grantmakers need to take an interest in their grantees' technological proficiency in the same way that they take an interest in their staff capability, their management, their financial credibility. They need to add technological capability to that list.

I've touched on four critical and daunting agenda items, and unfortunately there are lots more I haven't brought up. For example, the challenges we face in creating low-literacy, multicultural and multilanguage content.

The good news is that we have time to respond to these challenges, because we're really only at the very beginning stages in the development of this interactive world. If this were an evolutionary tree, cause-oriented, community-building, and e-philanthropy on today's Internet would be near the bottom – below Homo Sapiens, beneath amphibians and reptiles. Down there with the single-celled creatures.

At this stage in the medium's development, we're amoebas; or more accurately, Amoebas.Org.

As Steve Case has said, the fascinating thing about where we are today is that the medium is big enough to matter and still small enough to be shaped.

I hope all of you and all the nonprofits you come in contact with find ways to have some fun wrestling with these issues. Seriously. There’s a joy to what we do as nonprofits; it’s a thrill to spend our time working to benefit society and to help people. We all know that there are things that we do that are less than joyous, whether it’s administration, sometimes fundraising, dealing with red tape and so on. It’s important that we not let technology become a part of the burden or part of the drain. Rather, it should be part of the excitement.

We have a golden opportunity to build stronger and more passionate communities than any we’ve experienced before. We can help people become participants in our causes through the magic of electronic connectedness. That should be exciting and fun. We just need to get to work.

Simon Rogers: How committed to you think big companies like AOL are going to remain in building communities among people who essentially don’t have any money, especially when times are harder for those big companies?

Eisner: I think that you’re going to find that it’s in all Internet and high-tech companies’ best interest to ensure that the Internet is ubiquitous. That adds value to the overall network and, frankly, the system doesn’t really work if everybody is not connected.

I think that you’re going to see different levels of commitment as companies experience this enlightened self-interest at different paces. Certainly at AOL Time Warner it’s one of our highest philanthropic and business imperatives.

The other reason that we’re going to focus on it is that we have a little bit of a window to get this right before government steps in. If we don’t get it right, government should step in. So I think that the burden of proof is on us to show that we can make everybody a part of this new revolution. If we don’t, then we’ll be looking at more regulatory ways of handling it.

Rogers: And do you think that will survive, for example, what’s happened to the NASDAQ recently?

Eisner: I think you have to take a long-term view. I don’t anticipate that large agendas will be shaped by the ups and downs of the stock market like that.

Rogers: Thank you, David. Our next speaker is the CEO of the Mentor Foundation, which is an international, non-governmental drug-prevention agency. He has spent over 25 years in the nonprofit sector, and is former director general of the British Red Cross. He was behind the landmines campaign, which was famously supported by Princess Diana. I’d like you to welcome Mike Whitlam.

Mike Whitlam: I was particularly pleased to have David on the platform today, because as a CEO who spends most of his life chasing funders, I haven’t been able to get into AOL Time Warner. What he said today gives me a great deal of hope that he’ll listen to me in a little while.

I also like the idea of having fun in the voluntary sector. There are in fact thousands and thousands and thousands of people running around Britain today wearing silly red noses for Comic Relief. This will raise over 20 million pounds for aid agencies.

I don't know the first thing about the Internet. As a typical chief executive of a voluntary organization, I can see a lot of hope for it as a tool, but I frankly don't know how to make it happen myself.

When I came into Washington yesterday, at the passport control I was asked, as ever, “Why are you here?” And I said, “I'm here on business.” He says, “What is the business?” I say, “I work for a voluntary organization.”

He said, “What's that?” I explained.

And then he said, “Why are you here?” I said, “It's a conference on the value of the Internet and the voluntary sector.” He said, “What on earth has the Internet to do with the voluntary sector?”

I said, “I don't know. I hope to find out.”

The other thing that happened to me just before I left London was that I was given an email from 12 Indian women who are part of a very small community in a remote part of India who had taken it into their heads to do something about drug prevention because it was a problem in their area. They had found us and asked if we could help.

That started to make me think that we as a relatively young voluntary agency were beginning to make some progress and beginning to do our job well, because we will be able to help this group at a distance. It's not something that I would have been able to do as head of the Red Cross.

As a voluntary-sector manager, I'm delighted to be here. I'm delighted to have the opportunity to network and listen.

There's one issue that I want to highlight that came up yesterday, and I feel very, very strongly about it. We are regulated as voluntary agencies probably more so than any for-profit agencies in the world. I've been to about 85 countries in the last nine years, and I think in almost every case one of the problems we face is the regulatory bodies that look at how much we spend while investing in infrastructure support and administration.

This whole question of core costs, of infrastructure support, is a big problem for us. How on earth can we put money into, and persuade donors to put money into, things like developing a major portal or a major email system, or whatever it is, when at the end of the year and somebody looks at your balance sheet and says, “Now wait a minute, you've been spending 60 percent of your income on administration.”

I think as nonprofits we have to keep that one very much in mind.

The one question I want to stress is this whole question of collaboration, because for groups like ours it is very important – not just a voluntary agencies who normally collaborate, but collaboration that means people like me can talk to people who know something about the Internet and not have to wrestle with the new language that we're all having to learn.

I thought “circuit riders” were something to do with an electricity safety mechanism. I thought “spam” was what my parents fed me when I was a young boy. You laugh at that,

and frankly I find it funny, too, but when the IT guy who looks after my system tells me it's gone down because of X, Y or Z, I haven't a clue what he's talking about.

There is an issue here that if we're genuinely going to make maximum use, particularly at the community level, of the power of the Internet, and really make it work, then we've got to address those issues as well... the question of how we get together at meetings like this to understand each other, and each other's needs, and how we can make it work for the benefit of us.

I've been into many developing countries where people haven't had the sophisticated technology that is needed to make things happen, but through agencies like Oxfam, Red Cross and many of the other international agencies and NGOs, there is at least one machine in the area. It may not be the best, but there is one that enables us to do our work. Collaboration is very, very important.

We've heard a lot over the last 24 hours about civil society, and I guess that's what we're talking about. I'd like to give you my definition of civil society, because we don't understand it in the UK and in many other countries quite in the way you use the term here.

So I have a somewhat idiosyncratic definition of civil society, because it's about all of us. We're all part of civil society. But we're all part of civil society in a way that is outside our day jobs. It's us doing things in a way that we wouldn't normally do things, because we're called upon to use our skills and expertise in ways that aren't normal. And so we act as volunteers, care as neighbors, are part of a volunteer rescue team. We're sometimes trained to do these things, as in the Red Cross. Or sometimes, as I found myself just the other day on the tube train, we're in the wrong place at the wrong time. Or, for the sake of the guy whose life I was trying to save, the right place at the right time.

And I think there are a whole heap of questions about what really is civil society that are going to drive the way in which we begin to make priorities out of the Internet in the way that we are currently doing.

****END OF TAPE****

In the Red Cross movement, globally there are over 150 million volunteers, and growing. You see agencies that are totally volunteer supported, like in the UK the Royal National Lifeboat Institute which saves everybody's lives at sea. There are no paid staff there running that society.

Governments are increasingly looking to the not-for-profits, or the third sector, to deliver services. So we have to take in this information-technology revolution.

We've been going through a professionalization process for a number of years now, and I think it's largely been around “Do we understand what business planning is, and do we understand what management is.” But now we have to take account of this new technology.

I've identified six areas in the voluntary sector where I think we make a difference and where I think this new revolution can also make a difference. I'm going to focus on those. Some of you may disagree with me that perhaps these are not the most important

areas, but these are the ones that I’m currently wrestling with and where I think the vast bulk of the work of the sector would fall.

Service delivery is the one I want to deal with first. I have some examples of how I think services are delivered differently because of this technology. Let’s look at elderly people – often housebound, certainly not able to go out and do their shopping. There are social-welfare agencies, like Meals on Wheels, providing at least one hot meal every day to people who are housebound. It’s quite an expensive service for local authorities, social-service departments, to provide. What’s happening in that situation?

Well, we can all now buy online. We can actually click on to a supermarket and have this delivered. We’ve seen a change in our eating styles and habits. Somebody mentioned yesterday the microwave. We can have microwavable meals delivered by the supermarket to the door. You don’t even have to have a computer. You can do it through your television; you can do it by phone. You can do it in a different variety of ways.

I think that’s going to be a significant shift in the way services to the elderly are going to be delivered. They can have elderly people’s chat lines if they’re housebound. They can order a wheelchair if they need one. They can order a special taxi.

Whatever it is can be ordered online, and social services don’t have to be involved in it at all because the benefits system provides the cash to pay the supermarket to deliver the service or whatever it is.

So I think we’ll probably see that type of service probably changing out of all recognition.

I worked for a while as the chief executive of the Royal National Institute for the Deaf, an organization that was trying to develop services for deaf people. Organizations that work with people with disabilities are another example. One of the new technology projects we were working on was to develop a telephone system for deaf people that would enable them to communicate with hearing people and anybody in the world. I came to the U.S. to see the AT&T service, and with British Telecom developed what I consider to be a more accessible, and actually better, system.

What it meant was that we were able to enable deaf people to talk to hearing people. And suddenly the world opened up to them. But we were using these outdated *mini-context telephones which were really not new technology.

The Internet has suddenly blown all that away, although there is still the need for the telephone system, and opened up yet another development. Deaf people all over the world are finding that they can gain benefit.

Aid agencies have to travel thousands and thousands of miles, sometimes to quite remote places. It takes a lot of money and a lot of time. Now we don’t have to do that. When there’s a major disaster, the people on the ground are the people who have to deal with the issue, not the British Red Cross or the American Red Cross or the Canadian Red Cross who zip in with truckloads of stuff. It’s the people on the ground in the first 12 hours who have to deal with it.

What do they need? They need expertise, they need assistance – online training and support – in a way that the Internet can now provide. We even have to provide first-aid service to the ordinary man in the street. I can remember my first-ever visit to the U.S. when a man collapsed of a heart attack in New York. I didn’t know what to do. But if I’d had my *W telephone with a what-to-do on it, I could have been taken through how to deal with this guy on the ground stage by stage, either through listening to it, or by watching it and seeing the diagrams and demonstrations online.

So we see adult-service and aid agencies being able to deliver services in a very different – and quite exciting – new way.

The next one is children’s services. Again, a whole range of opportunities through training and access to training. At the moment, I’m trying to persuade young people not to use drugs. What are the ways in which we can excite them about the alternatives to drugs? We can use new technology, with schools and with youth agencies, to try and get them interactively involved.

The next one is research. I don’t need to tell you about research, but for me as a manager the Internet and all the new technology mean two things. One, I can collect information from around the world at much less cost and more quickly. That’s why a contract that we’ve just signed with the United Nations International Drug Control Agency is an important one for us because we’re scouring the world – largely using the Internet – to find good examples of prevention work in some quite small towns and cities around the world.

Secondly, it’s a tool that I can use to gather information about trends and so on from young people, from parents, and from governments relatively quickly and easily. I won’t dwell on that, because most of you know more about that than I do. But as a tool for a manager, it’s actually very important indeed.

We’ve just heard quite a lot about campaigning and advocacy, and that’s at the core of what we do. If we as voluntary agencies don’t use our experience to expand and extend the knowledge that we get from our service delivery, then frankly we’re only beginning to half-use or quarter-use the value that we have.

And so as a communications tool, as a campaigning tool, it’s incredible. I just wish we’d had as much access to the Internet five years ago when we started the landmines campaign as is available now, because I think we would have done it much more quickly and at much less cost.

It is an incredible tool. We’re a relatively small agency, but I came across in the UK an organization called Advocacy Online.Net. They’re relatively new, they just set up in the UK. In the U.S. that’s been around a bit longer than in the UK. Here is an opportunity for very small community groups to get at least 20 campaigning and advocacy tools to use and promote and send letters to their local MP, to get their local MP motivated, and so forth. I talked to these folks about translating that into an international arena, and they said it’s much easier, because, of course, the only people we have to target are Kofi Annan at the UN, the prime minister, the foreign minister, and maybe the home affairs minister in each country around the world. That’s a very simple database to put together.

So to me, campaigning is a really important one.

Fundraising is the one we all think of. It's the one where we expect to get big bucks, and we're not. I don't know of any, not even Netaid, which was one of things we were hoping would generate billions, if not tens of billions of dollars. We haven't cracked that one yet.

David said he didn't think that was the big one for us; I don't know whether it is or it isn't. But it's one that we're all putting quite a lot time and energy into trying to make work. We've just at Mentor set up an online donation facility, which was very disappointing. I wasn't surprised, because it was linked to the homepage of Easyjet, which is a low-cost budget airline. It is one of the busiest websites in the UK, but not the one where people are likely to give you money. Frankly, if they're buying cheap tickets, they're not going to give anything to charity, are they?

But it gave us some profile, and I think tested this notion of online. And because it was a free offer, it made me actually do the work I needed to get an online donation. But I think there's quite a lot to do there, and I think it is a tool that we'll all want to use.

Sales promotion and cause-related marketing is something that we'll all be looking at. All you have to do is let your mind and your creativity really work, because there are so many opportunities for voluntary organizations that frankly will not cost us, as voluntary agencies, much money at all. The third-party advertisers, the companies themselves, are going to get so much benefit out of this that they're prepared to put money into it.

I came across an idea in Italy recently when we were setting up an office in Milan. There was a company who were putting together the idea of air miles for charity. Imagine the notion of collecting air miles for charity, which you can then trade in against Internet services, office space, money, whatever it is. Nice idea. I'd like to see this happen internationally because I think it's got a lot of possibilities.

Online auctions. We've recently had two very good examples. One where we were running an auction out of Berlin for the biggest, most expensive book in the world of the last millennium. It was a photographic book by Helmut Newton. It was auctioned, and it fetched 620,000 Deutsche marks, which is about 220,000 pounds. That was quite an expensive book for 400 photographs. They happened to be signed by the people whose photographs they were. We were supported by Trader.Com, a company who were promoting their technology to the higher-level donor, so it was worth them putting the auction online as well.

And very recently, an agency working with drug addicts had an art auction online using Sotheby's online auction facility. And again, artists donating art through Sotheby's cost the agency practically nothing and helped promote Sotheby's online art facility.

The next one is information sharing; we've heard a lot about that. The database is one we can all make use of as nonprofit organizations. And we will. We need to share the information. The two projects that I've mentioned that we as a small agency are thinking about -- we couldn't have thought about it without access to the Internet.

Finally, innovation and new development. This is an area that we're all good at in the voluntary sector, because we have fire in our bellies, we want to make things happen and we want to do it differently. We have to be creative.

Let me leave here with two quotes that I picked off the Netaid website, which I found particularly inspiring because it does provide people to take action on extreme poverty around the world in a way that couldn't have happened without access to it. One of the board members used this second quote about how easy it is in a few minutes at a computer with just a few dollars to help people halfway around the world. We as voluntary organizations really haven't understood the impact of what it means now for a *punter in a small town in wherever it is to be able to interact directly with the people on the ground in a developing country. Missing out the American Red Cross, missing out the British Red Cross or whoever the intermediary body is, it's got real implications for the way not-for-profits will work in the future.

Rogers: Obviously, you've gone from a very big organization to a much smaller one. What's the single biggest obstacle to you, working with a smaller group, working with technology now?

Whitlam: It's one word. It's money. It's as simple as that. I do not have, for a small agency, the resources to enable me to do it without breaching the regulatory authorities who demand that I spend less than 20 percent of my total donated income on administrative support costs.

I think it's doable, it's possible. But for me, I don't have the reserves, the backup funding, at the moment to do it. It's one of these things that I have to go out and persuade people to work alongside me.

Rogers: Our next guest has been referred to by the Financial Times as “Harvard's Third-World Guru.” He currently holds the *John G. McLaine professorship of business administration at Harvard, where he's been since 1972, and he's chairman of the Harvard Business School's Initiative on Social Enterprise. He's authored 16 books, most recently “The Collaboration Challenge: How Nonprofits and Business Succeed Through Strategic Alliances.” I'd like you to welcome James Austin.

James Austin: Thank you very much.

What is a community? You know, the traditional definition of where people reside together simply does not hold for our conversation, because the Internet has obliterated geography. So this pushes us into the second definition, “Community is a group of people bound together by shared activities, purpose and values.”

And so for us, a basic question is, “How are new communities built?” The Internet is this century's Petrie dish of community-building, where disparate microorganisms interact and potentially emerge as new entities.

I wish to comment on the state and prospects of one important community in formation, namely the e-philanthropy community. Its emerging constellation of interacting organizations is a technologically induced community. It is a creature of the Internet.

Web-based philanthropy holds enormous potential for impacting the independent sector. The Internet allows the philanthropic capital market to function more efficiently and effectively by creating greater access and a closer relationship between nonprofit organizations and donors. And initial results suggest that web-based philanthropy brings in new donors and increases giving levels.

The e-philanthropy community, in reality, is in its infancy. It is important, therefore, for us as researchers and practitioners to deepen our understanding of its shape, its nature, and its prospects.

In that regard, let me briefly address two questions. First, what does the e-philanthropy industry look like now? And second, what are the key challenges facing the building of this technology-based community?

First, the math. The social-enterprise group at the Harvard Business School’s ongoing research project on the e-philanthropy industry has identified 276 e-philanthropy enterprises in the following segments: click-to-donate, 36; online giving directories, 35; charity malls, 33; information hubs, 25; volunteer matching, 7; charity auctions, 11; donor-advised funds, 6; workplace giving, 3.

And then there are a whole set of application-service providers and Internet enablers totaling around 87 or so that facilitate those other web-based organizations.

Seventy-two percent of these are dot-coms. The dot-orgs are mainly in the online-giving directories, the information hubs, the volunteer clearinghouses, and the donor-advised funds.

The predominance of dot-coms is understandable. It’s a result of simply the significant capital that Internet companies require and the lack of that capital coming from the traditional nonprofit foundation sources.

The e-philanthropy industry, like the rest of the Internet, in fact has been undergoing stress and consolidation. Over the last year, our survey indicates that about 47 e-philanthropy enterprises, constituting about 15 percent of firms in the industry, have either closed or gone inactive. These include some prominent enterprises like *CharitableWay, *GiveNation, *Shop to Give, and *Shine.

However, 13 new ones appeared.

In addition to the interactions with these e-philanthropy enterprises, nonprofit organizations, of course, either on their own or through the application service providers or other Internet support agencies, have increased their presence on the Internet in the fundraising arena.

In 2000, we estimate that over \$2 million was raised via the Internet, which is five times greater than in 1999. But much less than the industry, in fact, had predicted.

That’s the math of the industry where it is right now. Now let us turn to the challenges. The e-philanthropy community, consisting of the web-based enterprises and the nonprofit organizations that they interact with, and the donors that are engaged by the two of them, is suffering through inevitable birth pangs.

There will be more closures and consolidation, but the space will not go away. There is, as David implied, a revolution under way. Revolution implies significant, structural, irreversible change. And the Internet technology has irreversibly changed the philanthropic capital market.

So our spotlight should really be on the challenges that in fact will shape the emergence of this new technology-based community. We see the following four as the critical shapers in terms of these challenges.

First, economic pressures. The downturn in the Internet market has made raising additional capital much more difficult. And the result of that is that both the number of new entrants and the growth of existing e-philanthropy enterprises have slowed down. There is increasing pressure on the various revenue streams that the e-philanthropy enterprises have; that is to say the commissions, the transaction charges, the advertising fees. Consequently, margins are shrinking.

As margins shrink, viability is dependent upon volume. The need to have greater volume will lead to consolidation and some closures. Those are the economic pressures, and you'll see those trends play themselves out. How they are handled will determine the functioning of the sector.

The second challenge? Mistrust. The social glue that holds communities together is trust. The e-philanthropy enterprises that we have surveyed report that a persistent barrier to establishing relationships with the nonprofits is the mistrust that those organizations have in the dot-coms. The e-philanthropy enterprises that are in fact organized as dot-orgs have a clear advantage, because the nonprofits have a higher comfort level due to the perception of shared values.

In contrast, the suspicion of the dot-coms by the nonprofits due to their profit-making motives, and the fear of exploitation that comes along with that – and even displacement – really impede the development of constructive relationships.

However, our surveys of many of these e-philanthropy dot-coms reveal organizational cultures with a strong sense of social purpose, which suggested that in fact there may be greater congruency of values in the dot-coms and the nonprofits than has been perceived by many of the nonprofit organizations.

For the community to be built, nonprofits should lower their suspicion level. But dot-coms also have to reveal that they are able to bring greater value to the nonprofits. An alliance is only viable if the value exchanged is balanced and significant.

What is more important than organizational form – dot-com, dot-org, whatever it may be – is in fact the value created. So that's where the value should be.

Third challenge, clashing cultures. Beyond this issue of trust is this other complication facing both the nonprofits and the e-philanthropy enterprises, namely overcoming differences in organizational cultures, and the processes that characterize those organizations.

For example, typical decision-making in nonprofits does not operate at Internet speed. Risk-aversion is also quite different in the two types of organizations. So dot-coms need to have staff members who understand and have credibility with nonprofits and vice versa.

Fourth challenge, technological readiness, which both of the previous speakers mentioned. Let me simply reinforce their comments. Dot-coms report that the lack of

technological readiness in nonprofits is a serious impediment to realizing the full benefits of the Internet. The digital divide across sectors and among nonprofits is real.

The application service providers, the other sets of technology support organizations that are growing and are really an important part of the e-philanthropy community have a very important role to play in accelerating the journey of the nonprofits’ movement along the technological learning curve.

Furthermore, it is extremely important and one of the major challenges facing the sector at large and the outcome of the e-philanthropy space on that sector, that traditional foundations move beyond the miniscule grantmaking that they have been engaged in in terms of flowing into technology and technology readiness. They really need to deploy significant funds, hopefully on a collaborative basis, that will allow the whole sector to ratchet up its technological capacity.

The other part of the technological challenge is how to get existing donors, and new donors, to engage online... to give online.

Interestingly, one of the most successful subsegments in this regard has been the financial-services companies that have created their nonprofit charitable-giving organizations. So you have, for example, Fidelity Investments’ creation of the charitable gift fund back in 1992, which since then has collected, mobilized and then dispersed over \$1 billion to nonprofit organizations. Its donors, its clients, are extremely Internet ready. And they are migrating increasingly to doing their giving, which is large-sized giving, through Fidelity’s Charitablegift.Org online mechanism.

This affluent-donor segment migration to the net is going to be one of the important pressures that moves and propels the wave in the e-philanthropy engagement.

How these four challenges – economic pressures, mistrust, clashing cultures and technological readiness – are met will greatly determine the shape and the strength of the emerging e-philanthropy community.

The potential is enormous. But its realization will depend fundamentally on the willingness and the ability of nonprofits and e-philanthropy enterprises to forge new and mutually beneficial relationships rooted in shared mission and purpose.

That is what communities are built on.

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