

(TAPE IN PROGRESS)

Nick Allen: I think there are also some really interesting stories of smaller that are beginning to use the Internet successfully for fundraising. Obviously, fundraising is only one of the many uses of the Internet, of email and the web. I don't think any organization should think of the Internet primarily for its use for fundraising.

Here are two very different groups that have been successful. Greenpeace Argentina, part of the international Greenpeace movement, is bringing in about \$200,000 a year in online contributions, which is about a third of its budget. And 40 percent of their new donors are coming online. I don't have the numbers for Internet penetration in Argentina. They're among the highest in Latin America, but they're nothing like they are in the U.S. They found, especially for the younger donors who are attracted to Greenpeace, the Internet is a fabulous medium.

Another U.S. group, again a much smaller group than the Red Cross or UNICEF or the World Wildlife Fund, is a group called Surfrider Foundation. It's Surfrider.Org. This is an organization with an annual budget of about \$800,000. They work to protect surfing and beach habitat. Obviously, they are a good match for the Internet demographic. Typical surfers, at least in California, tend to be 20-something guys. They're all online, a lot of them look at surfcams to see how the waves are running at the beaches they're going to. They're bringing in about 40 percent of their annual budget online. And online is where they're getting the largest number of new donors. It's also been the most efficient donor-acquisition channel. They've tried direct mail. The cost to acquire new donors has been substantially higher in direct mail than it has been for them online.

We're seeing an interlude in the dot-com efforts to pursue the dot-orgs. I'm sure there has been talk in the last couple of days about the number of dot-coms that were working with dot-orgs that have either closed recently or become pretty much inactive, have laid off a lot of their staffs. We're a consulting company working with about 15 organizations, and we've set up relationships with several dot-coms that have closed or laid off a lot of their staff in the last couple of months. Obviously, that's pretty widespread.

The shopping malls where if you were a nonprofit you'd put a link on your site and you would ideally sit back and reap five to fifteen percent of the purchases... generally those have not generated very much money but for a handful of organizations. Some of the people who were doing that have closed, others have cut way back.

There are charity portals where you put in your zip code and say you're interested in animal welfare and it gives you a list of 10 or 20 organizations dealing with animal welfare, either taken from a Guidestar database or another database. There haven't been perfect tests in any of these, but it appears that most U.S. donors have not been interested in going to this kind of a portal and searching for a group.

Part of that stands to reason. Most of us get plenty of opportunity to give in our daily lives, whether it's in the mail, on the telephone, in the street, from friends. Giving tends to be something where people ask you to give.

There's a woman named *Kim Kline who does a lot of grassroots fundraising training, and she always asks people, "What is the most common reason people give money to your group?" Almost nobody comes up with the idea, "I asked them to."

That's still what raises money – asking people, whether you're asking them online or asking them face to face.

Finally there were a whole set of dot-coms... One that used to always call me up was called Carebar. The idea was that you would download a little application into your browser, and ads would run in it. Whenever your members clicked on an ad, five percent would go to your group. One of my staff members downloaded the Carebar, and her copy of Internet Explorer promptly froze.

You can imagine if you encouraged your group to download this, and then they'd be calling you for help with their browsers.

So I think there's kind of an interlude now in the dot-coms situation. I think the dot-coms are here to stay. And that for-profit Internet companies working with nonprofits is definitely a good thing. And while a lot of them promised more than they could deliver and have since failed – some good and some not-so-good ones having failed – that's going to be an important ongoing partner for a lot of nonprofits because of the kind of development and sustainability that a good company can have.

A few thoughts on opportunities and developments that I think are worth watching. Before I started doing online stuff a couple of years ago, I was doing a lot of direct mail. And one of the constant complaints of all of our direct-mail clients was, "Our donor file is quite old." And some organizations were embarrassed to say how old it was, or felt they should be embarrassed.

For some organizations, the average age in the direct-mail file is 55, even 65. Those are people in peak giving years, but they aren't people who are going to be on the file in 10 or 20 years. So getting younger donors has always been the Nirvana of fundraisers, especially in direct mail.

I think the Internet reaches not only younger donors. My folks are in their 70s. I've been trying to get them to give online so that some of my clients can show better metrics, but they still find it easier to put a check in an envelope that was already sent to them.

Almost everybody who has looked at a donor file that was built online has that it's substantially younger than their direct-mail-acquired donors.

Secondly, I think there's enormous potential for monthly giving. This is much more popular in Europe. In Germany, in the UK, in France, I think monthly giving is standard, whereas in the U.S. it's usually something that's somewhat difficult.

Monthly giving is a natural online, because people are already giving you their credit card so it's just one more step to say, "Can we charge your card every month?"

Another interesting development is microtransactions. Amazon, about two months ago, started what they call their honor system. You can put a little Amazon logo on your website, and people can make a contribution. I think the minimum is 50 cents and the maximum is 20 or 30 dollars. This little icon sits on Amazon's server, so if you're a one-click user of Amazon – meaning that you've let Amazon store your credit card information so that you can buy a book or anything else on Amazon with one click – you're basically taking advantage of this system. If you want to see it in action, go to

UseIt.Com, which is a website run by a web-usability guru named *Jacob Neilson. He's saying, "Look, I've been sending this email newsletter to some of you for many years. I've never asked for any money. Why don't you give me five dollars with the Amazon honor system?" I think he's collected around a thousand dollars so far.

There's not experience to know how well that's going to work, and Amazon takes a hefty chunk – I think 15 cents plus 15 percent. On the other hand, they provide a service that nobody else can provide in the sense that they've got that credit card information and they make those microtransactions really easy.

As other people develop them, and there's some kind of acceptance of the microtransaction, system, it means that people could go to your site, read a piece of information, and you could say, "How about giving us 50 cents? We gave you this information; we want to get it out to other people. Just click the 50-cents token." When that's possible, it'll create a whole new income stream for nonprofits as well as for all the content-providers online.

Instant messaging and ICQ. The university students and teenagers that I know are on instant messaging all the time. I think AOL's instant messaging has 60 million users and ICQ has 75 million. AOL bought ICQ, so that's 130 million people who have downloaded the application. Not all of them use it, but an amazing number of people are online all the time.

Eventually, we're going to figure out how to get these people who are online all the time to join our organizations, donate to our organizations, take actions, get involved, volunteer, and so forth.

Another important development, although some of them certainly are closing, are application service providers or ASPs. These are systems that let you use a pretty sophisticated, expensive piece of software by the month online. There are a whole bunch of ASPs that offer donation-transaction processing, volunteering capabilities like Volunteermatch, let you post a website and use very user-friendly content-management systems.

One of our clients, United Jewish Communities, has just developed their own ASP called FedWeb which will enable the hundreds of Jewish Community Federations around the country to share a common platform where they can build a website, where they can update the site by just pasting a Word file into a password-protected page, and where they have tremendous backend functionality where they can make donations, they can have event calendars, event registration, chat, discussion groups.

I think this is a good example of a big national organization investing some millions of dollars in building a sophisticated backend that all of its member organizations can use. I was supposed to do a workshop a couple of days ago for the Girl Scouts of the U.S. They're in a similar situation where they've got hundreds of Girl Scout councils around the country, every one of them with a completely different-looking website, most of them not very functional, no branding for Girl Scouts.

Groups like that could pool their resources and build really sophisticated ASPs or buy into the ASPs that are already being developed commercially and offer their member organizations something that would really transform the way that they deal with the Internet, not just for fundraising, but for all kinds of engagement.

Advocacy. Recently we've been doing a lot of advocacy campaigns, for, among other reasons, that they're a way of bringing a lot of people into an organization very rapidly. For instance, we worked with the Million Mom March to do a "Stop Ashcroft" campaign when John Ashcroft was nominated to be U.S. attorney general by messaging the people who were on our lists, by working with a lot of other people to message lists, by buying a small number of banner ads that were strategically placed. We added about 25,000 names to the Million Moms March's list.

Since then, we've been asking those people if they'd be interested in joining a local chapter of the Million Mom March. Would they be interested in making a contribution? Would they be interested in getting regular email updates?

The cost to acquire one of those email addresses was probably \$2.50. We've been trying to figure out how much it's worth to acquire an email address on your list. I don't think anybody knows, but we're pretty sure it's worth \$2.50. In direct mail, you'd be acquiring a donor and you'd pay \$20 or \$30 or \$40. That might be a good deal. Just acquiring an email address, of course, isn't the same as a donor, but we think we can convert to donors enough of those people who come on as activists to make it one of the cost-effective ways to build membership and revenue stream for an organization.

Finally, in most discussions I go to in the nonprofit community the web gets most of the glory, and people talk about email only as an afterthought. If you go to commercial Internet gatherings like Internet World, probably a third of the workshops are about email because businesspeople realize that email is what you can really use to communicate with people and get people to take action.

Email is not so glamorous as the web. You can't have a beautiful, flashy animation; you can't have this cool backend functionality. But if you can get people's email addresses, you can communicate with them, you can get them back to your website, you can send them somewhere else, you can give them information, you can mobilize them, you can get them to give. One of the things we push with our clients is that they make sure they're investing enough money in building their email list and figuring out how to use email as a communications tool.

In terms of building the loyalty of your community, people love the fact that if you send them an email, with one click they can send you their comments. Of course, people could call your toll-free number or write you a letter, but typically that is a lot more effort for people. As you all know, it's so easy to reply to email.

On the one hand, that creates a cost on your staff to deal with those email queries. And with email, people expect to get an answer back within a few hours or a day, whereas if you sent them a letter they'd be happy if you got back to them in a couple of weeks. But when you email back and forth with donors or constituents, they feel your organization is really listening to them, this organization is really responding. Our anecdotal evidence is that they feel a lot better about the organization and they're a lot more likely to give money again.

A few thoughts to sum up. What's working in fundraising online? The number-one thing is content. Almost nobody is going to come to your site, or engage with you just to give you money. They're going to engage with you on the Internet because you've got something they want – either information, ability to take some kind of action, ability to

communicate with somebody else, ability to get something done. So if you don't have a site that serves your users and your potential users, they're never going to get there or pay enough attention to you in the first place to make a contribution.

David Eisner talked about attracting, informing, recruiting and mobilizing. That's going to be done primarily by the content on your site, not what kind of backend donor-transaction software you're using.

Big brands versus focused niches – so far the success has mostly been the big brands. But I think increasingly we're going to see sites that will never draw millions of visitors or have millions of pages every month but can serve really useful information to a small, select group. And the beauty is that if you're part of a niche community, you can find information and you can communicate with others in that community. Years ago my wife had chronic fatigue syndrome, and at this time it was a relatively new phenomenon. There were no books about it; there were only a few magazine articles. You didn't know where to turn to get information.

If the Internet was as available then as it is now, a group working on chronic fatigue would have a small but incredibly dedicated community. Those people would have given money, they would have lobbied Congress, they would have done whatever they were asked.

Everybody who's ever done marketing has talked about "one-to-one relationships." You learn more and more about your customers or your members, and you give them what you think they're interested based on transactional data, things they've done, and preferences they've expressed to you. A few sites of sophisticated nonprofits are starting to give people who register a preferences page where you can say, "Send me email once a day, once a week, once a month;" "I'm interested in program A, program B, but not program C or D;" "I'm especially interested in programs that affect women;" "I'm especially interested in programs in Latin America, but not in Africa;" et cetera.

This is possible online on a scale that's almost impossible to do any other way. Increasingly, we've got to be thinking about how we can serve our constituents by finding out what they want, following what they've done, and customizing our communication with them while continuing to let them know about other things we think they should know about, even if they haven't expressed that interest.

E. Ramrayka: Our next speaker is Jay Backstrand, president and CEO of ImpactOnline, whose flagship website, VolunteerMatch, was launched by Jay in 1997. VolunteerMatch allows nonprofits and the public to post and to find volunteering opportunities online. Jay's experience in e-philanthropy includes Netday 96, a web-based initiative that motivated 100,000 volunteers to get involved and wire 13,000 schools in California.

Jay Backstrand: Thank you. I'll take a few moments to talk about VolunteerMatch, and then I'll go into a couple of the trends that we see from San Francisco. I hope they're not too alarmist.

VolunteerMatch was launched in early 1998, and it's a fairly simple idea. We think that nonprofits can benefit from the Internet in their recruitment efforts to get volunteers. When I was working at Sun Microsystems in San Francisco, it would be easy to create this site and make it easy for people to find volunteer opportunities all across the country.

To accelerate a couple of years, we are now helping almost 14,000 nonprofits across the country – small grassroots nonprofits, large national nonprofits, all types of nonprofits – across many organizations, children and youth, animals, you name it, we're helping all these nonprofits use the Internet to recruit volunteers. Currently we're anywhere from 1,000, sometimes even 2,000, folks every single day find volunteer opportunities right in their neighborhoods.

That's the gist of VolunteerMatch. We're working with lots of corporations to help their employees volunteer. We're working with national nonprofits like Second Harvest and recently the Red Cross to take this technology that we've developed to help them help themselves advocate on their own on behalf of all their members and on behalf of their local affiliates around the country to get the best of this tool that we've developed.

It is often referred to as an ISO – infrastructure support organization, or B2B or ASP. The basic idea is that we don't people coming to us to volunteer, we want to help other people recruit. We are a nonprofit ourselves, so we often refer to ourselves as just a dot-org.

There is a lot going on in San Francisco, and I hope this last month or so doesn't inform too much my thinking. But I'll give you a few things that I've been witnessing.

One shocking note the other day was that the CEO of Yahoo, a profitable Internet organization, just stepped down because they missed their numbers. There are a lot of changes going on at that company, and I was quite surprised by that.

Intel is laying off 8,000 people. This is another new-economy company; they've been around a lot longer than Yahoo. But what I thought was the pillar of the Internet, and they too are laying off, is Cisco.

As a nonprofit, my biggest challenge in the last couple of years has been recruiting. It is no longer a problem. I am getting resumes every day from very, very talented people who are in the technology space and want to come to work on VolunteerMatch. That's the good news for us and what we're trying to do.

But it is actually shocking, and I see it daily now. What I think is being called into question are a lot of the basic assumptions of the new economy, the things that have been discussed here in the last couple of days. And I think this process of consolidation, this process of what some call a crash, is going to continue. I don't mean to be alarmist, but I do think we are just seeing the beginnings of real consolidation that is going to continue over the next couple of months. It may actually go longer than that.

On the optimistic side of things, I think this consolidation is actually quite healthy. There are lots of signs that despite all the turmoil that I live every day, the Internet still amazes me. It's obviously here to stay. Jack Welch at General Electric says that they are now processing 70 percent of their sales online in some capacity. Not all of them are coming through their main website, but 70 percent of their sales are being touched by the Internet. Personally, I was astounded by that. *Inron, an energy corporation, is now doing \$330 billion worth of sales online.

So I'm absolutely convinced that the Internet is not going anywhere. I do think, though, in this time of turmoil that you discussed that as these assumptions are challenged it is

incumbent upon all of us to make sure that we try and push forward in our innovation and that the Internet continues to be adopted.

So my first point is I think the consolidation is going to continue. That consolidation is going to lead to a topic that was discussed earlier today, which is a lot more collaboration. I think it's going to happen within the nonprofits, the dot-orgs working with the dot-coms that are trying to service the nonprofit sector. But I think the collaboration is going to happen a lot more than it has in the last couple of years, for two reasons.

One, there are a lot fewer organizations left. So the likelihood that collaboration will go up increases. But what I'm seeing is a lot of nonprofits are starting to get back to real roots and starting to focus on what they're actually really good at and going after their mission. They're not so distracted by what is happening within the Internet space.

So I think that consolidation is leading to collaboration, and I think that is a really good thing. I know our organization is no longer getting all the calls and emails about all the difference types of partnerships that we could pursue with the VolunteerMatch tool. We're now getting folks who are now really starting to focus more on what they're really good at. That's making it a lot easier for my organization to operate, but I'm hoping that's also a positive thing for a lot of the big national nonprofits that felt like they needed to be Internet companies at the same time.

The final point that I have to make is that collaboration on the nonprofit front is very, very important to continue and to support. There's another type of collaboration that was discussed earlier today, and that is the collaboration of the philanthropy players – the big foundations, private foundations, even the corporate foundations. I hope that this type of collaboration among the funders with fewer Internet organizations like ourselves, other dot-coms, will build bridges between those two groups. And if it's not just collaboration among nonprofits, but really starting to focus more and more on outcomes then maybe it will become easier to develop the partnerships, but that the funders will also say they will work together to try and fund dot-orgs or even dot-coms or nonprofits. But they're going to come together to try and pick those folks that are still standing after all of the consolidation, and try and help them scale up.

The Surdna Foundation, is not only working with us but also trying to work collaboratively with a group of other foundations around the country to fund dot-orgs like ourselves and others that are also doing really good work to help nonprofits use this technology to accomplish their missions.

I encourage that; I think that's a great step forward. And I think we're going to see a lot of success in that space in the coming months.

I'll just finish up by saying there's an amazing amount of turmoil right now, but I think it's leading to good things, on the collaborative side for nonprofits and also on the philanthropy side. Hopefully, these trends will lead to continued innovation, and continued success for folks who are delivering real quantifiable outcomes and delivering solutions to nonprofits to help those nonprofits accomplish their missions.

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... in the coming six months, in the coming year, so that there are really great new innovations, new content-players, new dot-orgs like ourselves who are helping these nonprofits that really this technology. And they need to not have nonprofits back off because of the problems with the Internet. They need to not have philanthropy back off and decide to wait six months to fund the next dot-org, or wait for awhile to see what happens with the Internet.

I think it's a very, very opportunistic time for all these different entities to come together and really try and work with a few of these organizations that are delivering results. Because I'm getting a lot of resumes. And because it's a good time for me to be growing my organization, and I think that applies to a lot of other organizations that are delivering great results.

It's a great time to take advantage of the things we've learned in the last couple of years to try and help organizations scale and really get the best of the Internet.

Ramrayka: Thanks, Jay. Would you explain just a little bit more about the importance of collaboration when VolunteerMatch was first set up, and whether that was mentioned in the business plan or just evolved?

Backstrand: I must say it was an interesting time when we started. There was a lot of the new philanthropy money available in Silicon Valley to help us with our first business plan, to get together our first round of funding, if you will. It was a very small amount of money. We raised only \$200,000 in the beginning.

These were individuals that came together, and on that front the collaboration in terms of funding was fairly straight-forward and simple. It's now that we are a much larger organization with a staff of 18 and a burn rate that is going up – fortunately delivering a lot of results – that the collaboration has become more difficult. We now are working with foundations.

Individuals helped us get up to speed, proved our plan, proved that we could deliver some results. Now we're trying to work with a big set of foundations, and getting them to be excited about the collaboration and get behind the organization that now has a four-year track record has been a challenge.

But I think there are a lot of positive signs. And I think with the consolidation that we see that it will be a lot easier for foundations to pick, because there won't be so many organizations to choose from.

Ramrayka: Our next speaker is Randi Shade, who has had a long career in business and nonprofit fundraising. Her experience includes stints at Proctor and Gamble, Teach for America, and City Year in which she raised over \$60 million from public and private sources for this domestic Peace Corps project.

Eighteen months ago, Randi set up an e-giving service, Charitygift,

Randi Shade: Given the fact that this was in the context of “at the speed of light,” and trying to answer the two questions that were presented to us, “What are the trends?” and “What are the barriers?” that my personal story would probably a good first-hand look at what's really going on here.

As Lisa said when I was introduced, I spent 10 years working as an employee – equal amounts of time in the public sector, the not-for-profit sector, and the for-profit sector. I think Jim Austin's comments earlier today about the graying of the boundaries between these three were interesting. There are a lot of similarities.

I moved back to Austin, which I consider my hometown, a couple of years ago looking for a business opportunity. Not sure what it was going to be. A real good friend of mine from years past was one of those dot-com-crazed people who said, "You've got to do something in the charity space. It's got to be a dot-com, and it's got to be something related to charity."

It didn't seem very real to me -- the notion that you turn on a charity portal that everybody's going to come. Because, as Nick said, most people already have an idea of what it is that they want to donate to. So I didn't quite see the opportunity.

But around the same time a very, very dear friend of mine died. This was two years ago next month. He was the associate dean of students at the University of Texas for about 15 years, and it was "in lieu of flowers, make a donation to XYZ charity."

I made a donation, but it was extremely difficult. I had to look the organization up because it wasn't an organization I would be giving to on a regular basis. And I had no idea if they were going to inform the family that I'd made the donation.

I knew from being on the nonprofit side that it was going to be a hassle for this charity, because although they raised about \$3,000 when this person died it was with a lot of \$15 and \$20 checks. This was an associate dean of students at UT, so you can imagine the outpouring of student support for this.

So they were stuck with this massive acknowledgement process. I'm now on every AIDS mailing list, probably, in the country because they share their database with like organizations. I still have no idea if they ever told anything to the family, so I still went ahead and sent a sympathy card.

And that's how the idea of Charitygift was born.

I thought about it long and hard, and decided I can make a business where my business model is based on people paying for the service that we provide. It's not dependent on charity partnerships and it wouldn't be incumbent upon anything other than people willing to pay for our delivery service, which is essentially what it was. Packaged in a cool way, but a delivery service.

We did it at the speed of light. With all that was going on at that time, I was able to raise about a million dollars from venture capitalists in order to get going. We didn't even write a business plan. People were crazed. Austin, Texas is like a smaller version of Silicon Valley. Because my goal was to replace fruitcakes and popcorn tins – useless gifts – with new money for charity that wouldn't otherwise be raised.

I went to Motorola, a great company that has a big presence in Austin, and said, "Don't send out fruitcakes or popcorn tins for the holidays this year. Send out a charity gift." And they were interested. But when they saw our web applications, they said, "Can we use this to manage our United Way campaign?"

And suddenly my investors went nuts. They said, "Randi! You're a B2B ASP!" I felt like Forrest Gump; I didn't know that. I did go to business school, but I didn't fully understand until I was deep into this. I just had a passion for my particular product.

For them to achieve the return that they were really looking for they needed this to be a \$100 million company in 18 months. And they said that getting into workplace giving knowing what the United Way raised was the way to do that.

I thought it was kind of a weird idea, but I started to explore it. And because Austin is a small and wonderful community it was very easy to communicate with our local United Way.

Dell, also a large company in Austin, was having a hard time with United Way because they were expecting it to use the tools of the day – the Internet. They couldn't stand seeing paper pledge cards. They had tried to build their own system. There were lots of requirements for full choice. No longer were you just going to fill out a pledge card like when I worked at Proctor and Gamble and then the money just went to the United Way and that would be it.

Everybody wanted choice. They wanted to say which organization, any organization in the country. They wanted interaction. They wanted to know that the charity got that money, and they wanted to see it in a report.

So it was a lot of challenge for the United Way in Austin to manage this growing company's significant contribution. I think Dell last year gave about \$4.5 or \$5 million to the United Way campaign in small payroll deductions. It was very hard on the United Way to try and deal with that.

As time went on, the biggest player in the space liked what he saw us doing. It was a company called Charitableway. My company wasn't even a year old, and the biggest player in the space said, "We want to buy you." My investors were thrilled. I will never marry anybody for their money again... I learned that lesson.

But truly, I was excited about it. I always had some concerns about the notion of what you could really do in workplace giving. Having called on corporate community relations people while being the development director for City Year and other nonprofits, I knew how under-resourced these folks were.

A lot went on in 15 months. Charitygift by itself generated about half a million dollars to some 2,000 different organizations across the country, processing tens of thousands of these gifts. And Charitableway had about 12 major corporate customers who were satisfied, for the most part, with the service they were getting. But the business couldn't be big enough fast enough, so just about a month ago the CEO and the board of Charitableway decided that it was not a big-enough business worthy of pursuing at this time.

It could be a nice small business, but these were not people who were interested in nice small businesses. So who knows what will happen to Charitygift? It will be one of the many assets being liquidated by Charitableway. I have no idea what will happen.

I'm still very committed to the idea; I think it still makes a lot of sense. So here are my answers to the two questions.

What are the primary trends? Well, I think that the big trend is, guess what, the rules of successfully running a business are the same as they've ever been. They've not changed a bit, and I think the market has just caught on to that now. We did see a bubble, and it has burst, and ultimately that is going to be a healthy thing.

When I worked at Proctor and Gamble, when we wanted to introduce a new product we would first write a concept paper. One page – everything at Proctor and Gamble is on one sheet of paper. And then we tested it through market research.

I did the exact same thing starting Charitygift. At Proctor and Gamble, when you got 20 percent acceptance based on that one-page concept paper from those surveyed, it was a green light to pursue it. When we tested Charitygift as a concept, it was over 50 percent acceptance. So my consumer-marketing background tells me that's a good product.

However, you can't get the money to build that and become profitable fast enough if you're going to take the venture-capital funding that we did. So maybe I'll start it again in a different way; I don't know. But the idea of having to be profitable hasn't gone away.

I'm glad of that actually. I was thinking I was nuts last summer.

The tools of the game are changing. That's obvious. But that's been going on for a really long time. Technology has been the thing that's been driving change, getting companies to be able to do things faster, cheaper better. Getting all organizations, be they government or nonprofit, that's still out there.

But what's changed is the availability and complexity of these tools required. Any organization that's going to be successful has to have a chief information officer or a chief technology officer. That phrase was introduced only in the last 10 years. Every organization has a chief marketing officer, a head of human resources, a head of finance, a head of operations. The same is true for technology now. If you're going to be successful, you've got to use the tools of the trade. And you need a team of people in your organization who are dedicated to doing that.

That's a trend. It's been a trend. It's one that probably isn't going to go away.

Related to those two – business being the same as it's ever been and that the tools are changing and we need to take advantage of them – the expectation of the public is that you should be using the tools of the day. Again, every organization in here has to consider that, no matter what your organization is involved with doing. I think that when Jim talked about the barriers – the economics, the technological readiness, the mistrust and the culture clash – clearly the turmoil of dot-com, dot-org thing is about to calm down.

I heard Chris Sullivan, the CIO at the Minnesota Council of Nonprofits, talk yesterday about how relieved he is that there's a chance now that he won't be bombarded every day with sales reps trying to sell a new ASP or a new service that he's not sure he needs.

The confusion may end up making a little bit more peace here in the next few months and years.

I got a fortune cookie last week, and it's my summary, which is, "Pray for what you want and pay for what you need." That would be my advice with respect to technology. Everybody's grappling with what kind of technology they should use – to manage email, to manage a database. But the most important thing is to focus on what you need, and not lump it all together.

My business training is in marketing. Marketing has sales, it has public relations, it has direct mail. It has so many aspects, and I think be viewing technology in the same way.

So pay for what you need, and don't freak out. Just relax and think about what you need so you can stay focused on your mission. I wish everybody the very best of luck in that endeavor.

Ramrayka: Thanks very much, Randi, for being so candid in your comments. Do you have any thoughts on what venture capitalists need to learn about the nonprofit sector if they're to be successful partners in e-philanthropy?

Shade: I think it would be helpful for venture capitalists investing in this arena to understand the domain, and I think that is now going to be the case. The reason so many dot-coms have blown up, no matter what the industry, is that people didn't understand the domains.

You really have to understand what unmet need this business plan is going to fill, and how many people in the organization truly understand that. When Chris was talking yesterday, he was saying that people are coming into his office all the time saying, "You need this." But he didn't need that.

The only reason that I understood the space so well is that I spent so much time in it. I noticed that the majority of the venture capitalists, even in Charitableway, had very, very little experience. So they didn't understand what the corporate community relations person was really grappling with managing workplace-giving campaigns and matching-gifts programs.

The most important thing is to know the space before you invest in it.

Ramrayka: Our final speaker is Putnam Barber, president of the Evergreen State Society and senior adviser at Social Ecology. He's held various positions in the government, nonprofit and private sectors, and is currently an instructor at the Institute of Public Service at Seattle University.

Putnam's background is in sociology, and his published works include "The Promise and the Perils of E-Philanthropy," which may give us a clue to the tone of his comments today.

Putnam Barber: Since 1994, I've been the editor of the Internet Nonprofit Center, which is a website devoted to helping other nonprofits understand the complexities of working as nonprofits and helping people who are observers of the nonprofit sector get a better glimpse of what nonprofits are and do.

That's put me in a position to have a great deal of confidence that the future connection between nonprofits and the information and communications technologies that we've been talking about for the past couple of days is going to grow more and more close,

more and more powerful, and more and more important to nonprofit organizations in the future.

I just don't believe that there's any possibility that the revolution that's under way now is going to be reversed.

What we've heard a lot about over the last couple of days are services that deliver dramatic new opportunities and efficiencies to nonprofit organizations. The kinds of things that we've heard about in the last 40 minutes or so are good examples of that sort of thing. It's very important for nonprofits to learn how they work, and to make good choices among these services, and to begin to build the economies and efficiencies that this kind of Internet application can provide for them into their plans for the future.

This is a genuine revolution in the way we accomplish public benefit work, and it is very important that we learn to ride that revolution to a positive future. We've also heard, both in the last few minutes and over that last couple of days, about the pitfalls and limits there are in doing work in these ways. The cautionary advice is something that we need to take closely to heart.

There is no one aspect of this revolution that encompasses more than efficiencies and opportunities for individual nonprofits. A good place to end is a challenge to both nonprofit organizations and researchers to think a little bit about this at a slightly wider scale.

Let me start by telling you a story about a local nonprofit in the Seattle area that I've watched over the past five or six years transform itself in a very important way. Any of you who know people who have cerebral palsy know how very difficult it is for them to accomplish the routines of everyday life in particular, and often very painfully, the routines of ordinary communication.

United Cerebral Palsy, which serves King County and *S County, has a long history of making the difficulties of living with cerebral palsy much easier for the people who have to live with that disease.

Four years ago, they started thinking about how they could adopt new communications technologies to serve people who have been their beneficiaries for generations. As they examined that possibility, they decided something which I think was a very important strategic path to follow. They decided to adopt the standard communication technologies of the Internet to this particular problem. Instead of designing something that would perhaps be more immediately responsive to the conditions of the people they were used to working with, they looked at using TCP-IP transmission, and web browsers, and email as the foundation of the new service they were going to provide.

They developed a private intranet service for their beneficiaries. This service allowed the people they worked with to schedule appointments with their therapists, to request a ride from Dial-a-Ride, to communicate with each other, to set up recreational opportunities and social events, and do other things that were a routine part of the service of United Cerebral Palsy, but allowed them to do it from their homes using keyboards at the pace that they were comfortable working, and without having to confront the extraordinary difficulties of communication, which are often part of that disease.

The staff at United Cerebral Palsy found their jobs transformed by this innovation. Instead of the difficult communications problems dominating what they were able to do with their clients during the workday, they were now able focus on delivering effective services much more closely. They found themselves, simply, to be liberated by the change. And they were, of course, very pleased by that.

They were even more pleased by something they didn't expect at all, which is that the people who they serve are now in touch with a wider world in a way that is much more like the way that the rest of us communicate with a wider world. They can send email to their families. They can indulge in their hobbies and interests and passions by surfing the worldwide web. And they have a way of connecting with the world at large which was simply unavailable to them, no matter what UCP might have done to help them before they installed this innovation.

The point of the story, of course, is that by using the standard tools of the Internet, the UCP people were able to seize on what we might as well call a "network effect," and multiply dramatically the benefits of the innovation that they made in the way they delivered their services.

Another example of this kind of change is the one that is sweeping across the space where volunteers match themselves up with service opportunities. There is simply no comparison between the kind of many-to-many relationship, which Jay's ImpactOnline organization is able to create for potential volunteers and organizations that want to engage volunteers in their work. There's simply no comparison between that and the narrow, focused and difficult process which used to be the norm in volunteer recruiting and placement.

It's not just more efficient. It's substantially more satisfying, substantially more rewarding both for the agencies that bring in the volunteers and for the people who are doing the volunteer work. I'm sure Jay could tell us story after story that would document that observation as a result of opening up the channels of communication between potential volunteers and the agencies that they work with.

These two examples suggest to me a challenge both for nonprofit organizations and for those of us who do research in the nonprofit sector. For the nonprofit organizations, the challenge is that it's difficult to do the kind of analysis which led to UCP's decision, which led to the creation of ImpactOnline, and which is slowly creeping through organization after organization throughout the nonprofit sector.

Thinking through where the information block points are in the work that you do, and finding readily accessible, easily adaptable technologies to address those block points and open up the channels of communications so that you can meet your core responsibilities more efficiently and effectively is not easy.

It's difficult to find the money to support doing that. We've heard numerous accounts of that in these last couple of days, and anyone who works with nonprofit organizations has heard more of those stories than, I'm sure, they want to hear.

Lastly, although as the staff at UCP would tell you, the transformation of their work was very welcome, it was also difficult. They had to redefine many of the jobs they did. They had to reorganize the way they structured the organization. They had to change the assignments of people whose daily routine had been dominated by dealing with

communications difficulties into other sorts of work. Predictably, not everybody who worked there was entirely happy with those changes, and there were rough spots along the way in the work.

For researchers, these challenges may be in a sense even more difficult. It's very difficult to design the studies; it's hard to know exactly what you're looking for. The same point that we heard this morning about how it's hard to look forward even two years, much less ten, in the way the nonprofit world works, or in the way any kind of organization is working these days, suggests that it's very difficult to design a research plan which will enable you to isolate the essential features of the transformation that you're trying to observe.

It's very difficult to collect the data. People often can't remember in just a few months how they used to do their work, and they certainly are unable, often, to tell you how they're going to be doing their work in just a few months in the futures.

And it's difficult to interpret the results. In a sense, these are classic counterfactual situations where you're trying to compare what might have been with what is, and again, what is with what might have been in still another sense of that term.

Paradoxically, this difficulty for researchers is coming about at the same time that we're seeing a deluge of newly accessible information about the nonprofit sector. The development of the database of 990s, which GuideStar has online now, makes accessible to researchers a level of detail and a quality of information about nonprofits that is simply unprecedented. It is even more striking that anyone who requests it can get that same information in digitized form from the National Center of Charitable Statistics on CD-ROMs.

So, at the same time that we have a whole set of new questions we need to be looking at in trying to understand the changes and developments in the nonprofit sector, we have what is an almost overwhelming deluge of new information that can help us, perhaps, in the work.

The data, though, are frustrating. They tell us a great deal about what the IRS needs to know in order to administer the tax laws, and nowhere near enough about what we want to know as researchers and observers of the nonprofit sector about what it is that makes these organizations so important to the lives of their communities.

In that regard, I think both nonprofit organizations and researchers have tasks ahead that are important if we're going to come to be better able to understand the future of the nonprofit sector. Nonprofit organizations need to help NCCS and others develop better tools for classifying and interpreting the data that they have. The effort to develop the nonprofit-program classification system that the National Center for Charitable Statistics is engaged in at the moment needs all of our help to make sure that it will encompass the range and variety of the things that nonprofits do.

At the same time, more nonprofits need to take advantage of the opportunity GuideStar offers to provide more detail and appropriate information about their organizations and their purposes than can be found simply in the 990s. That facility is there, and it is, perhaps, fair to describe it as disappointing that so few organizations have taken advantage of it.

New ways of classifying and presenting the data provide network effects of their own as we come to be more skillful at describing and interpreting what nonprofit organizations do because we can take advantage of these new resources of data and new resources of communication that are available to us. Researchers and observers of the nonprofit sector will be able to do a better job of communicating to the wider public what it is that makes the nonprofit sector in America so important and why it is that each of us individually, and all of us collectively, need to do a better job of supporting it.

With that kind of development I see securely in our future, I'm confident that nonprofits are going to be able to ride this revolution to being able to serve more people better, which is, after all, the point.

Ramrayka: You talked about nonprofits' use of the Internet delivering core services. What do you think of the idea of trading intimacy with efficiency? Do you think it's a problem for nonprofits trying to use the net to deliver their core services?

Barber: I don't think it's that simple a trade, Lisa. There are people around the world that I've never seen face to face, never heard their voices, who I feel intimate with. And there are other people who come and stand on my front porch and ask me for money for their kid's school, who I would be happy to trade something with.

I'm one of the skeptics to the notion that the Internet is going to be a tool for nonprofits to raise lots of money from strangers, or engage with strangers in other ways. I think that what we'll see is that it's a new way for people to relate to organizations that they already know and care about. In that sense it's a new form of intimacy, not a trading of something impersonal and efficient for something friendly and close.

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