

WORKING DRAFT

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**CAN THE VOLUNTARY SECTOR BE PLAYERS IN THE
NEW ECONOMY?**

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Can the Voluntary Sector Be Players in the New Economy?

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This paper brings together thoughts and issues which arise from 18 months work in developing an Internet initiative for voluntary organisations in Scotland. It has its origins in our practical experience. But I have sought to draw from a wider political, economic and cultural agenda and to ask some questions and offer some perspectives which are critical to the future vitality of civil society.

Scotland

Scotland is a small country with a population of some 5 million, although our diaspora stretches around the world with hundreds of millions of people who claim Scottish ancestry. We are of course part of the UK and the European Union, but the recent creation of a Scottish Parliament with devolved powers over health, education and most other domestic affairs has strengthened an already mature civic culture which has strong roots in municipalism, various faith communities and among the professions and trade unions.

Economically, Scotland has adapted reasonable well to the post industrial world. Traditional industries have been replaced by branch factory electronic assembly and associated concerns. Call centres serving domestic and European markets lead a service sector which employs some 70% of the workforce. Recent economic growth led by inward investment has masked the absence of indigenous or high value enterprises; rural decline and pockets of extreme deprivation are reminders that not everyone has enjoyed the benefits of our growing economic success.

Voluntary Sector

The role of voluntary organisations is already well established in Scottish society. Recent research by SCVO suggests that there are some 44,000 NGO's (including four new charity registrations every day) which together account for some 3% of GDP. The size and influence of the sector is growing. For example, there are plans to transfer all social housing (roughly 40% of the total housing stock) to tenant controlled housing associations; the sector is also a significant actor in the care industry, training for unemployed people, environmental protection and elsewhere. A close alignment has developed with our new politicians – many of whom have a voluntary sector background – and the sector's agenda has a high priority and profile.

SCVO is the umbrella or representative body for voluntary organisations in Scotland. Our role is to be the collective voice on issues of common concern – the law, funding, relationships with government etc. – and to help our members be more effective and efficient. We are nearly 60 years old and have 100 staff in 3 offices around Scotland. We are funded to provide common services, developmental work, policy and research, information and advice.

Our Project

In early 1999 SCVO started to think about what has turned out to be the most challenging project we have ever attempted. What started out as an exploration of ways in which the benefits of new communication technologies might be harnessed by our members and their supporters has become a key driver for the whole organisation. Where we once had a project which sought to superimpose a virtual network across established voluntary sector structures we now recognise as a fundamental shift in the way in which we work and in how we relate to our members and other customers.

In April this year we launch what is, effectively a dot.com for the voluntary sector – a multi faceted portal with common interactive features, website hosting and ecommerce facilities supported by discounted access packages with a technical support and development team which hopes to bring the voluntary sector in Scotland right to the front of new technology developments.

The context about Scotland, the voluntary sector and SCVO is important here because what makes these developments innovative is their collective nature. We are not providing services to be ‘sold’ to voluntary organisations but working in partnership with organisations and networks in pursuit of common goals. I want to return to this central theme later.

A Recipe for Failure?

But I want to start with a different perspective. In the new economic paradigm the voluntary sector ought to be yesterday’s news. Our organisations are chronically under capitalised and almost entirely dependent on short term infusions of cash. We mostly rely on some combination of government grants and donations from the public. We operate with low overheads and on a pay as you go basis. There are few forward plans which are credible; investment in research and development is negligible; borrowing, even against tangible assets is largely alien to our culture (although I understand it to be more established in the US). A permanent race for revenue hinders collaboration and contributes to high transaction costs. Since we concentrate on redistributing wealth rather than creating it we often wind up competing for our share of the charitable pie rather than making it grow. Our diversity and pluralism – a key strength in some contexts - produces an atomised, disparate and ultimately inefficient sector which many believe is ripe for change.

It is little surprise then that the voluntary sector has been slow to embrace the benefits of new communication technologies. A recent survey of 50 large UK charities found only sporadic use of website applications and many unexploited opportunities. An SCVO survey found only 60% of respondents with access to email and a staff/PC ratio of 4:1. The dot.com world seems light years away (it is probably fair to surmise that the major interest many have had in it is how to get money from its new entrepreneurs). Media focus on emillionaires, the case for tax breaks and the spectre of bubbles bursting have created an unhealthy image of the internet revolution being all about sales, share prices and profits. There is little public space to debate the impact and consider the merits and opportunities which the new economy might bring to a broader community.

And yet, to write off the voluntary sector as yesterday's news is clearly premature. In a range of ways, we are, I believe exceptionally placed to become a central player in this new world. We may need to shift gear to get there, but the sector does have some inherent strengths and a latent capacity to engage in the new order; to balance out the commercial domination of the Internet with an alternative and altogether more sophisticated and inclusive vision of our own.

Growth in Civil Society

To begin with, whilst we may look like an economic dinosaur and we may operate, primarily, in areas of market failure, the voluntary sector is a growing force around the world. Even the Chinese are trying to create a civil society. There are many drivers for this growth – the end of communism, a demand for non-profit service delivery, the growth of advocacy and peoples movements (fuelled no doubt by the wonders of e-mail), a recognition of the crucial

role of volunteers (this is the UN Year of Volunteering) and studies which conclude that societies with a healthy and vigorous civil society are more stable and prosperous. In recognition of this, there is a growing symbiosis between many national governments and civil society. In 1997 SCVO signed a Compact between the voluntary sector and government setting out mutual obligations, expectations and areas of joint interest. This is also apparent on the international stage where institutions from the UN down are seeking a more structured relationship with civil society. Our responses have been understandably cautious, predictably diverse and only occasionally strategic.

Our Greatest Asset

In the world of the new economy we have one undoubted asset: people. Whereas a new dot.com might need to spend as much as 90% of their start-up budget on advertising, the voluntary sector can boast of a privileged access to most citizens. In Scotland, 20% of the adult population volunteer regularly, a similar number receive direct services from voluntary organisations, 85% of households donate to charity every month and we account for some 5% of the workforce. In the arts and sports worlds, in young people organisations such as the Scouts and Guides and in the campaigning work of Greenpeace and Friends of the Earth, voluntary organisations already have established relationships with the vast majority of the population. The trick will be to utilise the new technologies to develop and extend those connections and to strengthen the bonds that are already there.

Getting voluntary organisations to adopt ecommerce needs a higher priority. Not only can the Girl Guides transform the business of selling uniforms, badges and camping equipment to their charges through e-commerce, but they can also run their core operations more effectively. Many housing associations already use email to manage their professional

communication, but they might quickly discover the benefits of direct and instant communication with their tenants for repairs, alarm systems, elections, rent collection and general administration.

Any industry our size is ripe for this kind of efficiency drive using new technology to eliminate waste and deliver a better service. At one level the argument is simple, NGO's stand to gain exactly the same benefits as other businesses – cost efficiencies, facility and reach. But added benefits for not for profits are also emerging and I want to consider some of these now.

Towards egovernance

Teledemocracy is in its infancy in Scotland but has aroused much interest : not just as a means of inspiring greater participation in elections (and without having to scrutinise ballot papers!) but as a way of achieving greater participation in governance. Securing public involvement in the development of policy and legislation in one of the founding principles of our new Parliament : the voluntary sector is usually the agent of such participation.

Traditionalists often portray us as speaking for the poor (and accuse us of misrepresentation) whereas our true role is to enable people to represent themselves, to be the gateway to and not the gatekeeper of public participation. In a joined up world, real advances in governance are possible. But it is vital, I believe, that we consolidate our role as agent of the process, as being the sector which reaches the parts that others cannot. Governments setting up websites or Congressmen inviting emails simply will not do; we must ourselves establish the means for communicating our myriad interests and causes to government if participatory governance is going to have true meaning.

I think that the same dynamic applies to the international stage although it is evident that we have much to do to establish our credentials and credibility; but then in the eyes of many so does the WTO and the World Bank.

Public Understanding

One of the problems we face despite our growing profile and expanding role is a lack of public understanding of the size and scale of not for profit activity, let alone the values which underpin it. I make no apology for using the word 'atomised' again because the hat fits : people may know what United Way or Save the Children are but they extrapolate and then stereotype to the rest of the sector. There is no common starting point to illustrate the range and diversity of interests and causes, the many ways to help and receive help from the thousands of organisations who work away at their own issue in their own way.

Cyberspace can address that shortcoming and make civil society more accessible and transparent. But it needs points of entry which can make the sector intelligible and accessible in all its diversity; it needs to cater for browsers who wish to navigate around our causes and concerns and it needs to do all of this without threatening the identity or integrity of any individual organisation. If NGO's aspire to deliver that kind of service they need to engage collectively to achieve it.

workwithus.org

The suite of applications which we are developing in Scotland does have that inside/out quality. The public will be able to donate, volunteer, find information, register for events, purchase goods and services and apply for paid employment across the whole sector, whilst voluntary organisations will also be able to apply for funds, buy and sell goods and services, advertise, bank, learn and lobby.

This will work, not be creating some kind of supersite but, bearing in mind the need to preserve the individual integrity of each organisation's website, by providing functionality to each of our partners and by drawing content from each into these applications. In short, it's a collective venture working horizontally across the sector and feeding off internal markets as well as providing a focal point for the public

People	<ul style="list-style-type: none"> - Jobs - Volunteer on line - Opportunities 	<ul style="list-style-type: none"> - Campaigns - Petition on Line - How To 	Lobby
News	<ul style="list-style-type: none"> - Information - Comment - Analysis 	<ul style="list-style-type: none"> - Get Started - Advice - Information 	Help
What's on	<ul style="list-style-type: none"> - Training - Conferences - Book on line 	<ul style="list-style-type: none"> - Chat Rooms - Links - Bulletin Board 	Network
Give	<ul style="list-style-type: none"> - Donate on line - Give as you Earn - Legacies 	<ul style="list-style-type: none"> - Affinity Deals - Offers - Purchases 	Buy
Find Us	<ul style="list-style-type: none"> - by Subject - by Location 	<ul style="list-style-type: none"> - How to - Buy and Sell 	Trade
Funds	<ul style="list-style-type: none"> - A-Z Sources - Apply on Line - Advice 	<ul style="list-style-type: none"> - Credit Union - Links 	Bank
Learn	<ul style="list-style-type: none"> - Courses - Links - Quality 	<ul style="list-style-type: none"> - Help - Register - Join 	Contact

Role of Intermediaries Networks

In Scotland we have, we discovered, probably one of the most developed infrastructures for the voluntary sector of any country in the world. In each area of activity there are networks or intermediary bodies who serve the needs of their members say in housing or among sports associations. By working with and through these bodies we are able to achieve this sort of project because of the extensive range of networks our partners already represent and service. In other countries we note some very sophisticated individual websites working vertically through one organisation out to the public; there are even a few sites where you can, for example, donate to a charity of your choice or volunteer to work with one of a number of organisations. But the dominant characteristic of NGO website activity is its individualism, with each organisation having to fend for itself in this vast marketplace. It is the immense benefits of integration which attracts us to our model and which, if it works, could spawn a whole new agenda of collaboration. Our aim is to make the sector, at least in cyberspace, more than the sum of its parts.

Selling the Benefits

Getting there is proving to be quite a challenge. To begin with we need to imagine a joined up world where access is no longer limited to the 25% or so of our workers or 28% of the public. In the UK a joined up world is not so difficult to imagine since analogue TV will be switched off in 2004. Everyone will have digital TV, email and the Internet in their homes. In the meantime improving the current take up among voluntary organisations, obsessed as they are by day-to-day survival is a challenge to us all and we have spent much time proselytising, brokering cheap connectivity, training and providing kit on affordable terms.

This experience has led us to conclude that a different approach is needed. Voluntary organisations stand to gain the same benefits from ICT as do other small businesses and we've had to learn what turns them on. Of course communication gains will come top of the list – we are all, after all, in the communication business. But a close second is eprocurement, because it has the capacity to deliver front-line savings. In Scotland there's a £500 million (\$750 million) spend on overheads and materials and there are real savings to be made both in reduced administration / centralised purchasing and in brokered deals which discount on volume and/or the not for profit charitable status. Going to an organisation and offering up to 10% savings on turnover has a dramatically better effect than simply telling them that a communications revolution is coming and that they need to get on board. Like the commercial model, we have learned that business to business rather than business to customer will be the real winner in the short term.

Getting Resources

I want to say a few things about funding. Culturally, voluntary organisations when faced with this kind of opportunity have tended to fill in the application forms and sit back and hope for positive outcomes (we have an unfortunate tendency to let funders decide priorities for us). To date SCVO has committed some £1.5 million (over \$2 million), including much of our own reserves to making this project happen – including hiring the best software designers and engineers – but we recognise that this is not an option for everyone. We need to look more closely at how the private sector works, in particular the role of venture capital, equity shares and loan finance if we are to succeed in delivering the kind of investment that will be needed in architecture, applications development, hardware and training if the sector is going to gear up. We must win the argument that tangible benefits will follow such investment, but I wonder where the money is going to come from.

I read with interest recent ideas about venture philanthropy where long term strategic commitment replaces one-off cheques. Our thoughts have also turned to equity share : if our ideas are good enough and the market is there why not share a proportion of the financial outcome with a for-profit in return for up-front investment?

So far we've hobbled along without a central business proposition, save that we are adding value to our members, which is, after all, our core business. Elements of public sector support have had the perverse impact of putting off the day when sustainability is the core issue.

Future income from workwithus.org is far from secure, but we're working on six possible streams:

- * **commission on sale of access packages** : *short term*
- * **communication commission** : *medium term*
- * **advertising** : *unpredictable : may be marginal*
- * **facilities useage fees** : *could be significant but see below*
- * **virtual ISP hosting charges** : *long term, small*
- * **ecommerce transaction commissions** : *with investment will prove fundamental*

These will kick in at different times and with varying effects. For example, it makes no sense to charge organisations to post events or jobs when our objective is to encourage more content. However, once established as the market leader (e.g. for jobs) then modest fees will still leave organisations with substantial savings over traditional advertising methods.

Partnering the Private Sector

We recognise that a unique set of circumstances in Scotland has made our work possible, including a very favourable political climate and also sterling support from a couple of blue chip companies. But such help is not without its dilemmas : how far should not-for-profits go in mutual interest partnership with the private sector? For these partners what started out as corporate social responsibility has started to merge with their commercial interests in an often uneasy hybrid. Also it is increasingly the case that telecomms, software and banking industries are global businesses these days - is there a case for piggy-backing that reach to help the sector get connected? Put another way, major efforts are being made to create small business ecommerce platforms and to secure the channels through which they do business. Shouldn't not-for-profits be taking advantage of this?

Of course the traditional route for the sector would be to strike individual deals with individual companies in single countries or regions. I put it to you that a collective and co-ordinated approach might yield better results.

Partnering within the Sector

We have been thinking about the wider application of what we have learnt and, in particular, what we are building. The open system movement is not nearly as prominent in the UK as it is in the US but we are minded towards that kind of approach. On a recent visit I discovered that the Canadian voluntary sector, with help from their Government, is planning a portal and there is interest elsewhere in the world. My thoughts here are that we need to look for mutual interests and a shared approach, for example through building an international gateway or through sharing one ecommerce platform which might yield at least some of the benefits of

access, scale and collective leverage. Although in some ways its early days yet, I think that these are the really big questions we should all be asking

I come from a culture where we are slowly appreciating that competition is not always the best way forward. Co-operation and collaboration between and across voluntary organisations can deliver real results : it's also what makes us different and has the added benefit of being what the public wants.

Joining up the Third Sector is achievable in the eworld, but the really exciting possibilities emerge once we get there. Of course we must guard our pluralism along the way, but imagine the forces we could unleash by realising the synergies and removing the overlaps from our myriad operations. Think about our unique capacity to reach and mobilise citizens, not in parallel and competing causes but through a systematic approach which empowers people to make informed choices and delivers a comprehensive and coherent service to them.

Finally, almost philosophically, voluntary organisations are seem by some gurus of the new economy as having the potential to be leading players because of the unique 'knowledge' they possess. Many will be unaware that they have such assets, But the increasing transience of media attention, donor and government interests, service delivery contracts and even the technology itself, does force a re-appraisal of what real assets voluntary organisations have. Intellectual capital, whether in the form of anti-poverty strategies, knowledge of obscure medical conditions, fund raising approaches or whatever, will come close to the top of the list.

That something akin to an industrial revolution should have arrived without much of an impact on the voluntary sector tells its own story about the challenges we all face. As late arrivals to the party we can learn from the experience of others, and we are also able to bring some particular strengths to bear, not least in our capacity to reach supporters, friends and service users on a scale to be envied by other. Of course we can match such strengths to the new order but if we really want to be players in the new economy I suggest that we must find ways to collaborate which go way beyond our traditions and history. I hope that I have persuaded you of the potential benefits of such a collective approach. The alternative seems to me to be a third sector trapped in the third division of cyberspace.