SCENARIOS: The Need for Infrastructure

As philanthropy’s ranks continue to swell with many more—and different kinds of—actors, the need for bridges to connect people and ideas, to create knowledge, and to facilitate action will grow along with it. People will need to identify and connect with others around mutual interests, and to find information and the results of previous experiences to accelerate their own learning. They will need settings in which they can learn together, act together, and solve problems together. And in a sector where everything is essentially voluntary, people will need reliable short-cuts to make connecting, learning, and acting easier.

The infrastructure that meets these needs can include the organizations that connect people and help them learn and the programs and information sources that donors rely on for knowledge and referrals. The infrastructure for philanthropy has already grown significantly in the last generation and will continue to do so as the field expands further.

But what form it will take is much harder to predict. As philanthropy multiplies and diversifies, so could its infrastructure. Yet it seems equally plausible that changes in communications technology will lead to new kinds of infrastructure that could shift the flow of information, resources, and eventually, power in ways quite different from current patterns. What might happen to the infrastructure in the next generation? Here are three possibilities that haven’t attracted much attention amid the growth of mainstream membership associations.

Googling Giving

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Spurred by public hearings on accountability in the wake of the mid-’00s philanthropy scandals, it was inevitable that the IRS would not only audit more foundations but would also institute much stricter reporting requirements for foundations and nonprofits. Under the new regulations, every nonprofit in the U.S. was required to post online the conditions and objectives of each grant it gave or received, along with an annual progress report documenting program outcomes. Initially seen as a windfall for centralized online information sources like GuideStar and the Foundation Center, the volume of information from the nation’s 1.1 million nonprofits rapidly overwhelmed their technological infrastructures.

As online intermediaries unsuccessfully begged national foundations to subsidize their data-entry costs on an ongoing basis, Google cofounders Larry Page and Sergey Brin, still riding high three years after their 2004 IPO, responded to the charitable information overload. They established the Google Operating Foundation to assist nonprofits with the digitization of their information and to develop and maintain Givingoogle, a philanthropic search engine. The new tool, leveraging the core competencies of its parent, allowed online users to search the overwhelming amount of data available on foundations and nonprofit activity and easily connect with the information they needed.

Givingoogle worked closely at first with infrastructure organizations like regional associations of grantmakers, research centers, and issue-based philanthropic affinity groups that saw the new search engine as an
effective way to attract and connect donors to their interests. The fledgling initiative also began to link to topical briefing papers, research, evaluations, and other background information about important societal issues. The new search engine allowed funders, donors, and members of the public to connect directly to information about topics and organizations of interest, and to clearly see who was doing what in response to public problems, without going through intermediaries or funder networks.

As a result, the massive information generated by nonprofits and foundations is easily accessible and widely used by donors. That, in turn, has had a surprising effect: once people can scan the environment easily and build on what others have learned, donors of every size are attracted to solutions that work, not just organizations they know. Big and small donors now come together because they have the same information and find themselves drawing similar conclusions about where to focus their giving. That creates a powerful positive feedback loop: more money flows toward the most successful efforts, which allows them to grow and build greater capacity, which in turn improves their performance. Well-heeled donors who had tended to give only to their alma mater or a major medical center found themselves increasingly impressed by how the nonprofit sector was finally getting organized around results. The caution that had tied them to the tried-and-true—fueled by the sense that it was too hard to know what worked, or too hard to track results, or that the whole field seemed just too opaque—gave way to a new willingness to give more, encouraged by a growing confidence they were making good choices and using their money well.

Supported by the $4 billion Google endowment and supplemented by a fractional, tax-exempt surcharge on Google advertisers, Givingoogle rapidly became the standard source for obtaining and sharing social-sector information, effectively leapfrogging earlier efforts to share knowledge. After just five years of successful operation, Givingoogle was integrated into the larger Google search engine, much like image and shopping searches, to reach and encourage a wider base of potential donors and to improve public access to charitable resources.

There has, however, been an unintended consequence of Google’s success. The infrastructure organizations that at first benefited from Givingoogle have begun to feel the pressure created by this efficient tool for connecting data and donors. For the first time in a generation, the rapid growth of infrastructure organizations has not only slowed, but reversed, and mergers are accelerating. Nonprofit infrastructure groups now face a higher bar to prove their necessity.

• If this scenario came to pass, would it create winner-take-all effects among nonprofits and hurt smaller, newer, more local efforts?

• Is your giving likely to be truly “data driven” and so deeply affected by “Givingoogle,” or are there other motivators that matter more to you as a donor?
Will You Be My Fundster?

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When Gabriella Rodriguez, head of the Effective Giving Network, looks back now on the studies done in the early ‘00s that documented the growing number of donor networks and affinity groups, she says, “No one knew it then, but that was the birth of a trend that has redefined organized philanthropy.”

The accelerating growth of networks or organizations that donors could join to find like-minded colleagues was already a trend that no one could ignore. This exploded as improved network mapping technologies and public data about nonprofits and donors allowed people to find both general matches (Who else is interested in film and electronic media?) and matches for ever finer niches (focusing in media, for instance, on form, format, length, or topic).

As the number of active donors soared along with the diversity of their interests, the new technologies of connection and collaborative filtering seemed like a godsend, cutting through all the complexity to link small groups of funders who shared the same beliefs and aspirations. Modeled on a once-popular social networking phenomenon called Friendster that connected people to one another through interlinked networks of acquaintances, these “Fundster” networks were used by foundation program officers to focus their giving, knowing, too, that each of them faced growing media scrutiny to demonstrate that their giving was not duplicative or wasteful.

That also meant that grantmakers in search of new niches began to encourage the development of new programs at existing nonprofits that they could support with their Fundster network. With a growing number of donors entering the field each year, the number of new donor groups looking to do good kept multiplying. No one could deny that many donors felt satisfied with their own giving—donors could get exactly what they wanted and connect easily with other givers—but there was also a sense that what was good for givers wasn’t quite adding up to progress on the ground.

Rodriguez now speaks for a growing number of people who have been studying trends in philanthropy when she notes, “Right now it looks like there are
thousands of little victories in how Americans are dealing with the causes they care about. But I can’t help but wonder, where are the big victories? Is what’s good for each of us working out to be so good for all of us?”

- Is there a way for donors and nonprofits to do work aligned with their competencies and interests without fragmenting effort and reducing impact? How can givers’ desires for focus or a special niche be balanced with the recognition that complex problems need coordinated responses?

- What would happen if this scenario took place in a world with the “Givingoogle” tool described in the previous scenario? Would the ability to survey lots of information and incorporate other learning change the dynamics of this scenario, or would donors still be likely to fragment?

- Is it inevitable that givers will drive this kind of “market segmentation” as a result of the expanding choices available to them? Or might some other dynamic supersede the demand for choice?

Jim Thompson seemed surprised by the question. “Do I get paid a lot for just doing charity? I don’t know,” he told the reporter while collecting his thoughts. “I’m managing a portfolio that channels more money in international aid than many governments do. The fact that it’s a philanthropic portfolio doesn’t mean I have less responsibility than my colleagues running mutual funds, but more,” he emphasized. “The investors in this portfolio have asked me to oversee how their money is used. They review my performance annually and I know and they know that I can be replaced if they’re not happy. But right now they seem very happy with the performance we are generating through our investments in environmental sustainability, public health, and economic development efforts that are cost-effective overseas in ways they simply cannot be in the United States.”

Thompson didn’t get many questions like this from reporters anymore, and he bristled at the idea that managing investors’ philanthropic money didn’t require at least as much skill and deserve similar compensation to managing their money-making ventures. Apparently, the reporter from Bangalore Today’s New York City bureau was new to the topic of philanthropic mutual funds (PMFs), which had exploded in size and number after the 2009 changes in U.S. tax law all but ended incentives for starting new foundations. The success that the pioneers of pooled giving, like Acumen, New Profit, the Global Fund for Women, and Global Greengrants had already achieved set the stage for a movement led by innovative donors eager to join forces and work together.

*Bangalore Today*’s interest in the story wasn’t at all unusual, of course, since so many PMF investors were
Indian millionaires whose technology smarts and international interests helped define the field. The rising number of people with money from many countries and traditions fueled online "giving markets" where people could find others with similar interests and pool their resources. The combination of savvy picks, effective marketing, a global social networking infrastructure, and heightened transparency for donors allowed PMFs to expand like crazy, aggregating even small donors and small foundations into large giving pools. As they grew bigger and more visible, even more players wanted to join in and this scale made them powerful quite quickly.

That size and reach, in turn, elevated the visibility of people like Jim Thompson. Bangalore Today found him after the BBC World Service profiled Thompson in its "One Hundred Years of the BBC" series on profound changes in the past century. The documentary described the PMFs’ extraordinary influence on making the world a better place for the billions still living in poverty. It also noted that in the past 15 years, Thompson (together with hundreds of his colleagues) had essentially transformed global philanthropy. Individual donors could see where their money was going and feel far more confident that their small donations were magnified by being in the portfolio. As the idea spread, donors had more choices and real flexibility about how to achieve their goals. The combination of fast global giving and being part of a global network while maintaining what donors still felt was a high degree of personalization proved to be a winning formula.

Was Thompson paid a lot of money to do charity? Maybe if philanthropy was still unchanged from a generation ago. Instead it had become an even more complex job that required financial and diplomatic skills and finely honed political instincts. Moreover, one’s performance was visible every day. The mere satisfaction derived from making a difference wasn’t enough to attract that kind of talent; the pay had to be competitive with the most attractive professional jobs on the planet.

- What kinds of charitable or philanthropic efforts would be most likely or best served by the philanthropic mutual funds described in this scenario? Would some kinds of socially beneficial work be more or less likely to thrive in a world dominated by this form of giving?
- In this scenario, who would be funding local, domestic priorities, and how?
- Could Thompson’s visibility and regular performance reviews create a preference for simple, easily understandable responses and short-term gains?

Excerpted from Looking Out for the Future: An Orientation for Twenty-First Century Philanthropists, by Katherine Fulton and Andrew Blau

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