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Philanthropy Marketplaces: Inventing the Future of Community Philanthropy

Almost 100 years ago, an Ohio banker named Frederick Goff assessed the needs and assets of his community and institution, and created the Cleveland Foundation—thus launching a movement that has grown to include more than 1,200 community foundations around the globe.

The current environment for community philanthropy is markedly different from the one that Goff was operating in when he helped start the first community foundations nearly a century ago. Rapidly developing technologies, shifting demographics, and increasing mobility are fundamentally changing notions of community, opening up new possibilities, and challenging many of the assumptions that once guided the development of the institutions that serve those communities.

Community foundations are adapting to fit the new context, but they often carry with them many of the traditions and restrictions that have developed over nearly a century of community philanthropy practice. In many countries outside the U.S., where organized philanthropy is a newer phenomenon, other social entrepreneurs are taking advantage of the opportunity to start fresh. They are assessing the needs of their communities and harnessing the potential of technology to develop and test a range of new tools and approaches. As they play “Goff” in their unique cultural, political, and economic environments,

WHAT ARE FUTURE MATTERS?

On the Brink of New Promise: The Future of U.S. Community Foundations explored the changing context around community philanthropy and what it might mean for the future of community foundations. But as the context for the field continues to shift, Blueprint Research & Design, Inc. and the Monitor Institute are developing quick reports (*Future Matters*) over the course of 2006 to expand on the original report and discuss ongoing and emerging issues and trends that may matter to the future of community philanthropy.

Please write us at info@communityphilanthropy.org if you have thoughts or questions about this report, or to tell us what else you would like to see in upcoming *Future Matters*.



these community activists, bankers, tech nerds, and others are responding in innovative ways to many of the same dynamic challenges that community foundations now face.

Many of their experiments are taking the form of new types of “philanthropy marketplaces” that capitalize on emerging technologies to connect donors to local issues, organizations, and programs. The marketplaces are establishing new norms and behaviors, and creating strategies and models for community philanthropy that in many cases would have been unimaginable even a few years ago. The ways that they are adapting and inventing new approaches to serve their constituencies now and over the course of the next generation may offer important lessons for community philanthropists everywhere.

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This *Future Matters* takes a tour around the globe to look at the strategies and efforts of a handful of emerging international intermediaries—GlobalGiving, the GIVE Foundation in India, the Social Stock Exchange in Brazil, GreaterGood South Africa, and HelpArgentina—that are aiming to reinvent community philanthropy in their countries and regions.

LEARNING FROM THE NEW MARKETPLACES

Given a clean slate to try things, plus almost a hundred years of organized philanthropic practice to learn from, these new intermediaries are creating interesting hybrids of other models—picking and choosing elements from other endeavors and reassembling them to fit their particular environment.

Most of the marketplaces are too new to have yet demonstrated significant impact in their

communities. But as they develop, their efforts are testing new tools and approaches that could bolster the potential offerings of community foundations and provide a range of important insights about operating in today’s community philanthropy environment.

Automating the Front Office

By harnessing new technologies, the emerging philanthropy marketplaces are able to build connections and operate at a large, often national, scale. And while American community foundations have spent the last 15 years focused on upgrading their back-office systems, the new intermediaries have configured themselves around networked “smart” technologies that put automated systems into “front-office” roles that drive down the costs of transactions and often deliver more satisfying customer experiences. In the corporate world, there is a growing recognition that the movement toward automation of front-office services is akin to what transpired in the industrialization of agriculture and manufacturing a century ago, and to the way ATMs have changed personal banking or the way electronic ticket kiosks are now altering the operation of places like airports and movie theaters. Many new networked technologies are allowing companies to serve their customers even more effectively and more efficiently than people can.¹

In the last decade, these new technologies have reached a threshold of intelligence, interactivity, connectivity, and emotional appeal² that could revolutionize online giving as well. The new marketplaces are pioneering accessible and compelling electronic platforms for philanthropic transactions that can operate at an unprecedented scale and efficiency. As they set

¹ Jeffrey Rayport and Bernard Jaworski, *Best Face Forward: Why Companies Must Improve Their Service Interfaces with Customers*. Boston, MA: Harvard Business School Press, 2005.

² Rayport and Jaworski, *Best Face Forward*.

a new standard for online interactivity and functionality, it soon may no longer be tenable for a community foundation to simply have a flat, informational webpage.

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The online giving marketplaces are already hitting a tipping point. Volume at GlobalGiving, the most mature and established of the new philanthropy marketplaces, quadrupled in 2005.

GLOBALGIVING was founded in 2000 by two former World Bank executives who wanted to use the internet to create an efficient global marketplace for philanthropy. The online platform that they built (www.globalgiving.com) helps donors to give directly to projects across the globe and to see progress updates on most projects as funding is received and goals are met. GlobalGiving identifies projects in more than 60 countries, in a variety of issue areas ranging from education and healthcare to economic development and the environment. Once a donor chooses a project, he or she can contribute to the effort directly using a credit card, check, PayPal, or stock transfer. Since 2001, the platform has helped more than 2,000 donors give more than \$3.1 million to 740 different projects around the world.

As the new technology continues to grow in sophistication and capacity, the ability to integrate it into philanthropic practice may be critical to reaching and serving new donors (especially at scale) and promoting community giving over the next generation. According to Dennis Whittle, CEO and chairman of GlobalGiving, “Consumers are becoming more and more accustomed to banking and buying online. If you don’t provide basic online convenience, people will drop out in droves. I’m convinced that com-

munity foundations that don’t offer an efficient, customizable online giving option will lose donors—especially younger, technologically savvy donors who have not yet developed any real loyalty to their local community foundation.”

Balancing Technology and the Human Touch

Though the new technologies are beginning to transform the philanthropic front office, it is important to recognize that technology won’t completely replace face-to-face relationship and trust building. Almost all of the philanthropic marketplaces are experimenting to find a proper balance between online and offline activities. Organizations like the GIVE Foundation in India are testing various configurations of people and machines to create the most effective interface with donors.

The **GIVE FOUNDATION** was created in Mumbai in December 1999 to promote efficient and effective giving that provides greater opportunities for the poor in India. While the Indian nongovernmental organization (NGO) sector has grown tremendously since the country’s independence, it has not yet professionalized or scaled, nor does it have an indigenous infrastructure to support its development. To fill this gap, GIVE introduced www.GiveIndia.org, an accessible online portal that allows donors to give directly to nonprofit organizations that meet basic norms and criteria.

The GIVE Foundation initially promoted itself solely as an online charity exchange. But it quickly realized that it also needed to create mechanisms to build relationships with donors offline, who can then be brought into the online space once trust is developed. For other donors, GIVE found that online platforms served as an important, easy first step into the world of philanthropy.

They have now added a range of more customized offerings beyond the online giving platform,

including tailored philanthropic management services that help corporations and individuals to strategically meet desired charitable goals and a payroll giving program that allows employees of companies served by the foundation to automatically contribute a fixed sum every month to charity through their paychecks. In many ways, GIVE now operates like a hybrid of an e-philanthropy company and a community foundation, with a geographic focus that spans the entire country. Over the last five years, GIVE has channeled almost \$2.5 million to more than 100 nonprofits, from more than 30,000 donors.

As new technologies begin to transform the philanthropic front-office, the marketplaces are experimenting to find a proper balance between online and offline activities.

Focusing on the User

Another important characteristic of the new intermediaries is their intense focus on the user experience. This has manifested itself in two ways: (1) in how they have adopted financial and market language and mechanisms to appeal to sophisticated donors in familiar terms; and (2) how they keep the interface with donors simple and intuitive.

Whereas the World War II generation was widely characterized by a sense of duty and charity, younger generations of donors are increasingly approaching their giving with an eye, and ear, for market-based solutions. Many of the new marketplaces have eschewed the rhetoric of charity and embraced financial and investment language to attract wealthy individuals and entrepreneurs. In this way, giving marketplaces like the Social Stock Exchange in Brazil are playing an important role in translating the language of nonprofits and social investment for new donors.

Brazil's **SOCIAL STOCK EXCHANGE** (SSE) is a fundraising initiative launched by BOVESPA, Brazil's national stock exchange, in the second half of 2003. Mimicking the operation of the financial stock market, the SSE (<http://www.bovespasocial.com.br/English/Default.asp>) brings together Brazilian nonprofit organizations with donors and social investors willing to support their programs and projects. The SSE vets a portfolio of approximately 40 carefully selected nonprofit programs and projects, and then BOVESPA and its 120 brokerage firms around the country present the portfolio of options to investors with the aim of selling "social shares" of the organizations. The idea is to redefine the act of giving as social investment, where the recipient groups return "social profits" rather than financial ones and are thought of as *social profit* organizations rather than *nonprofit* organizations.

The SSE represents an important commitment of the private sector in Brazil to address poverty and social problems in the country. BOVESPA absorbs all costs related to the operation of the SSE, and all funds raised by the exchange are transferred entirely to the nonprofit recipients without commissions, fees, or deductions.

Using language familiar to their audiences is just one way that the new intermediaries are getting more sophisticated about the experiences of their users. The marketplaces work hard to reduce complexity for their donors, providing simple and easy-to-use processes and interfaces to facilitate philanthropic transactions, as well as using clear, intuitive metrics to help givers understand what their money supports and how recipients have made progress toward goals. By focusing on providing simple feedback about project outcomes, the intermediaries are achieving a delicate balance that aims to satisfy donors' need to see the results of their giving without providing more information than they want.

Recognizing Yourself as Part of a Larger System Serving Your Community

In many cases, the philanthropy marketplaces have recognized that they can't serve their constituencies without looking at the larger system that facilitates effective public problem-solving in their communities. Countries like India and South Africa have little infrastructure in place to support the growth of philanthropy or the development of a culture of organized giving. Certain elements need to be in place for a robust philanthropic marketplace to function well. So intermediaries like the GIVE Foundation and GreaterGood South Africa are developing partnerships with other local philanthropies, NGOs, and businesses to build and strengthen the civil society infrastructure of their countries.

In addition to building platforms and services to facilitate charitable transactions, the **GIVE FOUNDATION** also sees its philanthropic services as pieces of a much larger system supporting philanthropy in India. Its vision is to build an integrated marketplace for social benefit at a national scale that can serve as the infrastructure for addressing the social and environmental challenges of the country and its communities. The system includes several key components: a comprehensive nonprofit database to help people identify and learn about NGOs; a market regulator to ensure NGO compliance with standards and to reduce corruption; a rating agency to help people assess the performance of different organizations; charitable "mutual funds" that aggregate resources to support coordinated portfolios of grantees; social venture capital funds that provide opportunities for investors to invest money in efforts that produce both social and financial outcomes; philanthropic management services to help donors and corporations to handle their giving; and charity exchanges that help to facilitate charitable transactions (see Figure 1). GIVE is focusing on developing some of these functions, and working with



Figure 1: The GIVE Foundation's model for an integrated philanthropic marketplace for India.

partners to help build others. For example, in the area of accountability standards, GIVE has helped to create the Credibility Alliance, a national consortium of nonprofit organizations working to establish a set of consensus-driven "credibility norms" for the voluntary sector in India.

GREATERGOOD SOUTH AFRICA was launched in October 2004 as a way to connect South African individuals and corporations with nonprofit organizations operating in the region. Like GIVE in India, GreaterGood SA is attempting to create an infrastructure for giving that is particularly tailored to its unique national context. It has been developing a multi-pronged, systemic approach to facilitate the growth of individual giving, corporate social responsibility, and volunteerism across the country. As founder and CEO Tamzin Ractliffe explains, "Think of us as Guidestar plus Network for Good plus DonorsChoose plus VolunteerMatch plus GlobalGiving."

To promote individual giving, GreaterGood SA created a website, www.GreaterGoodSA.co.za, and various public call-to-action campaigns that provide accessible vehicles for helping

donors give to nearly 500 different verified South African nonprofits and community-based organizations and to learn about the outcomes of the work that has been funded. In June 2006, GreaterGood built on the experience of BOVESPA in Brazil to launch its own social stock market, the South African Social Investment Exchange (SASIX), which lists select nonprofit projects and offers the public investment opportunities with a social return (www.sasix.co.za). SASIX provides independent research, evaluation, and monitoring to ensure that listed projects meet a set of criteria, including the ability to deliver measurable social returns, and monitors the progress of projects that have received funding. GreaterGood also manages *Do It Day*, a one-day national call-to-action campaign that helps mobilize and place volunteers in development projects around the country. The organization is now expanding its capacity to match South Africans with potential volunteer opportunities on an ongoing basis.

Partnering for Greater Leverage

As the philanthropy marketplaces are developing partnerships to help them create a more robust civil society infrastructure in their regions, they are also using collaboration and partnerships to improve their core operations. In defining their communities at a national, or even global, scale, many of the new intermediaries have had to develop creative approaches to ensure that the grassroots organizations they support are operating effectively in their local communities. Rather than trying to build its own extensive networks on the ground, for example, GlobalGiving has taken advantage of existing local resources to develop mutually beneficial relationships with a wide range of trusted partners.

GLOBALGIVING's operating model is based on the notion that they can keep their infrastructure modest and leverage others on both the supply and demand side of the philanthropic

transaction. They serve as a new type of broker that connects an extensive network of "project sponsors" on the recipient side—organizations on the ground around the world that provide quality local due diligence—with a range of institutional supporters on the giving side, including foundations, federated giving campaigns, workplace giving organizations, corporations, and aggregated support from the GlobalGiving public website.

American funders could add value to their donors and complement the local giving options they offer by simply linking to the new marketplaces and using their platforms to offer philanthropists easy opportunities to give internationally.

Redefining the Concept of Community

As increasing mobility and emerging information technologies continue to stretch traditional notions of community to allow individuals to maintain their connections with people and places halfway around the world, community foundations have had to reframe the way they define their communities. Where community philanthropy used to focus on using and developing local resources within and for a community, today a community foundation might just as easily be helping its constituents give thousands of miles away, or attract remittances home from a native diaspora spread all over the globe, as HelpArgentina is doing in South America.

HELARGENTINA was founded in 2002 to help build up the civil society infrastructure of the country. A decade-long economic crisis has led to poverty rates above 50 percent and severe funding shortages for Argentina's more than 80,000 NGOs. Yet the Argentine diaspora community sends less in donations and remittances per capita than any other Latin American country. HelpArgentina was created to help tap international donors and resources to strengthen the country's nonprofit organizations. To do this,

HelpArgentina has created an online philanthropic marketplace (<http://www.helpargentina.org/ongos.php>) that helps to channel funds from donors abroad to local organizations vetted by the intermediary. Unlike many of the other electronic marketplaces, HelpArgentina is focused not on providing specific project support but on increasing the strength of the nonprofit sector by directing unrestricted operating support to help build the capacity of Argentine NGOs to address the issues of local communities. At the same time, the intermediary is trying to restore donor confidence and promote standards of efficiency, transparency, and best practice in the nonprofit sector. In four years of operation, HelpArgentina has attracted more than 1,200 donors to support a network of more than 50 NGOs and charitable organizations.

NEW TOOLS FOR COMMUNITY PHILANTHROPY

It is ironic that many of the new philanthropy marketplaces are centering their models on technology in places where access to and use of the internet are often quite limited. But the online approach is merely one forward-looking component of how the organizations are spurring community giving. Much as countries like India and China have leapfrogged land-based telephone lines directly to cellular phones, the new intermediaries are using smart and networked technologies to provide an additional layer of services to their communities. And technological advances now let the organizations conceptualize their communities at a national and international level, where once they could only be defined locally.

The organizations aren't necessarily trying to create community foundations; they are reinventing the mechanisms and models that are used to fund community needs and to develop a

culture of giving in their countries. And the way they integrate new approaches and services into their operations may provide important models for American community foundations.

In a more immediate sense, the new online marketplaces also represent important potential partners for U.S. community foundations. American funders could add value to their donors and complement the local giving options they offer by simply linking to these new players and using their platforms to offer philanthropists easy opportunities to give internationally.

While they may not look like community foundations, the new intermediaries are shaping the development of community philanthropy in places like India, South Africa, Brazil, and Argentina, adapting new technologies and business concepts to fit their local contexts. Whether the marketplaces will grow, morph, and become as important to community philanthropy in the twenty-first century as community foundations have been in the twentieth remains unclear. Regardless, the new approaches and tools that the groups are experimenting with today may offer important lessons and insights about many of the issues and challenges that community foundations now face.

The Future of Community Philanthropy

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