

Philanthropic Disruptions:

Everything and the Kitchen Sink

by Brandolon Barnett

Philanthropy is affected by the same trends that are forcibly mutating the economy as a whole. Thus, prognostications of the kind that can be made right now (and are made in this article, mid-era) reflect the chaos that will eventually become a new order. It's the "order out of chaos" precept, and it's the way eras develop: They are chaotic until they find their central form; they stabilize for a while; and then they become chaotic again.

Editors' note: *The trends discussed in this article are to some extent covered elsewhere in this issue, with reference to the dynamics and practices engendered by greater online access to information and a lessened need for intermediation of giving. But when we reduce the need for intermediation, it may leave donors looking for new kinds of community-giving structures. These engagement opportunities have emerged helter-skelter, as tends to happen early in an era of technological/social change. Some will undoubtedly stand the test of time, and some will not.*

NONPROFITS AND PHILANTHROPY ARE, OF course, no more immune than anything else to the cascading forces of "disruption" in modern-day American society. Whether through technology or the convergence of previously siloed activities into integrated platforms, the impact of these forces—which includes new ways in which technology enables us to work

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and give—is causing shifts across the charitable landscape that are shaping new donor behaviors and trends.

For instance, let us consider the potentially disruptive role that the enhanced visibility of social enterprises (B Corps or other hybrid entities), sustainable products, crowdfunding, and other innovations may play in a new “social good economy.” The emergence of these forms within the consciousness of donors and funders conceivably increases competition for the same pool of dollars earmarked for social good in that a donor, desiring to do good, may see as much value in “giving to” or investing in a crowdfunding effort by a local environmentally friendly B Corp as he or she does in donating to a local environmental charity. Interestingly, this expansion of vehicles in which one can invest for the social good does not appear to have made any observable financial encroachment on the more traditional forms. Nevertheless, the moment calls for a “pause” to consider what donors are newly looking for in their relationships with organizations carrying out the work they care about. And, arguably, what is being sought is a greater sense of community and belonging—a sense of being an important player in a common cause.

Democratizing Philanthropy

Traditionally, charities have ensured the flow of funding from the philanthropic sector—which one might define as the world of private (often endowed, often high-net-worth) or corporate philanthropy—by cultivating their strongest relationships with these high-net-worth philanthropists who, and philanthropic institutions that, are shepherded by charities and cultivated into activities far beyond the writing of one check or the press of one button via an online donation platform.

Nonprofits have developed a relational infrastructure that provides consistent updates, customized reports on impacts and methods, and other accommodations. To build a broader base of the sorts of deeper relationships required to adapt to our new, more complicated landscape, nonprofits need not reinvent the wheel. They can pull from this same toolbox, leveraging data and technologies to increase efficiencies. The result

likely looks like a world in which the definition of whom we consider to be a philanthropist rather than a one-off donor is radically expanded. This expansion is a goal that fueled our work at Global Impact to develop Growfund—a no-minimum donor-advised fund (DAF)—as a charitable giving tool that essentially allows all individuals to create their own endowment, engaging them beyond the simple writing of a check. Yet we are not alone here.

Data Mining for Better Communications

Charities and infrastructure groups (including associations and technology providers) are developing more widely available impact reporting processes that leverage new software and data sources to more conveniently and quickly measure and communicate results. Freed from the need for bespoke reporting, organizations are finding it more efficient to communicate impact and to report to individual donors with the same level of detail that was previously cost effective only for work with large philanthropic institutions. For instance, organizations that use the Growfund platform to engage their donors are able to view comprehensive data on the giving history and behaviors of their supporters, which in turn affects the way these organizations can communicate with their donors. Nonprofits have long studied what their foundational donors want to hear and see; with the data mined from democratized tools for giving, nonprofits are now able to gain insights into the interests, habits, and hopes of even the smallest donors, as well as more easily recognize the cumulative impact of small donations by longtime donors.

These deeper relationships are one avenue for charities to enlarge the pool of funding available to them and to ensure a continued healthy flow of money into the nonprofit sector. This democratization of philanthropy enables new possibilities, including the ability to instill a culture of giving in the next generations. Imagine cultivating a donor from the first day of college orientation, or even earlier, with a donor-advised fund curated and managed by your organization. The young person that uses this tool alongside the other mechanisms of financial wellness learns about the importance

of giving and philanthropy as he or she grows up. While the young person may only be able to put aside a few dollars a month at most, those dollars can be reinforced by matching from schools, parents, friends, universities, or companies, all the while grown through investment.

Creating a Culture of Giving

This new flow of money isn't a prognostication of a far-off future. It's a recognition of today's reality. One of our first clients for Growfund is Fatherly. Fatherly is one of the fastest growing media companies in the country. Based in New York, the organization provides content intended to help fathers be better parents. By the end of 2017, Fatherly will be providing the Growfund no-minimum DAF to its readers and their families. Their intention is to help fathers instill a culture of giving into their families from the moment a child is born. They will then share feature stories and tips to help families leverage their new philanthropic savings accounts aligned with giving days (such as #GivingTuesday), special events, or family priorities. Children and ordinary families newly able to create what are essentially endowments constitute a new audience and new flows of money. If these possibilities are identified and strategically leveraged, they present new opportunities for the nonprofit sector.

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Leveraging the New Tools for Giving

By cultivating relationships with ordinary donors, nonprofits could achieve the depth of relationships they have traditionally built with individual and institutional philanthropic entities. This leads us to reexamine the question of who considers themselves, and whom we consider to be, a philanthropist. We see scenarios in which the democratization of philanthropy represented in the rapid growth of tools such as DAFs or impact measurement software can



enable organizations to create these relationships with greater efficiency. In doing so, nonprofits can cultivate new donors; leverage the power of matching, crowdfunding, and investments; and grow the entire pool of money available for social good efforts.

While this democratization effort can be one powerful response, diversification and innovation are also key considerations when adapting to new competition and to disruption. Put simply, new funding for social good made available through impact investment portfolios, crowdfunding, or other sources need not bypass charities. Those organizations that can establish funds, start their own social enterprises, or even leverage their on-the-ground insight into opportunities to serve communities—while generating some return—will be well positioned to benefit from the new flows of capital.

Nonprofits as Start-Ups

The innovation required to adapt to these new flows of money demands change. It demands new skills, new titles, new structures, new mindsets. It broadly requires a reexamination of our third question: What is the role of a nonprofit? The answer is too complex to be addressed in one short piece; yet in its asking, we can identify potential roles beyond those traditionally acknowledged.

Let us imagine these roles by likening the operations of a nonprofit to a technology start-up. Within the technology sector, the product team is the team that best understands the marketplace.

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A product director will develop a deep view of clients' needs and the demands and concerns of prospects. This knowledge is then used to build new solutions. But when it comes to nonprofits, the landscape is different—and engagement and mutuality matter to those with whom you claim to be in common cause.

Furthermore, groups of nonprofits, such as membership associations, have immense resources relative to individual nonprofits, in addition to the advantage of having a 5,000-foot view of their sector. They're perfectly positioned to incubate new concepts, create venture funds, launch crowdfunding efforts, provide training, or provide visibility to new innovations in their field. These are but a few examples of concepts that can diversify revenue and allow nonprofits to benefit from funds now flowing within a much larger "social good space" that is defined more broadly than ever before.

Toward a New Era of Engagement

The final result of these changes is a world where money earmarked for social good, previously reserved as "nonprofit money," flows in new streams, past new gatekeepers, and at times to new recipients. It is an era in which many of the concepts we've come to take for granted are disrupted and redefined. Yet it can also be viewed as a time of great opportunity: One in which the full weight of endowments is unlocked for social good, not just the 5 percent that private foundations are mandated to spend. One in which corporate structures are not by default—in perception or in reality—unaligned with the aspirations of

many in the nonprofit sector. One in which social enterprises and the behaviors of everyday people become infused with a desire to see the world change for the better. One in which anyone can be empowered to be a philanthropist, and every organization can track and communicate its impact and understand its donors at a deeper level through new technologies and techniques. One in which new opportunities and new jobs become available within nonprofits taking on new roles, from data analysts to product directors.

When all is said and done, these new patterns of movement for nonprofit money may be thought of as the end of an age of "giving"—an age in which individuals primarily gave in an ad hoc manner to effect positive change. We are entering in many ways a new era: an era of engagement, in which a new dynamic will be defined by the construction of a world made possible by deeper relationships established across multiple dimensions. This world will require the integration of nonprofits into a broader ecosystem of social impact. It will require courage, and the kind of investment and support (whether financial, training, or otherwise) that can enable productive risk-taking. It will require new tools and new relationships with donors and supporters. Yet it will be a world in which exponentially more resources than before are actively, passionately, and productively engaged in the task of making our tomorrow brighter than our yesterday.

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