

Center for the Study of Philanthropy

THE E-WAY TO PHILANTHROPY

**HOW NONPROFITS CAN USE
INFORMATION TECHNOLOGY**

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FOREWORD

As with Information Technology, world events have recently been moving at an unprecedented pace. Since the material was collected for this handbook, the world has witnessed a remarkable outpouring of aid in response to the September 11th attacks on the Pentagon and the World Trade Center. Monies are still rolling in, but figures suggest that along with other forms of aid, the donations made electronically have been unparalleled.

Nowhere is the potential for e-philanthropy more evident than in the first flush of the public response to September 11th. All told, figures indicate that more than \$70 million of the \$676 million in contributions pledged in the first 3 weeks after the attacks were given online. The example of two organizations is particularly suggestive of the Internet's ability to facilitate giving. The Red Cross (the largest single recipient of funds) received \$60 million through online donations, which accounted for almost 30 percent of the total raised by the organization during those first weeks. Similarly, of the \$1 million raised by Catholic Charities USA, almost one-third of the donations was made using the organization's website. Significant online donations have also been given to the newly created September 11th Fund and the Salvation Army.*

Online giving has soared—indeed the server of at least one charity organization has had difficulty keeping up with the response. Whether e-philanthropy will continue as the preferred form of giving for so many donors remains to be seen, just as it remains to be seen whether the world-wide outpouring of charitable and voluntary action in response to September 11th indicates a new level of sustained civic participation. Regardless, this use of the Internet signals the great potential of Information Technology—a potential that this guide is designed to tap.

* For discussion and details about online giving in the wake of September 11th, see *Chronicle of Philanthropy* XIII, no. 24 (4 October 2001), 22.

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1. Introduction

At the end of the twentieth century, Information Technology (IT) had a considerable impact on the commercial and nonprofit sectors. This technology has a great capacity for collecting and distributing information that can be applied by corporations to profit making. Its sharing and giving nature conform to what nonprofit organizations need. During the last five years, the commercial sector's high expectations for the profitability of IT-led enterprises have led corporations and hi-tech companies to invest large amounts of money in developing the new technology. The result not only has enabled more people around the world to access the Internet, but also has considerably reduced the cost required for nonprofit organizations to use it.

Online transactions, enabling Internet users to purchase merchandise on the Internet with their credit cards, are one of the important technologies developed by Internet companies in the belief that many people would make purchases online. But the extra shipping fees needed to deliver merchandise—and the fact that people are still more comfortable shopping in the real world—failed to meet the expectations of many companies. Businesses trying to profit from online transactions were forced to look for new ways to make use of the technology. This need led to the concept of online donations.

Online donation mechanisms have great potential for fundraising organizations, helping them to raise funds from new donors beyond those generally attracted by traditional fundraising methods. In an article in *Philanthropy Journal Online*, Jeffrey Hallett, Chairman and co-founder of New Media Publishing, suggests that the Internet could be a way to reach potential donors who are resistant to direct mail or phone appeals—especially those under the age of 35. Hallett describes this group as “influencers”:

Not only are they the first on the Web, they are highly educated and generally leaders. Using the Web to engage them with our issue or cause can do more than trigger a donation. It can also help spread the word of our efforts as these influential people interact with others in their families, communities, and elsewhere.¹

Online donation systems also save the costs of writing, printing, mailing, and telephoning in traditional fundraising programs. With the assistance of IT, organizations might also increase donations raised in traditional ways for the following reasons:

- Intermediate information about the organization's background or history can be accessible through the Internet 24 hours a day, 7 days a week. The continuous availability of this information makes the organization readily accessible to donors or potential donors.
- Regardless of size, an organization has the same chance to raise funds over the Internet. The Internet has “leveled the playing field” for all non-profits.
- IT provides a direct and immediate connection to donors or potential donors via e-mails, websites, or even online meetings.
- Online donation systems provide faster and easier processing for donors.
- Website displays of the demonstrable progress towards charity goals increases the motivation for potential donors to give.
- The borderless nature of the Internet makes it easier to raise funds from domestic and international donors.
- Visible donation records enhance the organization's accountability, and also make donors less likely to feel that “I'm the first one” or “I'm the only one,” feelings that may deter potential donors from giving.
- The e-mail list or listserv system makes it easier to deliver relevant information to donors or potential donors, thereby increasing the time and opportunity for donors to give.

Using IT in the context of fundraising nevertheless is not as easy as it first may appear, despite its many advantages.

¹ Jeffrey Hallett, “Why the Web Will Increase Giving—Eventually,” *Philanthropy Journal Online*, 9 June 1997, <http://philanthropy-journal.org>.

First, the new technology was developed within too short a period for it to have reliable support resources or uniform regulations on which nonprofits can count. Many for-profit Internet companies, attracted by the large potential market for online donations to provide services to nonprofit organizations, are also facing serious operating difficulties because they lack knowledge of the nonprofit sector. About a year ago, the number of Internet companies providing e-philanthropy services was over seventy; there are now less than twenty companies left. When Internet companies ceased operation, the nonprofit organizations they cooperated with also suffered.

The second problem is the high cost of hardware and software. According to a recent survey of 2,094 nonprofit groups in the United States and Canada, while 89% had access to the Internet, only 61% of the computers they were using were networked. Only 53% of these nonprofits had budgets for software, and only 51% had budgets for computer hardware.²

Aside from the expense of computer equipment and software, the study also showed that only 33% of nonprofits they surveyed had long-term technology plans, and only 35% had budgets for computer training. These data suggest that most nonprofits either still do not use this technology as an essential element in their management, or consider it to be of little value to their operations. The technology work force poses another problem. The study showed that only 23% of nonprofit organizations had a full-time employee to oversee technology and only 14% had part-time technology employees. A recent article in *Wired News* reported that an increasing number of laid-off dot-com employees are rediscovering a sense of purpose, not to mention job security, in the nonprofit sector.³ Nonetheless, for many small organizations with very limited budgets for human resources, hiring an extra staff person solely to oversee technology can be difficult.

Given these challenges, is IT still important to nonprofit organizations? Is it necessary for nonprofits to have large hardware and software budgets? How can nonprofit organizations best make use of the technology? How can nonprofit organizations use the Internet effectively? And how can organizations raise more funds via the Internet?

These questions are examined in this report. The conclusion proposes a model for helping nonprofit organizations to set up sustainable, reliable technology resources. It also includes a brief discussion on how these lessons might be applied to help Taiwan's nonprofit sector make use of this technology.

² Gifts in Kind, *Gifts in Kind International 2000 Technology Tracking Study of the Nonprofit Sector*, Gifts in Kind, 2001, [http://www.giftsinkind.org/2000 Technology Tracking Study.htm](http://www.giftsinkind.org/2000%20Technology%20Tracking%20Study.htm).

³ Reena Jana, "The New Dot-Altruism," *Wired News*, 30 March 2001, <http://www.wired.com/news/culture/0,1284,42697,00.html>.

II. Step 1: Acquiring Computer Hardware and Software

Obtaining computer software and hardware is the first step for nonprofit organizations heading toward utilization of Information Technology (IT). The problem is cost. Although large expenditures on high-end equipment are not required to receive e-mail or surf the web, and reliance on second-hand equipment can save costs, the outdated speed of older processors or modems reduce work-efficiency, costing nonprofits even more money on the time they lose. Several nonprofit organizations, as well as for-profit companies, provide practical information to help small- to medium-sized nonprofit organizations to better enjoy the new technology with lower expenses. These helpful hints will be outlined in the following sections.

1. Hardware and Software Donation Programs from Manufacturers

Several manufacturers have donation programs whereby nonprofit organizations can apply for brand new software and hardware. It is indeed a good deal, but most of these programs require that applicants meet various requirements. For example:

- Your organization must be philanthropic; (Filemaker)⁴
- Your organization must be a 501(c)(3) tax-exempt nonprofit; (Macromedia)⁵
- You must be a Registered Charitable Organization in Canada or, if outside North America, be the registered equivalent of a charitable organization; (Lotus)⁶
- You must be an educational institution or tax-exempt nonprofit designated as 501(c)(3) by the U.S. Internal Revenue Service. Non-U.S. organizations must meet the charitable criteria of the country of their incorporation; (Compaq)⁷
- Your organization must be non-sectarian, non-denominational and non-discriminatory in its charter/objectives or the treatment of its staff or constituents, to complement the manufacturer's interests in promoting diversity and equal opportunities for all; (Compaq)
- Your annual budget must be less than one million dollars; (Filemaker)
- You must demonstrate sound financial management and effective use of resources, and offer solutions to critical social issues that have a demonstrated impact on the community; (Compaq)
- Eligible organizations may not advocate, support, or practice discrimination based on race, religion, age, national origin, language, sex, sexual preference, or physical handicap; (Lotus)⁸
- You must directly impact or benefit, through your programs and services, key communities where the manufacturer has a significant employee and/or business presence. (Compaq)

The application process may take a long time. While many nonprofits request free donations, only a very limited number receive them. To be able to acquire free software or hardware not only requires good skills in writing proposals, but also good luck.

To help nonprofits more effectively acquire hardware or software through donation programs, Gifts in Kind International⁹ sends periodic news and information as a service to its members. This includes a monthly catalog of available product donations, weekly fax or e-mail donation updates, and a monthly newsletter that provides access to information and training resources. Many major software and hardware companies, such as 3com, Adobe, Novell, Microsoft, and Symantec, also coordinate their product-giving programs through Gifts In Kind International.

⁴ Filemaker, Inc. Corporate Donations, <http://www.filemaker.com/company/donations.html>.

⁵ Macromedia, Inc. Culture and Philanthropy, <http://www.macromedia.com/macromedia/hr/cuture.html#philanthropy>.

⁶ IBM/Lotus Corporate Community Relations Program Guidelines, <http://www.lotus.com/home.nsf/welcome/philanthropy>.

⁷ Compaq System, <http://www.compaq.com>.

⁸ IBM/Lotus Corporate Community Relations Program Guidelines, <http://www.lotus.com/home.nsf/welcome/philanthropy>.

⁹ Gifts in Kind International, <http://www.giftsinkind.org>.

2. Discounted Hardware and Software from Manufacturers

Instead of donating free software or hardware, companies are more likely to offer discounts to nonprofit organizations. It never hurts to ask the manufacturer for a donation, but if not applicable, one can at least ask for a discount. It always helps to have a thorough understanding of the software and what it will be used for before calling or sending a letter. Many companies require that nonprofits have a plan for how they will implement and support the software or hardware. A technology plan can show that the organization has a solid understanding of how new technology fits with the organization's mission.

****ALWAYS ASK FOR A DISCOUNT****

Some websites also help nonprofits acquire discounted software or hardware. For example, *CompuMentor.org*¹⁰ distributes product donations from companies such as Microsoft and Lotus. A nominal shipping and handling fee is applied to each product. Through this website, one can get Microsoft Office 2000/2001, Windows 98, Windows NT/2000 Server, and Lotus SmartSuite. Another company, Consistent Computer Bargains, Inc.,¹¹ provides 30% discounts on many software titles to nonprofit organizations. Consistent Computer Bargains works with several software publishers, including Adobe, Corel, Lotus, Macromedia, McAfee, and Microsoft. It has also secured special pricing from Acer, Compaq, IBM, and HP for hardware discounts.

Besides discounted commercial software, some software companies also provide simplified version software. The simplified version, often appearing as an "educational version," is manufactured based on the idea that nonprofit organizations or institutes need fewer functions than are featured in software originally designed for commercial use. The price of the simplified versions is more acceptable to nonprofits, but the software will perform fewer functions.

3. Software Designed for Nonprofit Use

Several for-profit software companies and even some nonprofit organizations design "nonprofit software" to satisfy the requirements of the nonprofit sector. Such programs can be found at *npinfotech.org*,¹² a nonprofit organization that provides a comprehensive list of such specially designed software. The software is listed in the following categories: general administrative, case management, childcare, financial management, fund raising, grants management, information and referral, matching gifts, membership management, outcomes management, planned giving, training software, and volunteer management.

An example of such specially-designed nonprofit software is the Nonprofit Organization and IRS Form 990 Nonprofit Software, designed by 990 Accountant.com,¹³ which helps nonprofits fill out the 990 tax form in the United States. WinFund, which is produced by the General Systems Corporation,¹⁴ provides complete data processing, database management, and maintenance services in an integrated database application. WinFund tracks volunteer, staff, and donor activity, and records all membership dues and contributions, gift memberships, donor appeals, gifts-in-kind, honor and memorial gifts, pledges, sustainer gifts, grants, and corporate matching gifts.

¹⁰ CompuMentor.org, <http://www.compumentor.org>.

¹¹ Consistent Computer Bargains, Inc., <http://www.ccbnpts.com>.

¹² npinfotech.org., <http://www.npinfotech.org>.

¹³ 990 Accountant.com., <http://www.990accountant.com>.

¹⁴ General Systems Corporation, <http://www.generalsystems.com/WinFunds.htm>.

4. Internet Application Service Providers

For small nonprofits that are unable to afford their own database hardware and software, it may be a good idea to use the Internet to serve supporter, client, and member needs. One type of Internet company that could make a difference is the Application Service Provider (ASP), which offers state-of-the-art online software tools for “rent.” Virtually every major type of expensive software is now available via an ASP. Nonprofits of all sizes can now take advantage of high-end software without some of the hassles involved with purchasing and housing software on their own computers. This is a revolution that could literally level the technology playing field for nonprofits.

The strongest appeal of an ASP today is that nonprofits can add powerful and mission-critical services quickly and inexpensively to their websites, without having to purchase, install, support, and manage complex hardware and software. The “rental price” that nonprofits pay to the ASP frees the nonprofit from having to contend with the technology itself. An Internet company owns and operates the technology and takes responsibility for software development, upgrades, hardware reliability, backups, and customer service. ASPs can handle security, backup, disaster recovery, and technical support. With primary technology maintenance being handled by the ASP, the nonprofit is free to concentrate on its own mission and programmatic goals. Most importantly, ASPs allow nonprofits to access a range of new, higher-end Web applications and tools.

For a list of top-ranking ASPs, one can refer to the Dot Org website,¹⁵ which provides the twenty-three top ASPs serving the nonprofit sector. An indispensable, complete list of all nonprofit-related ASPs is provided by Nonprofit Matrix,¹⁶ an online guide to ASPs and Internet portal providers for the nonprofit sector. This site’s purpose is to help nonprofits make informed decisions about which companies and services best suit their Internet missions and goals.

IT IS IMPORTANT TO PLAN AHEAD WHEN CHOOSING AN ASP

However, the use of ASP services also has several limitations, or even disadvantages. First, if an organization lacks high-speed Internet access (ISDN, DSL, or faster) or is using older computer equipment, ASP services might be inefficient, because mission-critical information and transactions will be handled via the Internet. Second, since all the data is stored in the ASPs’ servers, it is important to choose an ASP with a reputation for reliability. It is also extremely important to make sure that the contract signed with the ASP affords the opportunity to access data in the event that the ASP is bought out or ceases its business operations.

5. Technology Support and Resources

Being equipped with adequate computer software and hardware is just the first step; it makes no sense to have this equipment without a staff that knows how to use it. Nonprofit organizations usually get their technology support in one of three ways: a full- or part-time staff member; volunteers who come on a regular or on-call basis; or a service agreement with an outside vendor.

Tim Mills-Groninger, chair of the Technology Resource Consortium, and Associate Executive Director of IT Resource Center in Chicago (npo.net), suggests a strategy for developing technology support. Depending on the size of the staff, the number of computers and the extent of database applications, a nonprofit organization may:

- Develop a cadre of Computer Responsible Persons (CRPs, pronounced *creeps*)
- Hire a part-time or full-time Computer Coordinator
- Outsource technical support

¹⁵ Dot Org., http://www.summitcollaborative.com/dot_org.html.

¹⁶ Nonprofit Matrix, <http://www.nonprofitmatrix.com>.

F Employ a Database Administrator¹⁷

****EARMARK 70% OF YOUR TECHNOLOGY BUDGET FOR STAFF****

An article at *TechSoup.org* stresses the importance of staff technology training, and suggests that only 30% of technology spending should go to hardware and software, with a full 70% going to training and support.¹⁸ It also considers it essential to integrate technology-training plans into the organization's general technology plan and into the overall strategic action plan.

There are several ways to train staff. The most frequently used method is to send staff members to training classes, which can range from a single two-hour session to a full course. When it is necessary to train an entire staff, it is more effective either to use customized training or to bring a trainer to the organization. The third method is the so-called "Do-It-Yourself Training," which relies on books, CDs, and videos to teach technology skills.

For small-sized nonprofit organizations, for which finding or training staff to provide needed technology support is often very difficult, technology centers can be a useful resource. The CompuMentor, for example, is a San Francisco-based nonprofit organization, which provides technology resources to nonprofits and schools serving low-income communities. Since 1987, it has provided more than 23,000 organizations with low-cost software and person-to-person help through technical volunteers and consultants.¹⁹ Similarly, the IT Resource Center in Chicago provides IT resources to nonprofits, enabling them to achieve their goals through effective use of technology. Its mission is accomplished by: providing constituents services in advocacy regarding the importance of technology to nonprofits; planning and implementing technology approaches to nonprofit activities; technology consulting, training, and problem-solving for non-profits; and providing objective information regarding technology as it pertains to nonprofits.²⁰

¹⁷ Jayne Cravens, "How To Support Your Computer and Internet Systems" (2000), <http://www.coyotecom.com/database/support.html>.

¹⁸ "Plan for Training (Management)" *Techsoup Article*, 1 May 2001, <http://www.techsoup.com/articlepage.cfm?ArticleId=62&topicid=9>.

¹⁹ CompuMentor.org, <http://www.compumentor.org>.

²⁰ IT Resources Center, <http://itresourcecenter.org>.

III. Step 2: Constructing the Intranet and Connecting to the Internet

Many people know a great deal about the Internet, but fewer have heard of or understand what the intranet is. For both for-profit companies and nonprofit organizations, setting up an intranet is often even more important than connecting to the Internet. An intranet is an internal network system that links computers and printers or other related devices within the same organization. The advantage of an intranet is that staff working on different computers can share files and printers with each other, back up important files easily by storing them on another computer within the intranet, and even share the Internet connection.

****SETTING UP AN INTRANET MAY BE EVEN MORE IMPOSRTANT THAN CONNECTING TO THE INTERNET****

1. Constructing the Intranet with a Peer-to-Peer Network

Many people think that an intranet should only exist in medium- to large-sized organizations. In fact an intranet can consist of as few as two computers, as long as both have network interface cards installed, two network cables, and a small hub. A network of a small number of computers is called a peer-to-peer network.

Nonprofit organizations, especially fundraising organizations, usually have numerous databases to manage. Databases are crucial for organizing client information, generating reports, maintaining financial records, and managing donor relationships. If an organization lacks an intranet setup, office staff would have to share a single computer housing a specific database. If the same database were installed on more than one computer, updating and duplication would create problems.

The ability to share databases, thereby allowing different members of the staff to access and modify the same database from different computers at the same time, is one of the important motivations for nonprofit organizations to set up an intranet. The free database program, ebase,²¹ which helps nonprofits keep track of donors and volunteers, is a good example of a shared database that runs over the intranet. Based on Filemaker Pro,²² ebase provides a complete user interface to enter, search, and sort data and create reports. Beyond the basic tasks of tracking contact and pledge information, creating letters and mailing labels, and generating reports, ebase is specifically designed to facilitate online communication and activism through the use of e-mail.

But using a shared database on an intranet also has its drawbacks. Ebase, for example, does not offer many extra security protections—especially if the database is shared over a network—and security is not one of the strengths of its underlying software, Filemaker Pro. Conversely, if an organization's needs are complex and extensive, it is worth considering more high-tech options such as a custom SQL Server database.²³ Ebase may run slowly or encounter problems with a very large database. Filemaker Pro may even impose a limit on the size of the database file. It is worth estimating the size of the database and researching what ebase can handle.

Even the smaller peer-to-peer networks, which are designed for connecting small numbers of computers, also encounter problems when the number of connected computers exceeds ten to fifteen. Also, within a peer-to-peer network, the users handle administration. This means that all the users need to be trained in how to share files, folders, and printers. In a peer-to-peer network, one user suddenly shutting down his/her computer, for example, can cause printing difficulties for others on the network.

2. Constructing the Intranet with a Server-Client Network

²¹ ebase, <http://www.ebase.org>.

²² FileMaker, <http://www.filemaker.com/products/index.html>.

²³ Microsoft SQL Server, <http://www.microsoft.com/sql/default.asp>.

To avoid the size and security limitations of the peer-to-peer networks, organizations with more than fifteen computers might consider having a Server-Client Network. A server is simply a computer that runs software that enables it to serve specific requests from clients. For example, a file server is a central storage place for the network; a print server handles print jobs and sends them to printers.

****SERVER-CLIENT NETWORKS CAN OVERCOME THE LIMITATIONS OF PEER-TO-PEER NETWORKS****

A typical reason for nonprofits to deploy a Server-Client Network would be for the use of a database server. A database server is the database center within the network. It permits different clients to access and modify the same database at the same time, without the risk of having data duplicated or corrupted. It can also provide different access levels to different clients, which increases the security of the database.

Software programs that require a Server-Client Network tend to be more powerful, especially those designed for fund-raising organizations. For example, the Donor2 software, designed by the Donor2 Software Company,²⁴ features an exhaustive set of tools for the fund-raising professional, such as donor/prospect records that include giving histories, demographic and biographic information, segmentation codes, addresses, tickler files, education, employment, relationships, constituencies, and much more. The revolutionary reporting module features an intuitive, straightforward approach to constructing reports and criteria; although one may also choose from over 300 standard reports provided. The task of managing a variety of documents, including correspondence, receipts, acknowledgments, invitations, newsletters, annual reports, year-end giving statements, pledge reminders, and pledge statements, is made easier. Additional modules include special events, volunteer tracking, prospect research, planned giving, membership, and alumni.

The Canadian Red Cross²⁵ provides an example of the benefits, from a management perspective, of running a Server-Client database. By deploying ACCPAC Advantage Series Enterprise Edition²⁶ along with Microsoft SQL Server, NT Server, and Terminal Server, the Red Cross gained remote connectivity and real-time access to business-critical information for users at more than thirty sites across Canada. This helped the Red Cross effectively manage its funds, reduce overhead, increase productivity and efficiency, and provide a significant savings in communication costs.

3. Connecting to the Internet

Finally, the Internet is the real cause of the impact made by IT on modern society. With the Internet, advocacy organizations can organize virtual advocacy groups that are active across the geographical divide; fund-raising organizations can reach far away donors to raise more money. As Internet usage continues to grow exponentially, it is becoming increasingly essential for nonprofit organizations to have access to it in order to communicate with colleagues, develop an online presence, and better serve their missions. While many organizations have access already, it is still important to consider more efficient connection alternatives. Choosing the right connection is becoming a very important decision for many nonprofits. While modems still provide many smaller nonprofits with a crawling connection, cable, DSL, ISDN, and T1 are introducing many other organizations to the joys of high-speed access. Since introducing alternative connections to the Internet is beyond the scope of this research, this and the following section focus instead on cost-saving methods nonprofits may adopt.

****CONSIDER YOUR ORGANIZATION'S NEED TO CHOOSE THE RIGHT INTERNET CONNECTION****

For a nonprofit organization that connects to the Internet infrequently to check e-mail, a dial-up connection is sufficient. Dial-up access requires two fees: a telephone fee for the modem link to the Internet Service Provider (ISP) and a fee for the ISP link to the Internet. Telephone fees are inevitable, but there are a number of free ISPs in the United States (e.g. NetZero²⁷) that provide free Internet connections to nonprofits.

²⁴ Donor2 Software Company, <http://www.Donor2.com>.

²⁵ Canadian Red Cross, <http://www.redcross.ca>.

²⁶ ACCPAC Advantage Series Enterprise Edition, <http://www.accpac.com/products/finance/accpwin/cs>.

²⁷ NetZero, <http://www.netzero.com>.

For heavy Internet users, a dedicated, “always on” connection such as DSL or T1 is the better alternative. Not only does such a connection provide access “on demand,” it is also faster and easier to share with a large group of users. For nonprofits located in rural areas, cable connection might be easier to acquire, since DSL connections may be limited outside of urban areas. For a nonprofit organization that connects to the Internet for more than three hours every day, the connection fees for DSL and cable are only slightly higher than dial-up access. A dedicated connection also enables users to have their own Internet web or e-mail servers. For nonprofit organizations that need very stable and high-speed connections to support high-flow Internet services, the more expensive T1 or T3 dedicated connections might be more suitable.

4. Connecting the Intranet with the Internet

It is very easy for nonprofits that have their own intranet to connect to the Internet. Doing so would maximize the power of IT for nonprofits. Distant offices within the same organization would be able to share files and resources over the Internet. For fundraising organizations, linking the intranet database server and the Internet web server would allow donors access to their donation histories and enable them to modify their personal data directly from their web browsers.

Many database programs also provide built-in web interfaces, which not only allow staff to manage the database with their web browsers through the Intranet, but also let users or registered members access the database through the Internet with restricted permission. For example, Blackbaud’s popular Raiser’s Edge fundraising software is reported to have over 9,000 organizations using it; another 2,500 organizations are using its popular line of Fund Accounting software.²⁸ This software increases an organization’s ability to create a full-featured web interface to the data in the latest released version.

5. Knowledge Management and Organizational Memory

Knowledge Management (KM) is a relatively new term. Throughout the 1980s and much of the 1990s, the term had a very narrow meaning in the context of artificial intelligence research and experimentation. Since 1995, there has been an explosion of interpretation about its meaning that has resulted in a certain amount of confusion. The University of Technology in Sydney, Australia offers the following definition: “Knowledge Management is the conceptualizing of an organization as an integrated knowledge system, and the management of the organization for effective use of that knowledge. Where knowledge refers to human cognitive and innovative processes and the artifacts that support them.”²⁹ All sorts of attempts have been made towards making KM produce tangible results in a wide range of organizations. Until now, tangible results have fallen into three basic types: increased core competency, better knowledge sharing, and competitive capabilities.

Organizations, like human beings, have lives and memories. Under the right management, an organization accumulates memory and knowledge and becomes “smarter” as it grows bigger and older over time. The intranet and IT enable organizations to organize the knowledge staff accrue in their daily work. This kind of knowledge is not easily found in books, and could vary widely from organization to organization, even department to department. For example, how should website editors reply to offensive incoming e-mail or messages? How might proposal writers draft proposals so that they match different funders’ styles? Which of the houses in the neighborhood have unsafe dogs that volunteers should avoid when soliciting donations door-to-door? Gathering such knowledge from staff members and putting it into a categorized and searchable database can provide a very valuable resource for incoming staff. Not only can new staff members be clearer about their position in a shorter time, but they may also avoid repeating the past mistakes of others.

²⁸ Blackbaud, Inc., <http://www.blackbaud.com>.

²⁹ “Introduction to Knowledge Management,” Knowledge Management Website, Department of Information Studies, University of Technology, Australia <http://www.km.hss.uts.edu.au/introduct.htm>.

To this end, many large software companies are producing intranet software to help organizations build up their knowledge database. Exchange Server,³⁰ for example, is one of the well-known solutions provided by Microsoft. As its name suggests, members of a staff can exchange knowledge and experience, hold online meetings, share links and connections, and monitor the process of developing new projects through the Exchange Server.

By using the Internet to connect multiple knowledge databases from offices in different locations, knowledge can be shared among staffs in distant locations, even in different countries. The Ford Foundation, for example, has introduced the knowledge management concept into its foundation's culture. Behind the formal structure of the Foundation exist many affinity groups and learning groups. More than 100 program officers in the thirteen field offices of the Foundation exchange knowledge and experiences. Incoming program officers can easily draw on support from this strong database of institutional memory, thereby helping to ensure the quality of their work.

6. Virtual Offices

For small nonprofit organizations that cannot afford office space or for organizations staffed exclusively by a part-time or volunteer workforce, IT also offers another possibility: virtual offices. Staff members within virtual offices use their own computers at home or elsewhere to do their work. Staff can meet weekly at a café or other convenient location to discuss issues and brainstorm ideas. The day-to-day business of the organization, however, is conducted through e-mail and a listserv set up free of charge through Internet services provided by a third Internet company. Staff can even utilize provided voting functions to make board decisions online. The cell phone number of the chief staff person might also serve as the official number for the organization.

A virtual office is especially suitable when a very small-sized organization uses volunteers to help set up and maintain its website. The organization not only saves the cost of full-time technology staff, but also saves the cost of office space and equipment. In this scenario, the virtual office co-exists with the real office. Not only can volunteers work within this virtual office, but full-time staff can gain increased flexibility in scheduling and time spent at the office.

³⁰ Exchange Server, <http://www.microsoft.com/exchange>.

IV. Using the Internet to Help Raise Funds

It is unfortunate when a nonprofit organization uses Information Technology simply to send and receive e-mail, browse the Internet to collect information, and send electronic proposals to funders. There are so many other things a nonprofit can and should do to benefit from this new technology. For example, raising funds with the assistance of IT is an important issue for most nonprofit organizations. There is no doubt that by using the Internet, these organizations can access more people than ever before, making it possible to raise more funds.

Apparently, the Internet is still an infinitesimal part of overall philanthropy. According to estimates by Craver, Mathews, Smith & Co., only \$0.14 is given over the Internet out of every \$100 dollars of total philanthropy in the U.S. (0.14%). This is based on an estimate of 3.5 million online donors at an average gift of \$55, or \$192 million in 1999 online giving.³¹ Since stories of individual charities raising \$1 million or more are rare and celebrated, it is a plausible estimate.

This trend is also borne out by the Commerce Department's first-ever online retail sales estimate of \$5 billion in the fourth quarter of 1999, which is 0.6% of the total retail sales during that period.³² Since philanthropy usually lags behind commerce in adopting strategies and implementing conveniences in order to attract potential consumers (for example, telephone sales and credit card usage), and since this is a fourth quarter figure, whereas the CMS study is a second quarter figure, it adds credibility to the CMS estimate.

But one should bear in mind that these disappointing statistics relate solely to online donations, which is only one of many ways the Internet can be used to raise funds. As the next chapter will discuss, online donation is simply a new method that allows people to make donations directly online. In this chapter, several popular Internet services will be discussed to see how they can help nonprofit organizations improve themselves and raise more funds. At the same time, several rules for using the services will also be proposed so that the technology is not used ineffectively.

1. Using E-mail

E-mail is the most successful communications technology since television. The speed of e-mail is its key benefit. E-mail's convenience has made it an increasingly popular mode of communication and has changed the way people communicate with individuals and groups. E-mail can be used to promote discussions, pass on quick notes, compose formal letters, or even to negotiate contracts or other projects requiring continuous communication.

According to the latest study of the global usage of e-mail announced by the United Messaging Company on March 21, 2001, e-mail is no doubt the number one workplace-messaging tool. The report shows that at the end of 2000, there were 891.1 million electronic mailboxes in the world. In the United States, 45% of consumers and 75% of workers, representing a total of 58% of the population, use e-mail regularly. These findings match well with Gartner Group Research estimates that the average American worker spends four hours each day reading, writing,³³ and forwarding e-mails and that corporate e-mail now carries up to 75% of a company's communications.

For fundraising organizations, e-mail appears to be an essential tool. Most donors like to stay in touch with the organizations they support. The more they are in contact, the more likely they are to make more frequent and larger gifts. E-mail offers an inexpensive, fast, and friendly way to communicate with donors, prospects and others. Many find it less wasteful and less intrusive than direct mail or telephone calls during dinner. Some nonprofits find that more than a quarter of donors use e-mail every day. In addition to supplementing traditionally mailed correspondence with e-mail, the following are also ways in which nonprofits can use this technology:

****6 WAYS TO UTILIZE EMAIL****

³¹ Mark J. Rovner, Senior VP, Craver, Mathews, Smith & Co. e-mail, (29 February 2000).

³² U.S. Department of Commerce Report, 2 March 2000, <http://www.census.gov/mrts/www/current.html>.

³³ Year-end 2000 Mailbox Report, United Messaging, http://www.unitedmessaging.com/assets/pdf/mailboxreport_full.pdf.

A. E-mail Newsletters

Electronic newsletters save on design, printing and postage, and the cost is the same whether sending to 10,000 people or 150. They can be circulated to a listserv in order to update current, past, and potential donors about organizational activities. They may be used to offer a variety of content to distinct audiences.

B. Action Alerts

Advocacy organizations can build an e-mail list of activists and alert them to actions quickly and inexpensively. A quick link to send an e-mail or fax to elected officials or other key policymakers may be added to the alert e-mail, allowing recipients to send out their messages with just a simple click.

C. Surveys

Whenever an organization wants to find out what its members are thinking or what they want the organization to do about an issue, it can send an electronic survey. The cost is minimal. Even better, recipients are more likely to respond to e-mail surveys; they no longer need to endure the hassle of filling out the forms, putting them in envelopes, and dropping them into a mailbox. The response time is also much shorter for e-mail surveys than other traditional survey methods.

D. Event Invitations

E-mail is an ideal way to send out invitations: it's cheap and it's fast. Many people imagine a "text only" format that is not as appealing as beautifully designed invitation cards. But actually, modern e-mail software allows people to send graphic e-mails, even with sound or video clips.

E. Auto-replies

The idea of auto-replying e-mail boxes came from the popular function of auto-replying fax numbers. By sending a blank e-mail to a specific auto-replying e-mail box, the sender receives materials automatically from that e-mail box, saving on mailing costs and staff time. An organization can set up several different auto-replying e-mail boxes to let applicants acquire different materials. The auto-replying function should be a built-in function in most office e-mail systems today.

F. Fundraising

So far, few organizations are asking for funds via e-mail, although at least one public radio station has used e-mail successfully to solicit pledges.³⁴ At this point, e-mail is probably best used for donor cultivation, or to let donors know that the organization will soon be contacting them by mail or telephone to request financial support.

Employed in all of the above capacities, e-mail is an essential element to most businesses and organizations. But it is not a good idea to overuse e-mail without appropriate limitations. The following recommendations are proposed to nonprofit organizations that use e-mail for promotion:

EMAIL ETIQUETTE IS IMPORTANT

A. No Spam

Organizations should send out news or e-mail updates to current supporters only. Sending out e-mail to addresses acquired from either other websites or from illegally marketed e-mail lists is considered to be "spamming" behavior. As such, the organization might be placed on the spamming list and be blocked out by most e-mail systems.

B. Let Recipients Out

Recipients of an organization's e-mail have the right to request the removal of their names from the organization's e-mail list. It is recommended that information be included at the end of each e-mail on how to stop receiving news or updates.

³⁴ On October 4, 1999 Public Radio station WAMU (www.wamu.org) in Washington, DC suspended its normal on-air pledge drive for one day, called "Cyber-Monday." On that day 3,489 pledges totaling \$227,000 were received through the WAMU website.

C. Reply Quickly

Research shows that those using e-mail tend to get responses quickly, usually within 48 hours. Slow responses could lead some people to think that there is no dedicated staff in charge of replying to e-mails and might stop interested individuals from sending e-mails in the future.

D. Text Only for Important E-mail

Most, but not all recipients can read e-mail with graphics. It is recommended that recipients be given a choice of e-mail format when subscribing to newsletters or updating e-mails lists: text only or with graphics. For important messages, text-only format should be used to ensure that all recipients are able to read them.

E. Watch the Size

E-mail with graphics may be more appealing and attractive to recipients, but graphics can enlarge the size of e-mail significantly. For recipients using dial-up connections, it can take hours to download messages with too many graphics. This inconvenience will cause some to unsubscribe from the list.

F. Short Is Beautiful

Avoid sending lengthy e-mails and especially newsletters that require recipients to scroll down the page in order to read them in full. A recipient will typically have several messages to look at when checking his or her e-mail. If a message is too long, recipients are more likely to skip it. To share new articles with newsletter subscribers, it is recommended that the article be posted on the web while including the first few lines of the article in the newsletter. A link to the web page will allow recipients to read the complete article with their browser.

G. Don't Send Too Frequently

Sending messages too frequently—especially if they become repetitive—should be avoided. Recipients tired of receiving newsletters will ignore them. Most nonprofit organizations should send out newsletters every two to four weeks.

H. Thank-You Note with a Name

Many organizations reply to subscribers, givers, and donors with a fixed, pre-composed thank-you note e-mail. It is recommended to address the recipient by name in the first line of these e-mails. Generic thank-you notes could make the recipient feel the organization is perfunctory or less sincerely grateful for his/her participation.

I. E-mail Is Not Everything

E-mail should not replace the telephone. E-mails can only maintain member/donor relations to a certain degree. Live, human assistance via the telephone is indispensable.

2. Types of Websites

Building a website is not a difficult task. With recent contributions from the software industry, making a web page can be as easy as composing a Word document. Actually, web pages are just like Word documents, but contain special codes (formally, HTML tags). A simple website is no more than a collection of these kinds of documents.

Explaining how to build websites or compose web pages with the HTML code is beyond the scope of this report. Still, it would be useful to learn the forms of website design under different “generations” which originated from the concept proposed by David Siegel, the creator of the High Five Excellence-in-Web-Design awards:

A. First-generation Websites

First-generation websites are an early design for text-only terminals and black and white or low-resolution color monitors. They are characterized by long lines of unbroken text, default background and hyperlink colors, the liberal use of standard HTML elements such as bulleted lists and horizontal rules, and hierarchical information architecture. In first-generation sites, form follows function.

B. Second-generation Websites

Second-generation websites are basically first-generation websites with more color, graphical elements (navigation bars, icons, buttons, pictures, etc.), and a greater reliance on technology. In the best second-generation sites, form is elevated to the same level as function and the user experience is enhanced as a result.

C. Third-generation Websites

Third-generation websites use metaphor and well-executed graphic design to attract and guide visitors through the site. These websites form a complete experience: the more visitors explore, the more the entire picture of the site comes together.³⁵

After Siegel proposed these ideas in 1995-1996, e-commerce began to drive website development in new directions. In *The Foundation Center's Guide to Grant-Seeking on the Web*, fourth-generation websites are identified:

D. Fourth-generation Websites

Fourth-generation websites are stylish and pleasing to the eye, database integrated, with on-the-fly page generation (dynamic web pages), transaction and streaming multimedia capabilities, and, increasingly, personalization.³⁶

³⁵ David Siegel, *Creating Killer Websites*, Second Edition (Indianapolis: Hayden Books, 1997).

³⁶ Foundation Center, *Guide to Grantseeking on the Web*, 2000 Edition (New York: Foundation Center, 2000).

Rick Christ, a direct-marketing professional with ten years of experience in fundraising for nonprofits, proposed four basic evolution phases of nonprofit website development. They are, briefly, as follows:³⁷

A. Brochure Stage

At this stage of the website's development, the content is similar to that of a simple company brochure. It is not usually promoted.

EVALUATE THE EVOLUTIONARY PHASE OF YOUR NONPROFIT'S WEBSITE DEVELOPMENT

B. Magazine Stage

At this stage the website provides the visitor with extensive information about the organization including past and planned events, case studies, articles, links to other relevant sites. It may also provide donation and membership options. The website is heavily promoted on the organization's printed material.

C. The Direct Mail Appeal Stage

In this stage the website becomes a tool for soliciting e-mail addresses, communicating regularly with recipients of its e-mailings, and gathering an array of information about them. A wider range of documents appears on the site and is often searchable. There are many donation options, and possibly e-commerce opportunities with related merchandise. Direct mail websites are promoted aggressively through direct mail, print and broadcast media, and the organization's promotional material.

D. Community Stage Websites

At this stage, when members log on, they are greeted by name and receive a personalized summary of news and content updates. A smart site manager will also try to predict other areas of interest to the donor and attempt to expose them to a wider range of topics and features. At this stage, members of the community become part of the editorial staff, communicating in chat rooms and special interest forums. The content is deeper and broader; articles may include streaming audio and video; and e-commerce opportunities, beneficial to the nonprofit and its members, may be wide-ranging. The promotion of this site includes all the techniques of the direct mail appeal stage as well as viral marketing conducted by the members.

Even though the above four types of websites are recognized as "evolution phases," they can actually co-exist. For example, an organization that serves disabled people can have a brochure website to introduce the organization to people, as well as a community website for disabled people and their family members to communicate and help each other.

3. Essential Elements of a Website

It should be clear from the above section that the impact different types of websites have on visitors depends on the site's content and the materials and functions it offers. But no matter what kind of website an organization intends to build, the following items are recommended for inclusion,

A. Introduction

Provide an introduction that includes founding background, development history, mission, and goals. A website lacking this information, perhaps chanced upon by visitors unfamiliar with the organization, could appear mysterious, ambiguous, or untrustworthy.

³⁷ Rick Christ, "The Stages of Site Development." Techsoup Special Report, 2000, <http://www.techsoup.org/articlepage.cfm?ArticleId=255&topicid=13>.

B. Contact Information

Information on how to reach the organization and its staff is useful to visitors to the site. If possible, post the names of staff members; telephone numbers, mailing addresses, and e-mail contact information should all be included. Detailed contact information also helps potential donors gain confidence in the organization.

C. Site Map

If the website contains several sections and subsections, a site map is necessary to help users know where they are. For first-time users, the site map can help them better understand and appreciate the logic of the website's structure and functions.

D. Search

Most Internet users are impatient. They would like to be able to find the information they need quickly. Especially for websites that contain full text articles, setting up a full-text search function will help users find rapidly what they need.

****INCLUDE THESE WEBSITE BASICS IN YOUR ORGANIZATION'S SITE****

E. Related Links

Links help users locate related articles or resources. An appropriate description (that is different from the result obtained from search engines) should be added below each link. Well-filtered resource links increase the possibility that users will return to find resources they need.

F. Last Update Date and Time

It is important to let visitors know when the website was last updated and which pages have been added or modified. A website without this feature may be presumed outdated.

G. Printer-friendly Function

For websites that have frames or graphics on each page, it is important that visitors be able to print the content in a readable format. Busy visitors are very likely to print text from the website for later reading. Inclusion of a printer-friendly function allows them to do so and in an easily readable format. It would be a pity if a visitor wanted to contact the organization after having read a printout from its website, only to find that the telephone number has been cut off at the edge of the page.

H. Home Button

Include a link on every page that returns the visitor to the homepage. Especially for multi-layered websites, the back-to-home button is a life-saving link for users who get lost in the website.

I. Support Us Button

A quick link to a page with information on how to support the website or organization is important for people who are ready to make a donation. The support button should appear in the same location on every page, such as immediately below the "home button" or the "sitemap button." People should be able to find it quickly, but the button should not be distracting or intrusive to users who read website content.

4. Website Designing Rules

As with e-mail, there are several recommended rules for designing websites that are accessible and user-friendly.

A. No Huge Pictures or Graphics

Graphics can help make a website be more appealing to visitors, but too many graphics can result in slow transmissions. If it is necessary to include pictures, make them as small as possible.

B. No Long Pages

Usability studies demonstrate greater comprehension and memory in readers presented with one or two screens of material in a page. It is recommended that long articles be organized into screen-sized blocks, and that links, such as “next” and “previous,” be included to guide visitors through the pages.

****UTILIZE THESE TIPS FOR A USER-FRIENDLY WEBSITE****

C. No Pop-up Windows

Several websites feature pop-up windows that show important messages whenever visitors enter the homepage. Yet most visitors find these irritating and tend to close such windows immediately. If visitors need to return to the homepage during a session, they have to repeatedly close the pop-up windows. At worst, they might decide to leave the site and never come back.

D. Use Save-Pallet Colors

Not all visitors use full-color monitors; some use 256-color monitors or even less. Make sure to use colors that can be shown normally under 256-color monitors (save-pallet colors).

E. No Java Scripts or Applets

People tend to seek information, not entertainment, on nonprofit websites. It is not effective to utilize a lot of special effects by introducing Java scripts or applets. Not every browser can support Java, and it increases the page’s downloading time. Some Java scripts or applets also require computers to have a faster CPU or larger memory, so trying to execute them might halt visitors with low-end computers.

F. Don’t Overemphasize the “Support Us” Function

Some nonprofit organizations use Java applets to show a floating icon (such as “make a donation now!” or “donate here”) in an effort to grab the viewer’s attention. Whenever visitors enter such websites, the floating icon flies over the screen from corner to corner, bouncing back at the edges. The floating icon remains, even for people who have already made a donation! Such distractions are likely to drive away potential donors who initially visited the site for information.

5. Increasing the Website’s Accessibility

There are more than 53 million Americans with some type of disability. US Census data indicate that one in every five Americans has a disability.³⁸ As the proportion of the elderly population grows, the need to accommodate the needs of people with disabilities will increase. Jayne Cravens, the director of the internationally recognized Virtual Volunteering Project and founder of Coyote Communications offers suggestions relating to designing websites for the sight-, hearing-, and physically-impaired as well as those who are colorblind.³⁹ The website of Knowbility, Inc., an organization that is devoted to creating access to IT opportunities for youth and adults with disabilities, is a good resource for further tips on creating and designing websites that are accessible to people with disabilities.⁴⁰

³⁸ 38 U. S. Census Bureau, Americans with Disabilities, 1997, <http://www.census.gov/hhes/www/disable/sipp/disab97/asc97.html>.

³⁹ Jayne Cravens, “Accessibility Online,” Techsoup Special Report, 2001, <http://www.techsoup.org/articlepage.cfm?ArticleId=266&topicid=13>.

⁴⁰ Knowbility, <http://www.knowbility.org>.

6. Building Virtual Community Websites to Raise More Funds

Just as communities are created in the real world, virtual communities are established over the Internet. Designing and creating a virtual space on the Internet to provide a “space” for people with mutual interests to interact is the basic concept of a virtual community. John Hagel III and Arthur Armstrong describe four aspects of a virtual community.

- A. It has a distinctive focus: a successful virtual community has a clear purpose that meets members’ needs.
- B. It integrates content and communication: content is dynamic and engages members.
- C. It incorporates member-generated content: the compelling feature of virtual community is the potential for members to contribute their ideas.
- D. It provides access to competing vendors and publishers: a high quality site provides diverse resources to members.⁴¹

Virtual community websites can be valuable to nonprofit organizations. Although a website is not required to run a virtual community, it can be very useful for recruiting members and it offers members a virtual space to meet online regularly. The process of interacting with others through the website increases the sense of attachment and obligation to the community of which they are members. An organization that runs a virtual community that is perceived to be both reliable and accountable will increase people’s willingness to donate.

A good and successful example is the Big Brothers Big Sisters of San Francisco and the Peninsula (BBBS). Jonathan Stain, BBBS’s Development Associate and Information Technology Coordinator, described in an interview how the organization benefitted from building its website as a virtual community:

We started out on the Internet through a program with CitySearch in early 1997, where they hosted a few Web pages that profiled us. CitySearch was one the first portals on the Web that covered citywide events, news and also profiled nonprofits, which was how we got listed. That program wasn’t flexible enough, so we built our own first Website in mid-1998, which was basically a brochure, and then we made our first major upgrades in Spring 1999 when I came on board. Our goal was to extend our reach to potential volunteers, funders, and people in our community. Informing people about BBBS, raising money, and seeking out new volunteers were the key factors in establishing this Internet presence and it’s had a dramatic impact on our agency. Simply by pointing people in the direction of our Website, we’ve been able to inform and educate thousands of people about the opportunities and services that we provide. By allowing individuals to immediately donate to BBBS online, and reaching a broader audience, we have acquired many new donors. Between August 2000 and February 2001, we raised \$19,562 through various online fundraising efforts. Finally, by providing a volunteer form online, we have been able to reach out to a much greater number of possible mentors. Everyone at BBBS has been incredibly pleased by these outcomes.⁴²

Getting members to interact is the key to the success of a virtual community. For communities without websites, interactions occur only via listservs. But for communities with websites that serve as their members’ communication center, functions can be included to increase member interaction, such as discussion boards, poll areas, chat rooms, or even active calendars.

⁴¹ John Hagel III and Arthur G. Armstrong, *Net Gain: Expanding Markets through Virtual Communities* (Cambridge: Harvard Business School Press, 1997).

⁴² Michael Stein, “Big Brothers Big Sisters on the Internet,” (Washington DC: Benton Foundation, 2001); see <http://www.benton.org/Practice/Lessons/bbbs.html>.

The American Civil Liberties Union (ACLU) provides an example of improving a nonprofit's fundraising potential by running a successful virtual community. According to fundraising consultant Nick Allen, the ACLU's website raised around \$18,000 in February 1996, its first month online. For the nearly 600 online credit card donors, the average gift was \$31. By April 1996, the ACLU had raised about \$25,000 online.⁴³

The following strategies are recommended for attracting and maintaining membership in a virtual community:

A. Enrich the Content

Michael Stein, a nonprofit Internet strategist, writes that "Content is what people come to our Web sites for and why they want to be kept up to date with email bulletins. Content is press releases, news, executive summaries, reports, and statistics. Content is the killer app of the Internet and the Web, so let it drive your online efforts."⁴⁴ Indeed, enriching website content is the first step towards attracting and maintaining regular visitors. Also, try to keep the content simple and low tech, easy to find, and compelling.

****REMEMBER THAT WEBSITE CONTENT IS CRUCIAL****

B. Let Members Speak

It is very important to provide an area below articles or news items where people can write comments and share their ideas. People are more likely to post messages near the articles than in discussion forums.

C. Let Members Help Publicize

It is likely that new members will be referred to a virtual community by their friends. Setting up an e-card system or an article-forwarding function helps members publicize the website. Remember to include the website's title and URL at the bottom of each page, so that if members share printed articles from the website, these potential members can visit the website for further references.

****MEMBERSHIP INVOLVEMENT IS IMPORTANT TO THE HEALTH OF YOUR VIRTUAL COMMUNITY****

D. Let Members Know What Is New and What Has Been Updated

A community website with a lot of content and functions will benefit from posting a brief summary of the latest updates on the front page of the website with added links. This not only helps old members to access the latest news or article, but also gives new visitors the impression that this website is regularly updated.

E. Create an E-mail List and Send Out a Newsletter

People will rarely visit a website without reminders. Send e-mail updates or newsletters to encourage visitors to return. An organization's e-mail list may start out small, but every address is important. Make it a habit to collect e-mail addresses, and be certain that people want to receive electronic mailings.

⁴³ Nick Allen, Mal Warwick, and Michael Stein, eds., *Fundraising on the Internet: Recruiting and Renewing Donors Online* (Berkeley: Strathmoor Press, 1996).

⁴⁴ Michael Stein, "Nonprofits and the Internet: Focus on Content," May 2000, <http://www.michaelstein.net/content.html>.

F. Make Use of the Search Engine

Search engines are important because they serve as Internet entrances (or portals). Remember to register with search engines and provide every possible keyword related to the mission of the community. Also, be sure to add a meta tag (hidden description and keywords) on the home page so that roving search engine robots (e.g., *google.com*) will catalog the website again and again as they visit the web page periodically.

G. Build Relationships with Online Editors at Web Portals:

This is another great idea from Michael Stein. He writes: “Don’t keep your content to yourself—share it with the pros! Web portals cover a range of issues with features, articles, directories and search engines. They can be for-profit or non-profit, and are growing fast in popularity. Start with these: HandsNet (www.handsnet.org), ConsumerNet (www.consumernet.org), The Mining Company (www.miningco.com), NBCi (www.nbc.com), Policy.com (www.policy.com), Join Together (www.jointogether.org). There are many more Web portals out there on your issues, so go track them down!⁴⁵

****SHARE YOUR CONTENT WITH THE PROS****

⁴⁵ Michael Stein, “Nonprofits and the Internet: Focus on Content,” May 2000, <http://www.michaelstein.net/content.html>.

V. Raising Funds on the Internet

Raising funds directly on the Internet via online donation was enabled by the success of the online transaction mechanism. With this technology, people use credit cards online to make a purchase or donation.

To date, the capability of online donations raises many questions about the effectiveness of Information Technology as a fundraising tool. The "Philanthropy and the Internet Fact Sheet," released in 2000 by INDEPENDENT SECTOR as a reference for conference attendees, reported that in 1998 over 70% of all American households made charitable contributions, but only 1.2% of these gifts were made through the Internet. Only 8% of adults, or 16 million people, indicated a willingness to donate to a charity over the Internet, while 12 million people currently respond to direct mail solicitations. Furthermore, a survey of 252 of the largest nonprofit organizations in the United States found that in 1999 slightly more than one-third raised money via the Internet. These brought in a total of \$7 million, which is less than 1% of the total money raised by these organizations; 40% of this total, \$2.8 million, was given solely to one organization, the American Red Cross.⁴⁶

If one treats online donation as just another way to raise funds, then these low statistics are not surprising. Even though more than 49% of Americans reported having Internet access in 1999, simply setting up an online donation website does not ensure that people will come and give away their money. Such an expectation would be like putting a donation box in the Times Square subway station: no matter how many people walk through it everyday, and no matter how much money is spent on decorating the box, nobody is going to throw money into it without a good reason.

In this section, several online donation models are examined. But nonprofit organizations should realize that it is not really important which is adopted (several models may be utilized at the same time if needed) to raise funds on the Internet. Rather, using the Internet to attract and educate people, convincing them of the importance of the organization's mission, and raising people's confidence in its accountability are the key elements of Internet fundraising.

⁴⁶ Independent Sector, "Philanthropy and the Internet Fact Sheet," Expanding Philanthropy through the Internet Conference, San Jose, California, September 25-26, 2000; see, http://www.independentsector.org/e_philanthropy/internet.htm.

1. Classification of Online Donations

Just as there are various donation mechanisms in the real world, there are many forms of online donation services. Although difficult to classify without absolute criteria, several experts in e-philanthropy have attempted categorization. In *NetAction Notes* (December 1999), Michael Stein divided online donation service providers into three categories.⁴⁷ The first category, “charity portals,” refers to websites that offer a directory of nonprofits. Their job is to attract traffic to their site and to encourage visitors to contribute to the listed nonprofits. These portals make money either from advertisements on their site or through fees charged to the nonprofit. Examples include *Helping.org* and *CharitableWay.com*.⁴⁸ The second category is “payment service providers,” which specialize in setting up secure credit card systems for nonprofits. They make their money through a fee structure based on the contributions organizations receive. The nonprofit places a button on its site so that when visitors are ready to give, they get switched over to the service provider’s site in order to make their transactions. Examples include Entango and *Remit.net*.⁴⁹ The third category is “e-commerce commission portals” where nonprofits actively encourage their members to do their e-commerce shopping through a portal, and a percentage of their purchases goes to the nonprofit of their choice. Examples include *4charity.com*, *shop2give.com*, and *shopforchange.com*.⁵⁰

The Association of Fundraising Professionals have also attempted to classify transaction modes and identified seven. “Although there are numerous variations, the seven broad online transaction categories are charity malls/affinity programs, online financial contributions, corporate giving programs, auction sites, cause-related portals, online volunteering, and venture philanthropy.”⁵¹ Additional new online donation ideas will be suggested later in this handbook and another classification will be presented. Such categorization aims to provide a general idea of the variety of existing online donation mechanisms.

2. Online Donation within Sites

The most direct method of nonprofit e-fundraising is to ask for a pledge from visitors to the website. The American Red Cross website is a good example.⁵² In the “Help Now” section on the right side of each page on the site, visitors can easily follow not only the “Donate Now” option to make immediate online donations, but also the “Give Blood,” “Tissue Donation,” “Volunteer,” and “Planned Giving” links to make alternate gifts.

The American Red Cross provides a famous example of effective and successful online fundraising. Between July 1996 and April 1998, the organization received 1004 online donations for a total of \$128,074.⁵³ It raised \$2.7 million online in 1999. Even though this represents only 0.33% of the \$817 million in total donations,⁵⁴ it was also 40% of the total money raised online by the 252 largest US nonprofit organizations that year.

⁴⁷ Michael Stein, “Elementary E-Philanthropy,” NetAction, *NetAction Notes* 53 (27 December 1999). <http://www.netaction.org/notes/notes53.html#give>.

⁴⁸ Helping.org: <http://www.helping.org>; CharitableWay: <http://www.charitableway.com/>, ceased operation.

⁴⁹ Entango: <http://www.entango.com>; Remit.net: <http://www.remit.net>, ceased operation.

⁵⁰ 4charity.com: <http://www.4charity.com>; shop2give.com: <http://www.shop2give.com>, ceased operation; shopforchange.com: <http://www.shopforchange.com>.

⁵¹ Association of Fundraising Professionals, “AFP Internet Guidelines,” http://www.nsfre.org/tier3_cd.cfm?folder_id=868&content_item_id=1260.

⁵² American Red Cross: <http://www.redcross.org>.

⁵³ Michael Johnston, *The Fundraiser's Guide to the Internet* (Toronto: Wiley & Sons, 1999).

⁵⁴ “Big Charities Have Raised Very Little Online So Far,” *Chronicle of Philanthropy*, June 15, 2000; see <http://philanthropy.com/premium/articles/v12/i17/17003801.htm>.

For nonprofits planning to allow website visitors to donate online, Eric Mercer suggests three basic methods:

- A. Accept pledges for later collection from people who give you contact information online.
- B. Accept check or credit card information that is manually processed later.
- C. Accept credit card information online that is automatically processed immediately.⁵⁵

In his article, “How to Accept Donations Online Using Credit Cards,” Mercer details each method and provides a list of useful resources for nonprofits planning to accept online donations made with a credit card. In addition, he lists and explains the various charges that banks and third-party agents impose for credit card accounts and transactions.⁵⁶

The technical details of setting up a secure server can be daunting, and many organizations have taken the much easier route of “leasing” a secure donation page from a third party vendor (ASP). The first online donation ASP services offered secure web pages where donors could record donation information, including credit card details, which would be passed along to the nonprofit for processing as a regular donation. With the rise of e-commerce over the past several years, most online donation ASPs have extended their services to include the processing of credit card information. In this way, money the nonprofit receives is regularly deposited into its merchant account without the processing overhead (which is included in the fee or is a percentage cut taken by the ASP). The latest trend in online donation ASPs has been to add donor analysis and management tools that can perform many of the functions of sophisticated donor management software programs like Raiser’s Edge. Again, it is unimportant which method is adopted to help website visitors donate online, but it is essential to fill the website with information and interactive functions that will encourage people to make online donations.

EXPLORE THE OPTION OF LEASING A SECURE DONATION PAGE BEFORE DECIDING TO SET UP YOUR OWN

3. Donation Portals

Donation portals (websites) act as central gift receiving stations for a variety of organizations. Donors may pick and choose from local, regional, and national organizations. Nonprofit organizations can register with these donation portals at no charge, and will be included in the lists of potential recipient charities. However, registered members are not generally permitted to construct their own appeal or include their own content beyond providing basic information about their services and constituencies.

Donation portals exist to give donors a way of donating that is telephone- and paper-free. Representative donation portals include *Charitableway.com*⁵⁷ and the AOL Time Warner Foundation’s *Helping.org*.⁵⁸ When donors log onto these sites, they may choose from a number of charities, to which they donate with credit cards. *Helping.org* is nonprofit and gives nearly the full amount of the donor’s gift to the selected charity, deducting only a 2% service fee for the credit card companies. CharitableWay was a for-profit company that earned its money by taking a percentage (up to 9.9%) of the donation in exchange for the convenience of giving online.

According to a recent report, *Helping.org* raised more than \$1.1 million online in November and December 1999. That brought to nearly \$2.4 million the total contributed through the site since it was launched in October 1999. The site also matched more than 14,400 volunteers with activities and events in their communities during the holidays.⁵⁹

⁵⁵ Eric Mercer, “How to Accept Donations Online Using Credit Cards” (28 June 1998); see <http://www.nonprofits.org/npofaq/16/23.html>.

⁵⁶ Ibid.

⁵⁷ CharitableWay: <http://www.charitableway.com/>, ceased operation.

⁵⁸ Helping.org: <http://www.helping.org>.

⁵⁹ “AOL Time Warner Charity Website Helped Raise \$1.1 Million Over Holidays,” *Nonprofit Matrix News*, 22 January 2001; see <http://www.nonprofitmatrix.com/news.asp?ID=27>.

Helping.org is in many ways a revolutionary donation portal that seriously threatens other donation portals. Organizations do not need to be actively involved in the *Helping.org* giving system. All public organizations recognized as exempt from federal income tax under 501(c)(3) are included in the system as potential recipients of distributions unless they ask to be removed. *Helping.org* does not take a cut or commission from online donations, nor do users and nonprofits pay fees or costs. One hundred percent of all transaction and administrative costs are covered by the AOL Time Warner Foundation.

For nonprofit organizations, cooperating with donation portals has many advantages. For charities, it is a cost-effective way to raise funds: they can cut back on printing and telephone costs, and do not have to invest time and money in the staff and technology required to operate their own collection sites. For this reason, independent donation portals are seen as equalizers, allowing smaller charities to compete with bigger ones for funds on a level playing field.

INDEPENDENT DONATION PORTALS MAY HELP LEVEL THE PLAYING FIELD IN THE COMPETITION FOR DONATIONS

Some donation portals also offer additional services, which allow nonprofits to make even better use of the online donation mechanisms. *CanadaHelps.org*,⁶⁰ Canada's first non-profit donation portal (founded by three university students) allows charities that already have a website to put in a "donate now" button. The button taps into the *CanadaHelps.org* e-donation engine and allows donors to make a charitable donation directly from the nonprofit's website.

The gifts donors make at donation portals are usually fully tax-deductible, and those who like to computerize their personal finances have the option of tracking their donations in a secure online account. However, just as donors must be cautious about making gifts over the telephone or in response to direct mail, they must also exercise discretion when deciding which charities to give to online and which portals to use.

4. Online Matching Gift

The original idea of the matching gift was the brainchild of chair of the General Electric Board of Directors Philip Reed, who wanted to encourage GE employees to contribute to their alma maters. Reed believed the incentive to contribute would be greater if the company matched the employee's gift. The GE matching gift program was launched in 1954, and other companies soon followed suit. Since 1954, employers and their employees have contributed over \$2 billion to education thanks to corporate matching gift programs.⁶¹

Traditional matching gift donations can be a bit complicated for employees. First, the employee must obtain from his or her employer a matching gift form, which is usually available from the human resources department. Then the form is filled out and sent to the institution/organization in accordance with its guidelines.

Recent developments have provided charities with their own online donation mechanisms that accommodate online matching gifts. HEP Development, which maintains the largest and most comprehensive database of employers who match gifts to universities and other charities, has put its database online in a way that allows organizations to link to it from their own web donation center. HEP's e-MG Donor Link™ is a new product that ties their matching gifts database to a charity's web fundraising program. Charities can place a link on their site that encourages matching gifts. With this new mechanism, donors simply key their employer's name onto the charity's homepage. They are instantly told if their gift can be matched to the organization. If they are eligible, their company's match policy information will be listed, including minimum/maximum gift eligible, gift ratio, procedure for getting the gift matched, and any special comments.

⁶⁰ *CanadaHelps.org*: <http://canadahelps.org>.

⁶¹ Council for Advanced and Support of Education, "Frequently Asked Questions About Matching Gifts," <http://www.case.org/matchinggifts/faq.cfm>.

****CONSIDER THE PROS AND CONS OF THE CHARITY MALL BEFORE USING****

However, the price of the mechanism is not very attractive. For higher education alumni organizations with under 25,000 members, the price of the online database is \$695 for the first year, and \$525 per year thereafter. For other nonprofit organizations, if the budget is less than \$1 million, the price is \$600 for the first year, and \$475 per subsequent year.⁶² Websites that already have an online matching gift option are mostly those of universities, such as Columbia University, Indiana University, and George Mason University.

5. Charity Mall and Charity Auction

The two most common types of online donation sites are the charity mall and charity auction.⁶³ These ideas are not new—people spend money on something they want, and the vendor donates a percentage of the cost (anywhere from 5% to 30% or more⁶⁴) to the buyer's selected charity. The charity mall acts as a central web location for countless vendors who are seeking to increase their own business by giving shoppers the opportunity to give a little back to the community. When shoppers log onto these mall sites, they can choose from a number of retailers. The retailers then pay a commission to the charity mall for referring customers to them, and the charity donation comes out of this commission.

Some of these sites also make money from advertising, but very few of them share this portion of their income with nonprofits. These websites have been around long enough to evolve into second and third generations. Many sites have started to offer expanded services as multi-service portals. These portals target donors, charities and corporations alike, offering a range of services to each. Some common features of these sites are: charity shopping malls; secure online credit card donations; complete donation activity tracking (for the donor); volunteer matching; and workplace giving coordination.⁶⁵ For examples of standard charity malls, multi-service portals, and charity auction sites, one can investigate *Igive.com*, *4charity.com* and *AllStarCharity.com*, respectively.⁶⁶

There are certain advantages for all parties involved in the charity mall or charity auction. Charities receive donations without any effort on their part. Donors can make donations without additional costs to them, and many report that it makes them feel good to give this way. And of course, the vendors and charity malls make a profit from these transactions.

However, it is not a perfect system. Many sites require thresholds of accumulated contributions (usually \$5 to \$15) before they write checks to charities. For a small charity, it can take a long time to build up this many contributions. An article released by *Forbes.com* also showed that some cause-related malls fall short of being ideal in other ways. They let money designated for charities linger in their own bank accounts for months, collecting the interest. Although the set minimum dollar amount required to cut a check to charity is typically low, it may hold up funds earmarked for less well-known charities.⁶⁷

⁶² HEP Development Services, "E-matching Gift Look Up," <http://www.hepdevelopment.com/ematch.htm>.

⁶³ Note: Some nonprofit websites run their own shopping malls—also called charity malls—which are not included in the following discussion.

⁶⁴ For example, when purchasing books at Amazon through *4charity.com*, 5-30% could be donated to Life Crisis Services. <http://www.4charity.com/donor/mall/shop/storeInfo.jsp?id=51>.

⁶⁵ "The Charity Mall Report," Internet-Fundraising.com (February, 2000); see <http://www.internet-fundraising.com/charitymalls/overview.html>.

⁶⁶ *Igive.com*: <http://www.igive.com>; *4Charity.com*: <http://www.4charity.com>; *AllStar-Charity.com*: <http://www.allstarcharity.com>.

⁶⁷ J. Alex Tarquinio, "Charity Begins Online," *Forbes.com*, 6 November 1999, <http://www.forbes.com/1999/11/06/feat.html>.

For tax purposes, any purchase that donors make at a charity-oriented web mall is not deductible. But if consumers pay more than fair market value for an item at a charity web auction, they may deduct the difference. For instance, a guitar played by Courtney Love valued at \$300 fetched \$1,200 on auction at *WebCharity.com*.⁶⁸ The buyer could deduct \$900 as a charitable donation.

Since most charity mall or charity auction sites do not review or approve the charities listed on their sites, almost anybody could be listed there, and donors are on their own when deciding where to give. The onus is also on the donor to make sure the charity mall is itself accountable and makes the donations it reports.

6. Click Donation or Free Donation

Click donations accrue from the value of “clicks” made by Internet users on the commercial advertising banners of designated “click donation” sites. When users click on the advertising banner, they are redirected to the sponsors’ website. The sponsors pay a few cents to the donation website for referring users to them. In some cases, the sponsors are also willing to pay the website just to show their banners. Click donation websites thus give the money earned to the user-dedicated charities.

In June 1999, the Hunger Site was the first nonprofit organization to appear with this new and innovative way to raise money online.⁶⁹ On average, over 220,000 individuals from around the world visit *thehungersite.com* each day to click the “donate free food” button and help feed the hungry. To date more than 101 million visitors have donated over 198 million cups of staple food. The food donations are paid for by the Hunger Site’s sponsors and are distributed to those in need by Mercy Corps and America’s Second Harvest. Donations are split between these organizations and go to the aid of hungry people in over 74 countries, including those in Africa, Asia, Eastern Europe, the Middle East, Latin America, and North America. The success of the Hunger Site led the company that runs it to create a series of other click-to-donate websites on issues such as saving the rainforest, kids with AIDS, child survival, and breast cancer.

It is not surprising that in the last two years there has been a huge explosion of click-to-donate sites for a wide gamut of good causes. Most recently, a number of click-to-donate portal sites have appeared that attract visitors with the option to give to multiple organizations. Nonprofits wishing to set up or receive revenue from click-to-donate button sites can register with these portals and avoid ad brokerage setup and many technical and management issues.

*FreeDonation.com*⁷⁰ is a good example of how click-to-donate portal sites work. The value of each donation is variable, depending on factors such as the number of sponsors and the monetary amount per donation agreed to by the sponsor. Typically, each donation will generate between a fraction of one cent to several cents. Nonprofit organizations working with *Free-Donation.com* do not pay anything to the portal site. The company distributes all funds received from sponsors on a quarterly basis.

Another spin on the click-to-donate model is the donate-while-surfing model pioneered by *OnGiving.com*.⁷¹ In this model, a donor agrees to watch advertising banners in one corner of the web browser while surfing, and a portion of the banner-ad revenue is donated to the charity of his/her choice. An example of how this works is *Charitybanner.com*.⁷² Charity Banner software runs while users surf the web, check their e-mail, work, or play games online—quietly displaying banner advertisements. By simply viewing these ads on their computer, people are raising money for charity.

7. Legal Issues for Online Fundraising

⁶⁸ WebCharity.com: <http://www.webcharity.com>, ceased operation.

⁶⁹ The Hunger Site: <http://www.hungersite.com>.

⁷⁰ FreeDonation.com: <http://www.freedonation.com>.

⁷¹ OnGiving: <http://www.ongiving.com>, ceased operation.

⁷² Charity Banner: <http://www.charitybanner.com>.

If a nonprofit is soliciting and accepting donations online, it may be legally obligated to register as a charity in nearly every state where it undertakes these activities. Registration is usually done through the attorney general's office in each state. As Eric Mercer suggests:

The best resource for finding contacts and other information is the Giving USA Update annual first issue, "Annual Survey of State Laws Regulating Charitable Solicitations," available from the AAAFRC Trust for Philanthropy for \$35 (you'll save plenty more than that in phone bills). Save paperwork by using the "Uniform Registration Form" in the states that will accept it. Choosing a credit card transaction agent of this sort has significant legal and financial implications with regard to their potential function as a professional solicitor, and a separate discussion of this issue is available elsewhere, entitled "Soliciting Online Using Third-Party Hosting Agents." If the provider of your virtual storefront actively encourages donors to visit your page and donate, they are probably functioning as a professional solicitor, and must be registered as such in every U.S. state.⁷³

****LEARN ABOUT STATE REGULATIONS BEFORE ASKING FOR DONATIONS ONLINE****

For further information on several legal issues that nonprofits would find informative, please refer to Mercer's article, "How Can We Use the Internet for Fundraising?"⁷⁴

⁷³ Eric Mercer, "How to Accept Donations Online Using Credit Cards," <http://www.nonprofits.org/npofaq/16/23.html>.

⁷⁴ Eric Mercer, "How Can We Use the Internet for Fundraising?," 27 October 1998, <http://www.nonprofitinfo.org/misc/981027em.html#legal>.

VI. Discussion and Suggestions

1. Cultivating Donors, Instead of Waiting For Donors

Major nonprofits are generally good at accepting online credit card donations, but most do not bother to re-solicit or even cultivate these donors online. That was the preliminary conclusion reached in a survey conducted by *donordigital.com* and Mal Warwick & Associates in June 2000 of over forty major US nonprofit online fundraising operations.⁷⁵ In the year since the survey, the attitude most nonprofits have towards Information Technology and e-philanthropy seems to have stagnated, instead of moving forward.

Still, many nonprofits focus their IT-related efforts too much on the technology base, instead of the strategy base. After spending their budgets on building a website with a “donate here” button, they wait for donors to arrive and give their money online. Often this does not work.

What’s working? Nick Allen answered:

Based on very limited information, the most successful fundraising efforts so far involve:

- National organizations with high name recognition and credibility
- Content-rich, frequently updated sites with relatively high traffic
- Fundraising “pitches” tied to content on the site.”⁷⁶

****STRATEGY IS MORE IMPORTANT THAN TECHNOLOGY****

Again, the impact of IT on nonprofits has little to do with the technology itself. Instead, utilizing the new services it offers to cultivate donors, improve donor relationships, and reach out to new donors is the real value of the Internet to nonprofits. Building virtual communities and making use of e-mail, websites, and other online resources to increase member participation is the only way to make e-philanthropy work.

2. Problems with Donor Privacy and Security

The more people know about the Internet, the more they are concerned about their privacy and the security of the information they send out. This uneasiness may cause some to cease conducting transactions online. Many people might think that the security problems of online transactions, a recurring subject of discussion in 1998 and 1999, should have been resolved by 2001, but unfortunately they have not. In a recent issue of *Time* magazine, a picture of a Filipino hacker is shown on a page entitled “Hackers’ Paradise.” The article reports:

In a small, hot room in Caloocan city, one of Manila’s shoddy suburbs, a 21-year-old man-child perches on a chair and turns the fan up to high...He surfs to the archive of an online florist and peruses someone’s recent order for roses, complete with a mushy love letter. But this man, a hacker who uses the online handle Eyestrain, isn’t interested in the saccharine prose. He is focused instead on swiping the buyer’s credit card details. “See? It’s that simple,” he says, as he cuts and pastes the number onto his desktop. Eyestrain, who doesn’t want his real name revealed, says he paid for all of his computer equipment with pilfered numbers he lifted off the Net.⁷⁷

⁷⁵ Nick Allen, “It’s Easier to Give than Receive,” DonorDigital.com, <http://www.donordigital.com/site/PageServer?pagename=artgiving>.

⁷⁶ Nick Allen, “Fundraising on the Internet,” Mal Warwick & Associates Website, <http://www.malwarwick.com/fundnet1.html>.

⁷⁷ Daffyd Roderick, “Hacker’s Paradise,” in *Time* 157:15 (16 April 2001); see <http://www.time.com/time/asia/digital/magazine/0.9754.105665.00.html>.

Around the time this report was written, the headline of a news website in Taiwan read, “The Honker’s Network of Chinese Hackers Attacks U. S. Websites: More than Ten Websites Hacked.” At least fourteen websites, including the National Library, the Library of Congress, three other governmental websites, and nine non-governmental sites were cracked by these Chinese hackers.

****WITHOUT PROPER SECURITY, NONPROFIT WEBSITES ARE PARTICULARLY ATTRACTIVE TO HACKERS****

This is a problem for all Internet services, but experience has shown that hackers are more likely to target nonprofit and other service web servers. The reason is simple: nonprofit organization servers usually lack proper protections. Thus, a nonprofit’s capability to protect donor privacy and sensitive data seems at least as important as its ability to accept online donations.

3. Problems with the Viability of Internet Companies

Throughout this report, many commercial Internet companies have been mentioned as examples of various service providers. One may notice that many of the references to their URLs are marked “ceased operation.” Some companies offered limited services, while others offered nonprofits a full spectrum of services essential to their technology plans. Some Internet companies that offer services to nonprofits began with the aim of making a better world, but others are venturing into the nonprofit market in an effort to survive under the Internet bubble effect. Many nonprofit ASP providers were originally commercial ASP providers, a number of charity mall companies were originally shopping mall companies, and some online donation service providers were originally online transaction providers. As long as these companies are for-profit and lacking sufficient income, it is hard for them to maintain their services long term. For nonprofit organizations, it seems that nonprofit service providers are more reliable than their for-profit counterparts in providing long-term technology support.

****NONPROFIT SERVICE PROVIDERS MAY PROVE MOST RELIABLE FOR NONPROFIT TECHNOLOGY SUPPORT****

4. Helping Nonprofits Make Good Use of Information Technology: A Suggested Model

In 1995, the California Wellness Foundation launched Computers in Our Future, an ambitious five-year, \$6 million project to develop eleven Community Technology Centers (CTCs) across California. CTCs provide computer access and educational services to the public using IT.

CTCs have evolved as the premier weapon in the battle to close the “digital divide.” In general, people who visit CTCs do not own computers, and many do not have access at work or school. CTCs make available computers, the Internet, and various software packages. They also provide people in low-income or isolated areas with technology access, resources, support, and training. CTCs are usually open to the general public and supported by strong community involvement.

CTCs originated in Harlem, a New York City neighborhood, where Playing to Win’s Community Computing Center opened in 1983. In 1992, Playing to Win (PTW) was awarded a three-year grant from the National Science Foundation (NSF) to help create a network of neighborhood technology access providers. Through technical assistance efforts, PTW helped spur the development of fifty centers, representing a broad range of community organizations. In November 1995, the Education Development Center (EDC) began a NSF-funded effort aimed at the national expansion and institutionalization of the PTW Network, which resulted in a five-year \$1.9 million grant. This grant supported the extension of the network’s services; the expansion of its membership; its evolution into an independent, self-governing nonprofit organization; and the sustained, professional evaluation of the Network and its affiliates. At the start of the grant the organization’s name was changed to the Community Technology Center’s Network (CTCNet).⁷⁸

⁷⁸ CTCNet: Community Technology Center’s Network. <http://www.ctcnet.org>.

In May 2000, after five years as a project of EDC, CTCNet became an independent nonprofit organization governed by its affiliate member organizations. During the past two years, the number of CTCs has grown rapidly. In August 1999, there were 250 CTCs throughout the United States, but as of May 2001, the number exceeded 500. In addition, with the support of AT&T and the America Connects Consortium (ACC), in March 2001 CTCNet conducted four Leadership Development Institutes (LDIs), one each in Chicago, New York, Pittsburgh, and Washington D.C. The mission of LDIs is to build the capacity of CTCs by supporting the professional growth of CTC directors and program managers.

Just as the digital divide exists among individuals, it also exists among nonprofit organizations. Compared to small nonprofits, large nonprofit organizations have bigger budgets allocated toward building technological capacity, and greater facility in acquiring information and resources. On the other hand, because of the lack of sufficient technology support and resources, small nonprofit organizations are more likely to lose their voice and power in the modern world.

Although CTCs aim to solve the digital divide among individuals, the same model can be applied to solve the digital divide among nonprofits: through Nonprofit Technology Centers (NTCs). The greatest advantage of NTCs is that they are nonprofit, and may provide more sustainable, reliable services and resources to small- to medium-sized nonprofit organizations than for-profit companies. They also centralize technical resources within a prescribed area, which enables them to make use of these resources more efficiently and effectively, keep pace with technological developments, and acquire better securities. The services NTCs offer should meet the technological needs of nonprofits. Examples of such services include hardware and software donations, Internet and intranet technical support, website hosting, online donation mechanisms, technology planning and strategy development assistance, and virtual community development assistance, among others.

****COMMUNITY TECHNOLOGY CENTERS CAN HELP ADDRESS THE DIGITAL DIVIDE AMONG NONPROFITS****

To avoid possible geographical overlap in the area each NTC serves, it is also possible to merge NTCs with local community foundations. Community foundations can support NTCs with specific funds and with regular gifts. With the technical support provided by NTCs, community foundations can also build up virtual communities more easily and maintain better donor relationships. These efforts will result in increased membership and augmented funds.

Appendix A. The Situation in Taiwan

Taiwan is the third largest computer hardware exporting country in the world. Taiwan's early development in hi-tech and Information Technology industries is comparable to that of the United States. According to a recent statistic released by the Taiwan Institute of Information Industry FIND (Focus on Internet News and Data), the total number of Internet users with at least one dedicated Internet connecting account is 6.7 million, about 30% of the total population.⁷⁹ According to the latest domain name survey performed by the Network Wizards, the total number of Internet servicing servers around the world at the end of January 2001 was 109,574,429. Among them, 1,095,718 servers are of Taiwanese domains (.tw). Taiwan is ranked as the second largest Internet servicing country in Asia (behind Japan, which has 4,640,863 servers) and the eleventh largest Internet servicing country in the world.⁸⁰

The trends in the development of the Internet market in Taiwan are generally about six months behind the trends in the US market. For example, the wars between portal websites and between Internet advertising companies in Taiwan took place six months later than those in the US Internet market. But the development of Internet services and the capacities of IT for nonprofits are much farther behind. Reasons for this are outlined below.

1. Difficulties

Of the 2,460 Taiwanese foundations available in May 2001 on the nonprofits database collected by the Taiwan Philanthropy Information Center, only 294 foundations (11.14%) have their own websites, and only 441 foundations (16.70%) have e-mail addresses. The reasons why nonprofits in Taiwan are much less technologically equipped than nonprofits in U. S. have not yet been formally studied, but the following factors may be taken into consideration.

A. Lack of technology staff

Since June 1999, the Himalaya Foundation has organized an "NPO-MIS" monthly workshop for technology staff from different organizations. Members who attend the workshop can also seek help with problems or share information by sending messages to other members through an "NPO-MIS" listserv. Since most of these nonprofit technology staff persons do not have professional background and training in technology, the workshop provides them with a place to meet and share their knowledge and experiences. The workshop has demonstrated that most technology staff lack sufficient technology background; however the organizations they work for do not have sufficient budgets to provide them further professional training. In addition, most of them also have other responsibilities beyond directing technology issues.

B. Lack of sustainable service providers

As in the US, companies that had been losing money from their commercial services often turn to the nonprofit sector to find new ways to survive. However, the nonprofit market in Taiwan is much smaller than in the US. These companies are not only far less familiar to the nonprofit sector in Taiwan, but are also facing a much smaller number of potential clients. Hence, the likelihood of their survival is greatly reduced. After the Internet bubble effect began to be felt in the year 2000, quite a lot of the nonprofits' websites have disappeared because the companies that used to provide them services have ceased operation.

⁷⁹ "Total Internet Users in Taiwan at the End of March, 2001," A Report from Focus on Internet News and Data, Taiwan Institute of Information Industry, 2001; see http://www.find.org.tw/howmany_20010516.asp.

⁸⁰ "Distribution of Top-Level Domain Names by Host Count, 2001," A report from the domain name survey performed by the Network Wizards, 2001; see <http://www.isc.org/ds/WWW-200101/dist-byinum.html>.

C. Lack of software capacity

Since the profitability of the nonprofit market in Taiwan is insufficient to ensure the survival of software companies, little, if any, software is specially designed for nonprofit organizations. Nonprofits in Taiwan have to rely on commercial software if they want to make use of the technology to help them manage membership data, donor records, financial reports, and other important information. Most commercial software is not suitable for the needs of nonprofits, and purchase prices are often too high for nonprofits.

Some nonprofits might think of turning to nonprofit software developed in the US or purchasing nonprofit ASP services from there. Not only are these software and ASP services better implemented, their prices are sometimes more affordable. But the fact that the code for Traditional Chinese Fonts (Big-5 code) is not 100% compatible with the code for Western Fonts (ISO code) is problematic when trying to input Chinese data into these English-based softwares or ASP services. The English language reading ability of staff members could be another barrier for nonprofits when using software with English interfaces.

D. Lack of long-term strategy planning in technology

It is common for nonprofit websites in Taiwan to stop updating content shortly after a site is constructed. It is also common to receive only two or three issues of a certain nonprofit newsletter after subscribing. Many nonprofits expect immediate responses from Internet users after launching the website or releasing the newsletter. When their expectations are not met, they lose patience and give up. Some nonprofits stop updating their websites owing to the departure of the only staff person who knows how to make updates, or because the company that helped these nonprofits to update their site has ceased operation.

All kinds of Internet services need time to gain a reputation and increase membership. For the nonprofit sector, which is not much emphasized in Taiwanese society, a longer time is needed to gain members. Nonprofits need to develop long-term strategic planning while implementing these services. Let us consider, as an example, the Taiwan Philanthropy Information Center (TPIC) website,⁸¹ a virtual community website managed by the Himalaya Foundation. The TPIC website began by providing local nonprofit news, activities, books, and nonprofit databases in October 1999. It took more than 18 months for the website to attract an average of 1,000 daily visitors and roughly 1,400 newsletter subscribers. These numbers may seem low when compared to those from popular commercial websites, but these are record numbers for local nonprofit websites and newsletter services. Recently, TPIC website editors received the first e-mail complaint from a nonprofit organization stating that it did not see its activity announced in the weekly TPIC newsletter. This kind of complaint, ironically, is a good indicator that the website and the newsletter are viewed by its users as important services.

E. Lack of interaction and cooperation between nonprofits

Because nonprofits have insufficient interaction, especially with other nonprofits with similar missions and services, their Internet services tend to be overlapping and redundant. This results in wasted resources and unnecessary competition.

⁸¹ Taiwan Philanthropy Information Center Website, <http://www.npo.org.tw> for the Chinese version, and <http://www.tpic.org.tw> for the English version.

2. Efforts

To help nonprofits in Taiwan make better use of IT, a number of programs have been deployed. The discussion below highlights some of the programs and initiators with which the author is familiar.

A. Himalaya Foundation

Through the TPIC website, the Himalaya Foundation not only lets users query online for basic information from more than 4,094 nonprofit organizations in Taiwan, but also provides a place in cyberspace for local nonprofits to announce current news, activities, and job opportunities. Users can also find: introductions to nonprofit-related publications; information on nonprofit regulations; international nonprofit headlines; introductions to major foreign nonprofits; and the means to search for nonprofit-related websites.⁸² More detailed information about major Taiwanese foundations can be found at the Taiwan Major Foundations Website, another site offered by the Himalaya Foundation in conjunction with the publication *Directory of 300 Major Foundation in Taiwan*.⁸³ To help local nonprofits establish better technology capacity, the Himalaya Foundation not only organizes the “NPO-MIS” workshop, but also produces several types of nonprofit software, available for free, so that nonprofits can better manage essential databases.

B. Asia Foundation in Taiwan

By presenting the GoTaiwan website, the Asia Foundation in Taiwan is building up a virtual community for the local nonprofits. The website is well designed for fast and easy access to information. All the information collected and reported is gathered in a single database that users can easily search and browse. Unlike other virtual community websites, the main service to nonprofits is a weekly newsletter. A label printing service is also included in the *GoTaiwan.org* website so nonprofits can print address labels of major local nonprofits.⁸⁴

C. South Community Culture Network

Founded in 1995, the South Community Culture Network is the first organization to offer newsletter delivery service on the Internet in Taiwan. By delivering newsletters, the Network helps local nonprofits in certain fields—including social and community movements, environmental protection, the arts, and literacy—gain visibility. The Network is not sponsored or supported by any organizations, foundations, political parties, or corporations. It is fully operated with small donations from readers and a volunteer staff. With strong faith in freedom of speech, the Network has captured the interest of dozens of social advocacy and reform groups and has become the most affective humanist movement medium on the Internet.⁸⁵

D. Microsoft Taiwan

Early in 1998, Microsoft Taiwan started a series of giving programs to help nonprofits in Taiwan implement the new technology. One of the most significant giving programs is the nonprofit technology-upgrading program. In cooperation with the Acer Technology Corporation, the program helped 41 nonprofits upgrade their software and hardware in 1999, and helped another 40 nonprofits in 2000.⁸⁶ The selected nonprofits can obtain free Acer servers and Microsoft software to help them establish their own intranet and Internet services. In the past three years, Microsoft also sponsored a program to train schoolteachers to use the latest IT. In cooperation with the Public Network Foundation, the program held more than 200 training classes in schools or Internet centers within different counties and cities in Taiwan.⁸⁷

⁸² Ibid. The figure regarding information on 4,094 nonprofit organizations in Taiwan is current as of 17 November, 2001.

⁸³ Directory of Taiwan Major Foundations Website, <http://www.foundations.org.tw> (in Chinese and English).

⁸⁴ GoTaiwan Website, <http://www.gotaiwan.org.tw> (in Chinese).

⁸⁵ South Community Culture Network Website, <http://www.esouth.org> (in Chinese).

⁸⁶ “Technology Strengthens Love—Information Technology Upgrading Project for Nonprofit Organizations,” Microsoft Taiwan Giving Programs Annual Report, 2000; see http://www.microsoft.com/taiwan/Giving/promo_2000/nop.htm (in Chinese).

⁸⁷ “The Third Year of Teachers’ Computer Training Program,” Microsoft Taiwan Giving Programs Annual Report, 2000; see http://www.microsoft.com/taiwan/Giving/promo_2000/events_tech.htm (in Chinese).

E. Taipei City Government

After Mr. Yin-Gou Ma was elected Mayor of Taipei City in 2000, one of his revolutionary projects was to construct nine Taipei-eLife Network websites. Among the most important of these are the “Citizens Philanthropy Network”⁸⁸ and the “Citizens Social Welfare Network”⁸⁹ websites. With the services provided by these two websites, citizens can look for financial assistance programs online and nonprofits within Taipei City can seek donations and volunteers online.

3. Suggestions

In comparing the technology environment of nonprofits in Taiwan and the United States, it is obvious that the use of IT is more difficult for Taiwan’s nonprofits. The following suggestions are proposed to promote the nonprofit technology capacity in Taiwan.

A. Encourage Corporate Participation

The most significant difference between Taiwanese and US nonprofit technology environments is the degree of corporate participation. Very few companies provide professional nonprofit technology consulting, very few software companies design nonprofit software, and very few ASPs are providing Internet application services to nonprofits. To encourage corporate participation in the development of the nonprofit technology environment, it is essential to make the nonprofit market profitable. It is therefore also essential to establish a more favorable legal environment that will enable nonprofits to raise needed funds.

B. Establish Technology Support Centers

The digital divide among nonprofits in Taiwan is much more obvious than that in the United States. Small nonprofits in Taiwan are less likely to find full- or part-time technology personnel, and they are less likely to be able to find donated software and hardware. The Nonprofit Technology Center (NTC) model proposed at the end of the previous chapter can also be applied to Taiwan to help nonprofits, especially small to medium-sized organizations, make use of the new technology. Among the 3,515 nonprofit organizations listed on the NPO database of the TPIC website, 1,452 organizations (41%) are located in Taipei City. It might be a good beginning to have the first NTC set up in Taipei City, and to use the experience gained there to set up additional NTCs in other cities or counties.

⁸⁸ Citizens Philanthropy Network website, Taipei City, <http://action.taipei-elife.net>.

⁸⁹ Citizens Social Welfare Network website, Taipei City, <http://well.taipei-elife.net>.

C. Hold Nonprofit Technology Conferences

In order to improve interactions and communications among nonprofits while implementing technology-related programs or projects, it is effective to hold technology conferences for nonprofits. During such conferences, nonprofits can initiate technology-related programs or services together, learn about new developments in the technology, and find out about available services. By inviting representatives from government and the commercial sector to participate in the conference, these sectors might also learn what is most needed in the nonprofit sector.

Appendix B. Summary of Online Fundraising

This section begins the effort to bring together some of the available figures on on-site fundraising. The following data on the United States and the United Kingdom as of July 2000 were collected from *hitdonate.net* and other sources.⁹⁰

American Lung Association (US) (Organization that fights lung disease)

The American Lung Association raises \$200,000 a year through its website (plus a 'minimal' amount of income received through donation portals) [C3; see note 90 for key].

American Red Cross (US) (International aid)

The Red Cross raised \$2.7 million online during 1999, compared to \$817 million in total donations (0.33%) [C2]. In the period between July 1996 and April 1998, the organization received 1,004 online donations for a total of \$128,074 [Johnston].

America's Second Harvest (US) (Food-bank network)

This organization raised \$36,586 through 220 donations to its website between November 29 and December 31, 1999. This was up from 70 gifts totaling \$9,125 in the same period in 1998, an increase resulting in part from offline publicity. In the same period, the charity raised \$980,000 from direct mail alone [C1].

Amnesty International UK (UK wing of international human rights organization)

Between September 1999 and March 2000, Amnesty International UK averaged 97 online transactions per month. The average transaction, membership or donation was £26.28. Based on an estimated yearly fundraising income of around £6 million (1998 figures), direct online fundraising would account for 2.2% of the total.

CharityCard (UK) (An account for flexible, tax-effective charitable donations)

Between the launching of the CharityCard site in 1998 and July 2000, CharityCard holders donated £630,000 online. The quantity of online donations has risen from 1.47% of all CharityCard donations in October 1998 to nearly 4.5% in July 2000.

Children in Need (UK) (Annual BBC TV fundraising campaign)

Children in Need raised £130,000 online in 1999 which accounted for 1.1% of a total of £11.6 million raised both online and offline. Online donations were up 80% from 1998.

Comic Relief (UK) (Biennial BBC TV fundraising campaign)

Comic Relief raised £460,000 online in 1999, 1.6% of their online and offline total of £27.4 million. In 1997, the Comic Relief website raised £40,000.

Friends of the Earth (UK) (Environmental advocacy group)

In the first twelve weeks of the year 2000, Friends of the Earth made 194 online transactions—155 memberships raising £2870, and 39 donations raising £524.50. According to online and offline sources, the organization raised a total of £5,802,515 between June 1998 and May 1999, almost all from individual donors. If a similar amount were projected for 2001, direct online membership and donations would account for 0.25% of total fundraising revenues.

The Heifer Project (US) (Alleviates hunger by supplying animals to the developing world)

The Heifer Project raised \$1 million online during 1999, a six-fold increase from 1998.

The Hunger Site (Click-to-give site)

The United Nation's hunger site (www.thehungersite.com) saw 65 million visitors from 182 countries during 1999.

Jewish National Fund (US) (concerned with various issues in Israel)

This fund raised \$100,000 online compared to \$28 million offline [C2].

John McCain (US) (unsuccessful presidential candidate)

McCain raised \$1.3 million online, nearly 9% of all his campaign contributions [C1].

Mercy Corps (US) (Humanitarian organization that provides assistance)

This organization raised \$130,000 online, 97% of which came from new donors [C2].

⁹⁰ *hitdonate.net*: <http://www.hitdonate.net>. Unless otherwise indicated, the sources for this data come from the following sources, abbreviated as follows:

C1="Making Sure that the Clicks Stick," *Chronicle of Philanthropy*, 27 January 2000.

C2="Big Charities Have Raised Very Little Online So Far," *Chronicle of Philanthropy*, May 2000.

C3="A Brave New World of Giving," *Chronicle of Philanthropy*, 15 June 2000.

Johnston=Michael Johnston, *The Fundraiser's Guide to the Internet*..

MoveOn.org (US) (Grassroots advocacy)

MoveOn had \$13 million and 750,000 hours pledged online to their campaigns during 1999, and collected over 60,000 signatures on a petition for gun control.

Oxfam USA (International aid organization)

Oxfam received \$65,000 in online gifts in the last six weeks of 1999, some 50% from new donors [C1].

Salvation Army (US) (Christian charitable social services organization)

Its website took in \$200,000 from November 1999 to February 2000 and received \$2,225 from donation portals in the same period [C3].

Toys for Tots (US) (Distributes toys to needy children)

This nonprofit raised \$475,000 from online campaigns running from Thanksgiving until Christmas 1999, nearly 10 % of the total donations of \$5 million. Online companies also paid to ship gifts around the country, and a system of e-mail acknowledgments saved time and money in writing thank-you notes to donors [C1].

World Vision (US) (Christian humanitarian organization)

World Vision raised \$550,000 online in 1999 and \$400 million offline. Sixty-eight percent of online donations came from new donors [C2].

World Wildlife Fund (US) (International wildlife and wetlands conservation organization)

This fund raised \$200,000 online last year. It raised over \$73 million from other sources in 1998, the last year for which figures were available [C1].

WNYC Public Radio (US) (New York Radio Station that holds regular fundraising appeals)

This radio station raised more than \$148,000 online between June and December 1999, compared to a total of \$20,000 in all of 1998 [C1].

Acknowledgments

This report was written mainly in a small room at International House in Manhattan, New York from March to May 2001. During the research period, I used the cable modem provided by the AOL Time Warner, which enabled my laptop to connect to the Internet 24 hours a day, 7 days a week. The permanent Internet connection not only enabled me to acquire most of the references and information used in this report, but also allowed me to use my laptop to communicate with my colleagues at the Himalaya Foundation in Taiwan. It also allowed me to continue maintaining websites, as well as administrating servers and email systems in Taiwan remotely while I was away from my office. The rest of the time, I used the Netmeeting (communication software by Microsoft) to communicate across the Pacific Ocean with my girlfriend in both audio and video, watched the full-screen news TV programs from Taiwan that were broadcast on the Internet, and listened to online radio while I was reading and writing—all on my laptop.

The above statements are designed not to demonstrate how good I am at using the technology, but rather to highlight the fact that the digital divide exists among individuals. The digital divide not only exists among people with different accessibility to the technology, but also among people with different abilities in using the technology. Knowledge is power; this old saying is never so true as in the modern world of Information Technology.

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