

# Philanthropy in the age of networked intelligence

Don Tapscott

As we enter the age of 'networked intelligence', philanthropy is going through a profound change. This has big implications for fundraisers and donors alike. In the old model, NGOs courted individuals and institutions. If successfully seduced, donors provided funds. But today, largely because of the internet's slashing of transaction and collaboration costs, NGOs can build deep relationships with philanthropists.



Don Tapscott is adjunct professor at the Rotman School of Management, University of Toronto and author (with Anthony D Williams) of *Macrowikinomics: New solutions for a connected planet*. Email [dtapscott@moxieinsight.com](mailto:dtapscott@moxieinsight.com)

One result is that donors can become more engaged with causes. All parties become part of a network and can therefore view themselves differently. Donors become more like investors in social innovation, and are looking for a return on their investment. NGOs can view themselves as participants in complete networks for solving problems, with more sustainable funding.

The theory for this perspective is outlined in my most recent book *Macrowikinomics: New solutions for a connected planet* (co-author Anthony D Williams). In the book we describe how the industrial age is finally coming to a close, and how the society we are passing on to today's young people is seriously damaged. Most of the institutions that have served us well for decades – even centuries – seem frozen and unable to move forward. The global economy, our financial services industry, governments, healthcare providers, newspapers, the media and our institutions for solving global problems like the UN are all struggling.

But from education and science to new approaches to citizen engagement and democracy, new initiatives are under way, embracing a new set of principles for the 21st century – collaboration, openness, molecularization, interdependence and integrity. Which is why I say this is not an 'information' age. It's an age of 'networked intelligence'. It's about people and their capacity to think together, not about information, which is becoming a commodity. We can see how each of the five principles applies to philanthropy.

## Collaboration

Charitable organizations, donors and NGOs, need to embrace collaboration. This is the antithesis of the industrial model of mass production, mass media, mass

education where something at the top controlled something (products, newspapers, TV shows, lectures) and pushed them out to passive recipients.

Courtesy of the internet, organizations can now invite customers to co-create with them, which changes the role of the customer into what I call 'prosumers' (producers + consumers). Prosumption started in the music, video and software industries, but has rapidly spread to the production of physical goods and the shaping of services. Companies that collaborate with their customers have a big advantage over traditional 'plan and push' businesses. They can increase sales and improve performance with fewer resources by ceding some control to their customers, and thereby engaging them and capitalizing on their efforts.

The same principle applies to fundraising. The old model was a one-way broadcast model. Fundraisers pitched to passive donors who gave money and were thanked. The new model is about collaboration, where the donor is engaged and part of the process. Fundraisers shouldn't think of donors as external to their organization; they are part of the ecosystem.

## Openness

Charitable organizations need to embrace openness, since we are in an age of transparency. I believe open institutions perform better. They are more trusted and are able to build better networks. Transparency lowers transaction costs in supply chains. It increases loyalty with employees. It helps create good value, because value is evidenced like never before.

NGOs should become radically open. Donors will want to see full financial details. They want to be deeply engaged in figuring out where their money will go and how it will be spent. Rather than giving money to a big generic cause, giving will become very personal, and donors will have a deep relationship with the cause and the individuals who are benefiting.

## Molecularization

Everything that was 'mass' becomes 'molecular'. The word molecularization is awkward but useful. In physics, a molecule is the smallest particle into which a substance can be divided and still have the identity of the original substance. Molecules can be held together by electrical forces – in a sense, networked. The shift from mass to molecular is helpful in understanding the new philanthropy environment. Rather than large gifts, donations can become more molecular. Microfinancing is a good case in point. ▶

New platforms like Kickstarter are taking off. The Kiva microfinancing network wants to alleviate poverty and create economic opportunity in the developing world. It could have tried to reform international development institutions from within and/or tried to develop new business models within private sector companies such as banks and financial services companies. But it chose to work outside them instead.

Today, microfinance has created a parallel banking system that has displaced much of the traditional banking and lending structures in the developing world. Yes, there are challenges but the aggregate results, notably 100 million customers with a repayment rate in the high 90 per cent, have proved that a networked, and largely self-organized, system of peer-to-peer lending can not only work but provide a sustainable way to lift millions of people out of poverty. Indeed, the ultimate compliment and confirmation of the success of small microfinance outfits such as Kiva is that big banks such as HSBC and Citigroup are now rushing into the field, offering microfinance products that compete with them.

### Interdependence

Charitable organizations need to embrace interdependence. The 2008 financial meltdown and the euro crises we face today illustrate how interconnected our world has become. Organizations must be much more aware of what is going on around them. It's important to be aware of the behaviour of others and the potential impact of the actions of distant third parties. If there is anything Wall Street should have learned from the mess it created, it was that business cannot succeed in a world that is failing.

Charitable organizations need to recognize that everyone's interests are aligned, including fundraisers, programme heads, donors and the communities within which NGOs operate. This is good news for philanthropy. As reflected in the thoughtful book *Philanthrocapitalism*,<sup>1</sup> a growing number of wealthy individuals increasingly understand that the interests of individuals need to be aligned with the interests of the collective. Everyone has to be on board and benefiting.

Today there are myriad new collaborative models that are self-organizing to address 21st-century realities. For example, I am leading a major research project in collaboration with the World Economic Forum to investigate new models for global problem-solving networks. We're not talking about making token efforts to widen the scope and scale of citizen participation in international forums. Instead, we're examining

how people and organizations from across society are getting together to create inclusive and participative forums for the generation of ideas and implementation of solutions to today's daunting problems. Ultimately, this means doing away with traditional notions of control and ownership over issues, and going beyond the international silos to create new networks of the willing and engaged. The new collaborations and networks include some combination of the four 'pillars' of society – the state, the private sector, civil society and now empowered individuals.

### Integrity

Finally, charitable organizations need to embrace integrity. This is more than just being honest. In everything from motivating employees to negotiating with partners and disclosing financial information, organizations must tell the truth, be considerate of the interests of others, and be willing to be held accountable for delivering on their commitments. Along with transparency, integrity is the foundation of trust. Trust is the expectation that the other party will be honest, considerate, accountable and open. And because of networks trust is more easily evidenced than ever before.

To succeed in an age of networked intelligence, charitable organizations should not just think of themselves as producers or as creators of an initiative, product or service. Instead, they should become the curator, someone who creates a context or a platform that allows other people to self-organize and create things that are valuable, both for you and for them, and maybe even for the world. If you build a website, don't simply load it up with static content. Instead, create the framework and tools for others to add their own content and build communities. Engage donors. Co-create with them. Co-innovate for a better future.

These five principles need to be baked into the DNA of all organizations that want to make the most of today's digital tools and the networks they offer. @

<sup>1</sup> Matthew Bishop and Michael Green (2009) *Philanthrocapitalism: How giving can save the world* [www.philanthrocapitalism.net](http://www.philanthrocapitalism.net)

### SOLVING THE WORLD'S PROBLEMS THROUGH NETWORKS

There is a growing urgency to rethink approaches to global problem solving, cooperation and governance for our hyper-connected world. The World Economic Forum has launched a Working Group on Global Solution Networks, headed by Don Tapscott, to explore new models. In partnership with the Martin Prosperity Institute at the University of Toronto, a team of global experts is identifying and exploring key issues, strategies and approaches. The programme has identified nine types of networks – each very different, but each having a global impact.

Follow Don Tapscott on Twitter @dtapscott