

Overview

Nipun Mehta is the CEO and founder of CharityFocus, a new archetype for non-profit organizations. His team has come together to serve towards a new paradigm. Most non-profits seem to be involved in the same type of greed that in many cases they are trying to prevent. The main tenets of the organization are 1- Stay fully volunteer-run. Don't compromise values, 2- Serve with whatever you have. Don't ask, and 3- Focus on the small. Change yourself, not the world. All three of these tenets seem to go against the traditional mindset of non-profits which is required to be successful, yet CharityFocus is seemingly wildly successful, having a total of over 10,000 volunteers and plenty of examples of money coming in without any solicitation! In this paper, I will provide an overview of the services provided by the organization, determine the viability of the strategy, provide other examples of the paradigm shift employed by CharityFocus, and discuss the ethical issues of the philosophy.

CharityFocus was founded in San Francisco in 1999 in order to help non-profits with web-based technological solutions. This was during the dot-com boom, and the volunteer led effort was filled with individuals that were driven by money dramatically less than the average person. Within 5 years the organization was providing web-services ranging from a portal to create your own fundraising website to a banner-ad service that promotes inspiring messages to a viral acts-of-kindness game. Last year, they launched a gift-economy print magazine. Today, the work of CharityFocus regularly touches thousands of lives from a grassroots point of view, and has created strategic technological solutions for hundreds of non-profit organizations. As an organization, CharityFocus strives to be an incubator of compassionate action by enabling everyday heroes with the opportunity to serve. There are no prerequisites, and only the three basic rules mentioned previously serve as the values.

Some of the businesses that CharityFocus has begun have become integral to its success. The obvious major activities taken on by the organization are consulting services to non-profits (in technological and strategic areas). 'The Daily Good,' 'KarmaTube,' 'Smile Cards' and 'Karma Kitchen' are just a few of the many initiatives taken on that indirectly help to garner funds. 'The Daily Good' functions as a quote-of-the-day service sent out to over 50,000 people per day. It takes a historic feel-good quote and gives a recent news story of a person/organization living the quote in modern times. 'KarmaTube' is a viral website similar in style to YouTube but different in content. It features weekly feel-good stories about people looking to make socially impactful changes in the world. 'Smile Cards' are the modern version of pay-it-forward cards. They come with the premise of an anonymous act of kindness with the card telling the receiver of this kindness to do something for another in return and leave the card as well. 'Karma Kitchen' is the movement of this philosophy outside of the virtual world. It is based on a restaurant in India where everything is donated/volunteer run, and the food offerings are free. People donate to the social good if they choose, but if not that is fine as well. As a whole, these activities are social glue that creates an aura around this organization leading to additional funding without solicitation.

Two of the major paradigm shifters within this organization are the belief in a 'gift economy' and the belief that being the change changes the being. CharityFocus comprises of "Generosity Entrepreneurs" who creatively leverage new ideas and technologies to promote a gift economy. A gift economy is an economic system in which goods and services are given freely, rather than traded. In a market economy, one's wealth is increased by "saving"; in contrast, in a gift economy, the theory is wealth is decreased by hoarding, for it is the circulation of the gifts within the community that leads to increase -- increase in connections, increase in relationship strength. On the idea of being the change, it is that idea that fuels the goodwill to keep this experiment going. The team members themselves are seen as beacons of change in the world, and from the outside it seems as though that is a major part of the reason for its success. Not only are people drawn to monetary donation because of this cohesion, but the work done by the staff is of very high quality as well. The Economist recently wrote on the value of the volunteer economy, and how in the next decade the question will be how to make it a

profitable enterprise. In CharityFocus, they've already discovered its power, but use it to make the society as a whole profit.

The Viability of CharityFocus

The first question I want to tackle is whether this is a viable strategy to success. To date, quite obviously it has been in some ways, but not in others. The organization has had huge explosive growth and has some of the most fanatic loyalty that one can see associated with an organization. However, it is still entirely volunteer run, the funding situation is never fully known, and if the goal is top-down service, you won't find it here. Going forward, the plan of growth is tenuous at best. This could speak to the relative lack of robustness here, however others may say this is simply being honest about living in an unpredictable world. On the surface, there doesn't seem to be much foresight with regards to the future, but this is where looks can be misleading, and the philosophy of the values comes into focus.

Nipun Mehta carries a different outlook on the world in general than most others. The basic summary of future growth prospects is that if the intentions are pure and the need is relevant, somehow the need will be met. He tells a story of a time when he needed to bring in a person to his team. Some team members wanted to hire a headhunter to find talent, his approach was different. He said "who here is willing to change their mindset and do additional acts of kindness, charity, and goodwill until the right candidate finds us?" Many people think of that type of 'strategy' as crazy, and yet within a week after following the advice, a suitable candidate was found, saving plenty of money in fees and finding a fit that may have not been found otherwise anyways.

In order to succeed at this type of philosophy, many elements of personal fortitude must be had. First of all is trust, not only in the team, but in the order of the universe. It is clear from this example that the philosophy of the organization is that if the team gives freely first, results follow. Secondly, it requires courage. This organization has next to no overhead and yet still manages to provide amazing results. It seems that the main reason for this is the collective will and courage of its members to follow the values of selfless service and distributed leadership.

The main issue with the viability of this model lies in the non-solicitation of funds. This is counter-intuitive to most all other non-profits where there are basically fights between organizations for funding. This also requires courage, but the benefits are tremendous. No additional time spent simply trying to get people to understand the value being provided, no additional time spent fighting fellow organizations to prove who can 'help more.' This is where Nipun provides an understanding of the methods to his madness. To solicit funds, an organization ends up making promises for the future and creates a vision of the future. In this era of rapid change, it is increasingly difficult to predict such a future. Consequently, the organization ends up spending its time attempting to appease the people providing funding and showing them what they want to see. Instead, a non-profit that doesn't solicit funds speaks more accurately by implicitly saying that there is no guarantee of what is going to happen in the future. However, if the funding source looks at the work in the past, thinks it has merit, if the source likes the values of the organization, then it invests, and that investment is much more than a simple donation of money. Because of the lack of solicitation, most funding sources find CharityFocus on their own, and it quickly becomes a situation where the person says "I'm not only a funding source, I'm also a member." Such authenticity from the non-profit helps an effort be more self-organizing, and in turn, more innovative. Because the non-profit no longer wastes time simply trying to appease funding sources, the time is spent being able to think creatively towards value-creating solutions.

The other aspect of the viability of this model is the scalability and robustness of it. With the advent of the Internet, scale takes on a different meaning altogether. It used to be that scale meant influence and power, and that scale was usually created through revenue and manpower. However, when a portal like craigslist.org, which is now one of the top-five websites in the world, can run on a staff of 22, what does scale mean? It is highly profitable without being a leader in revenue generation or manpower. Does scale mean physical infrastructure, does it mean market cap, or does it mean societal influence? The definition of organizational success is changing. Furthermore, in a networked economy, scale doesn't necessarily come from doing big things but really focusing on niche markets and allowing the network to scale it. In this sense, a self-

organizing system is more likely to ride the waves of scale by taking small ideas and allowing those with similar values to spread them virally.

So then, it seems as though this is a viable strategy in the non-profit realm. However, there is a major prerequisite to using such a business strategy as an option in non-profit. This prerequisite is in the strength of the mission and its values. The mission at CharityFocus was always to be-the-change. This was taken from a quote by Mahatma Gandhi that focused on having the courage to take a stand for one's values and function as an inspiration for others to follow. The organization started with building websites for nonprofits, and then proceeded to create tools that empowered people and organizations with web solutions, and then expanded to create theme-based vertical web portals that served people. Surely, in the future, this will continue to change, evolve and grow. However, CharityFocus isn't defined by its work; it is defined by its values. The mission, then, seems to remain unwavering in the commitment to the values. While this is a statement that many organizations have, seldom is it seen carried to the extent that this organization has carried it, maintaining such low costs and large impact over time.

Other Examples of the Gift-Economy

While CharityFocus is a major beacon in the success of the so-called gift economy, it is by no means the only example of it in society. The major question to be asked here is that can these types of systems work in the for-profit world and do they exist in society in general? There are many other instances where goods and services are transferred without expectation of anything in return. Some of these examples have turned out well; others have not to date, while still others have found something of a middle-ground.

The most major example in the world today of the gift economy is in open source software development. Stories such as the Linux operating system, the Firefox internet browser and the online encyclopedia Wikipedia have boosted the awareness of open source tremendously. The premise is that people who are interested in the project contribute to it of their own free will. As the information is distributed and decentralized, over time many people have their chance at being a co-creator. As a result of this mass

populous creation effect, tremendous value gets created. There are some who say this is not sustainable simply because the donations that are required for its success are not enough to sustain development. Others say offering everyone a chance to contribute in a decentralized fashion decreases the quality of the product (as many who have bombarded Wikipedia with accusations of falsely listing information would argue). However, the industry has done a great job of finding a middle-ground in the for-profit world by creative thinking. With respect to Wikipedia, as anything gets attention called to it, the ability of the people to change it on the fly allows any errors to get fixed quickly, as opposed to a non-distributed system such as Britannica for instance, which would have to wait a considerably longer time in order to correct any potential mistakes or respond to dynamic changes in the world. With respect to the Linux operating system, the gift economy only goes so far. It functions to provide the basic system, but any ancillary options to be provided (mostly to corporations) requires expertise in the system, and thus the operating system programmers have a way to make money despite working in the gift economy.

Another example of a successful gift-economy is the idea of social and information exchange. Cultural exchanges have taken place for a very long time, where people simply help each other out and share without expectation of repayment. This worked well with smaller pockets of society as individuals did not exist anonymously in society, but in the greater society this is increasingly more difficult to come across. Today, the anonymous side of things is thriving in the internet world in the form of information exchange. There are positives to this in the form in terms of blogging and other generous information transfer, but there are also issues regarding anonymity as shown by the multitude of people who simply take without giving back. Consequently, there are many who refuse to get on board this model simply because they know there are plenty who contribute nothing in this economy anonymously and walk away with a lot.

While there are examples of these types of systems working in general, it seems that in the for-profit world they are few and far between. Mr. Mehta, for one, believes that not only is this model useful and needed in the for-profit world, but also in society at large. CharityFocus is a value-based organization and his belief is that can be replicated not only in the commercial world but also in society at large.

In the book, *Starfish and the Spider*, there's the example of a deep value-based organization of Apache Indians. Back in the 1580s, the Spanish army had easily conquered the Aztecs and Incas -- impressive civilizations with elaborate infrastructure and strong leadership. But when the Spanish encountered the Apaches, they struggled for 200 years and eventually left. Unlike the Aztecs or the Incas, the Apaches were a distributed society. Instead of cities, they had small villages; instead of formal structure, they employed loosely connected groups. Instead of powerful chiefs, they had Nant'ans (the most famous of whom was Geronimo), who led by example and decided to 'be the change.' When the Spanish burned a village, the Apaches moved on; when they killed a Nant'an, another tribe member would take his place. The harder the Spanish attacked, the more decentralized -- and resilient -- the Apaches became. The moral here is that decentralization and values-based leadership create societal value. The current system of the market economy is based on concentration of capital in all forms, and in CharityFocus we have an example of that not being followed and still being successful. Nipun himself decided to pull himself from the organization a couple years ago and spend some time as a nomad wandering the world. Instead of collapsing, the CharityFocus society came together and continued its mission in the same manner as before. Most CharityFocus members have full-time jobs in other areas, but the few that don't also subsist on the gift economy (that is to say off the donations of others who value the products and services being provided by the organization).

Today's disruptive technologies are very clearly showing the power of the collective. This may be the reason why MIT has released its entire curriculum online. They believe that the basic value of the knowledge should be disseminated, but there is still being value provided by the professors in the classroom, so the gift will actually serve to benefit society *and* the organization. Similarly, many elements of Google's interface are translated by volunteers. In fact, Google routinely releases many 'free' products designed simply to drive traffic to their site and thus lead to purchases in other areas. Even political leaders such as Barack Obama are incorporating this mindset trying to remove the quid pro quo from campaign financing. His stance is 'look at my past work, if you like what you see, invest in me, no promises.' Furthermore, Novartis recently made an unprecedented statement by releasing its Type II Diabetes research

online (this research of course represented many millions of dollars in funding). It serves as recognition that an organization can still use research to make profitable products but the underlying knowledge of the information (in this case, genes) should be open and available to all users. In such times, value-based organizations provide tremendous benefit despite flying in the face of everything associated with the market economy.

Ethical Issues in the Gift-Economy

We have seen there are many examples of systems working similar to the CharityFocus model in the world today in varying degrees of success. The reason for the varying degrees of success poses another interesting question of what the prerequisites are to the success of this system in any part of society (non-profit or otherwise). The three major prereq's I have noticed are 1-trust in organizational and societal values, 2-lack of ego and need for excess security in the individual, and 3-lack of anonymity in the system.

The first thing I have noticed is the same as what is needed for success in the non-profit world: trust in values. However, in this instance, it is not just trust in organization values like those of CharityFocus, but also trust in society at large. The general belief of many people today is that people are naturally greedy and selfish. If this is the belief, the gift economy does not even begin. Nobody attempts to begin a pay-it-forward type of mentality because the general feeling that anybody else will continue it is lost. The second major prerequisite is the lack of ego and need for excess security in the individual. People that follow this mindset don't believe in subsisting at the cost of society and would much rather prefer to exist/work only if society deems the value of that work worthwhile. For many people, this is a difficult proposition to take, especially if there is little trust in society at large. It is for certain that in the gift economy property and possessions are fungible instruments and value is created by sharing. Therefore, wealth is constantly redistributed and if the need for security and hoarding is high in the individual, this system will not work for said individual (and in fact that individual will help to keep the system as a whole from working). Finally, lack of anonymity seems to be a prerequisite for this system's success in society. There is something about being

human that makes the gift economy work. In the internet file-sharing controversy, notice that the anonymity of the users seems to be the chief issue. As in a small society, if a name and a face is attached to actions, then society as a whole learns who are the hoarders and who are the people that share, and acts accordingly.

In general, one could argue that the characteristics required of a person to be in the gift economy are more 'moral' than those required for a market economy, simply because the gift economy best succeeds when everyone follows the golden rule (treat others as you would like to be treated). In the market economy, maximizing utility involves acquiring and possessing as much capital as possible, while the gift economy maximizes utility by sharing as often as possible.

Conclusions

In examining CharityFocus and the gift economy at large, it is easy to be swept into a wave of optimism about the nature of society and what can be done if everyone were to selflessly work together. However, I cannot escape some basic questions in my mind: if everything is based on the value society gives to it, what about things that seem valuable but due to time horizon people may not value? For instance, the development of sustainable energy sources. These types of solutions may not be necessary for a long time and consequently there may not be many that are willing to pay for such services in the gift economy way. In addition, questions of societal value persist. What about elderly that no longer provide value to society, or those that suffer from unforeseen accidents? Could the gift economy work in high risk areas such as insurance? Obviously, these questions could be debated, and proponents of the gift economy system would undoubtedly cite the trust in society as a large factor for it working.

I don't know where I stand personally. I would like to believe it could work in a larger context, but I also notice in myself what I believe exists in society: on aggregate, a need for security, a distrust in others, and a belief in the greed and selfishness of society. Consequently, while I believe this can be an extremely satisfying way to live and successful in niche markets where the prerequisites are satisfied, I also believe the greater majority of the populous will not be involved in it. However, it is clear that those

following this type of paradigm, and CharityFocus specifically, have happened upon an exciting way to do business. As more continue to jump on the bandwagon, there will continue to be new and innovative ideas to tackle the issues that have cropped up to date.

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