

Wanted: Nonprofit Professional to Run Internet Start-Up

By: James Abruzzo and Emily Sterling Hall

For years, nonprofit executives have lamented that their for-profit counterparts didn't take them seriously. Suddenly, the hottest business sector is actively recruiting nonprofit leaders to work in Internet start-ups. What's going on? And how can these two groups, with traditionally very distinct approaches and cultures, find common ground?

There are two major groups that are actively seeking nonprofit leadership: Internet sites with a philanthropy element, and venture philanthropists. Both are seeking executives who can help bridge the sometimes sizeable gap between the nonprofit and for-profit sectors.

Two Models of Convergence

Two primary models are emerging that marry the nonprofit sector and the high-tech world: relationship-based Internet sites with some connection to the nonprofit world, and venture philanthropy. Although these models have different goals, the skills they seek in their leaders are similar.

Relationship-Based Sites

Although some nonprofits began using technology tools such as email and web sites early on, the two sectors were quite distinct. In the past two years, however, there has been a veritable explosion of interest in the philanthropic sector by the Internet sector. Thousands of for-profit Internet companies have formed with some connection to the public sector – fundraising sites; technology solutions aimed specifically at nonprofits; charity shopping portals; and sites linking corporations with nonprofit communities are just a few.

Although Internet sites only recently have begun tapping into the nonprofit sector, in true Internet time there has already been a shakeout of those companies with poor business models. Some nonprofits may be eager for a free mention or a small check that seems to fall from heaven, but others are more concerned about how their name is being used. Some nonprofits have even taken legal action against sites that, by mere association, discredit their hard-earned (and priceless) brand and reputation. Successful sites have learned that survival depends on building meaningful relationships.

There are e-Philanthropy sites that have made the formation and maintenance of relationships with nonprofit organizations a core component of their business model. For instance, JobOptions.com is hiring associates who will specifically target and build relationships with the nonprofit sector, allowing the company to refine products that appeal to this large and potentially lucrative market.

A soon-to-launch health care dot.com brings together commercial companies that are looking to target specific populations, and health-related nonprofit organizations that have relationships with these target groups. Again, more than just a connection will be forged; rather it will be a series of relationships. For this specific site, these meaningful relationships help satisfy the long-term needs of both groups.

Defined simply, a successful Internet/nonprofit relationship is one that is mutually beneficial in comprehensive ways. Money is always welcome, but Internet sites and nonprofits can also strengthen other core business goals, including product development, customer service and loyalty, operational effectiveness, and brand awareness.

Venture Philanthropy

Silicon Valley and its siblings have produced many wealthy individuals in recent years. And these people have received a great deal of criticism for not giving back enough or not giving anything at all. At times there has been a glaring absence of philanthropy. However, it should be noted that many of these folks are still working start-up hours and have barely had a chance to catch their breath and think about what to do with all of their wealth. Many are in their 20's and have never had experience in philanthropy, or even know where to begin. But in the past year, more and more new millionaires have had a chance to think about giving, and they have begun to give in large amounts. While the amount of capital being donated is significant, the method for donation is more notable.

Like their wealthy predecessors, many individuals are creating foundations. But unlike Carnegie or Rockefeller before them, those that made their money in technology are incorporating that unique entrepreneurial culture into their foundations. Either through the foundation's structure, its target causes, or its method of giving, technology and entrepreneurship are prominent. These individuals and their foundations are looking for new approaches, measurable impact, and no bureaucracy. They are more inclined to give long-term grants to new, higher-risk programs and don't want to fund what they perceive as unnecessary administrative costs. In return, the grant application and reporting process is streamlined, and relies more on informal meetings, short reports with measurable results, and site visits for updates on the program's impact.

A push for more donor participation and greater interaction between the donor and recipient is also present. Donors have rarely just handed over money and walked away, but today's e-millionaires are asking for more than an annual report. Venture philanthropists don't end involvement with a check, but bring their resources to bear in many ways. Incorporating some of the principles and practices of venture capital into philanthropy, Pierre Omidyar's Omidyar Foundation and Gib Meyer's Entrepreneurs Foundation hope to strengthen nonprofit organizations with more than just financial support.

After many years when computers arrived at schools without technical support or training and consequently remained in boxes, donors are beginning to stop and ask what organizations really need. Part of that insight has come from a dialogue between nonprofit organizations and philanthropists.

Nonprofit Skills Needed

Although relationship-based sites and venture philanthropists have different goals in mind, they both need leaders who can bridge the gap between the nonprofit and high-tech worlds. Although they may not want “nonprofit business as usual,” they recognize the value in team members who know the unique culture, language, and communities of nonprofits. These companies and foundations cannot do their jobs successfully without having access to the players, and communicating effectively with them.

Entrepreneurial spirit and drive is key for moving to the e-Philanthropy world. Over the last ten years, the most progressive and successful nonprofit organizations have taken an entrepreneurial approach to business – developing licensing and commercial partnerships, merging, going global, entering new businesses and becoming innovative. The entrepreneurial nonprofit executive will have the drive, mindset, abilities, and experience to move into the Internet space and to develop and implement their business model.

It goes without saying that the person responsible for maintaining organizational relationships must have solid leadership skills. Acting as a bridge between the two worlds requires the ability to communicate effectively, manage diverse populations, make decisions quickly, and understand the big picture. There can be a lack of faith between the two worlds. Only a leader who has a real understanding of both sectors can break down the skepticism and cultivate a productive relationship between these two groups.

Experience in both the nonprofit and corporate sectors is highly sought. An understanding of both the differences and similarities between the sectors provides the insight and perspective needed to bring these two groups together successfully.

A salient example is that of timing. Internet time is fast enough to have become its own phrase. Nonprofit timing is very different, based on consensus building, not S-curves. Integrating these two sales cycles takes expertise; it takes someone with business know-how and nonprofit experience.

Different Worlds, Different Expectations

Nonprofit executives and e-Philanthropy ventures can have very different expectations. There are significant differences in the culture, work ethic, compensation and benefits, and risk. Understanding and addressing these differences will make for a smoother transition for both parties. The chart below outlines some of the most common differences.

New Opportunities for Both Worlds

The traditional distinctions between nonprofit organizations and Internet sites will continue to diminish. As new business and philanthropy models are developed and refined or discarded, models for successful leadership will be as well. Internet sites and venture philanthropists will rely less on renegade approaches and more on building

meaningful and long-term partnerships with the nonprofit communities and constituents they are trying to reach. Nonprofit executives have a unique opportunity to move into a dynamic new sector while using their skills and maintaining a sense of mission. e-Philanthropists and nonprofit leaders who take the time to understand and embrace the potential concerns and differences will be leading the edge of this convergence.

What Nonprofit Executives Can Expect

Compensation:

Internet companies compensate with a combination of salary, other performance incentives and, most importantly, with stock or stock options. In many cases, nonprofit executives must be prepared to accept a lateral or reduced salary, similar or fewer benefits, but expect to reap great rewards if the company is successful and goes public.

Culture:

Most start-ups and mid-stage Internet companies are non-hierarchical; decision-making is quick and therefore there is a premium on risk-taking and entrepreneurial spirit. Also, there is usually little or no support staff so be prepared to do your own typing and arranging your own travel. Finally, Internet companies attract young, energetic types so more experienced nonprofit executives may find themselves among the elder crowd at the company.

Work Ethic:

The free meals, massages, and napping rooms

What Internet Companies Can Expect

Compensation:

Nonprofit executives with the desired skills and industry contacts may have low or mid-six figure incomes and a robust benefits and retirement package. They may be less willing to sacrifice this position and lifestyle for the promise of great wealth.

Culture:

The nonprofit culture is one of consensus building; ideas and actions are developed through management, move up through board committees, and are taken to the full board for approval. Major policy decisions may take three to six months in large nonprofit organizations. Nonprofit executives may need help feeling comfortable with a faster pace and the authority to make quick decisions.

Work Ethic:

Some nonprofit executives are used to working

are just other inducements to all day and all night work. Start-ups particularly are noted for their unusually long hours. Nonprofit execs from larger organizations may not be used to the wearing of many hats and minimal administrative support.

nights and weekends, but rarely do they keep hours similar to start-ups. They are likely to value family and vacation time, and flexible scheduling over free massages and pick-up dry cleaning. Executives from large nonprofits are used to having support staff.

Risk:

Internet companies fold, funding falls through, staffs are reduced or changed frequently at the request of venture capitalists, and changes in top management could be frequent. Your job description will change daily. Those stock options may make you unbelievably rich, or could go into the next recycle pile.

Risk:

Nonprofit executives are primarily engaged in making sure their organizations survive to provide services long-term. They tend to be more risk-averse.

Business Model:

The Internet business model is continually changing as companies move from initial funding through public offering. The initial "mission" reason for joining an e-Philanthropy foundation or relationship model company may change two or more times within first year of employment.

Mission:

Nonprofits and their leadership are driven by the organization's mission, and they work hard to protect the good will of the organization. Most nonprofit executives have chosen mission over wealth their entire lives. Internet sites will have to appeal to the executive's desire for a deeper meaning or impact.