



Stanford PACS
Center on Philanthropy
and Civil Society
—
Digital Civil Society Lab

Perpetual *P*

DON'T JUST SURVIVE, THRIVE

Non-profit views on the role of
digital now and in the future

In 2016 Perpetual announced a three year partnership with Stanford's Center on Philanthropy and Civil Society (Stanford PACS) with a view to helping Australian non-profit leaders prepare for the unique governance challenges of the digital age.

Lucy Bernholz, Director of Stanford's Digital Civil Society Lab, came to Australia with the team from Stanford PACS and delivered workshops on digital data governance and digital civil society in Melbourne and Sydney. More than 300 non-profit leaders and board members took the opportunity to connect and learn. The big question: how non-profit organisations serve communities in a society disrupted by digital.

Before the workshops took place Perpetual sent a survey to attendees asking for their views on how their non-profit organisation could survive and thrive in a digital world. The results shed light on how digital tools are being used by non-profit organisations in Australia. What follows are key take outs from that survey.

THE STATE OF PLAY

Survey responses suggested that digital tools are primarily used by non-profit organisations to enable better communication with stakeholders and donors. Despite the prolific use of digital tools in everyday life, the survey highlighted that there is work to be done by non-profits to build the capability and infrastructure required to use digital as a primary service delivery tool.

While non-profit executives see enormous value in investing in digital infrastructure for service delivery, non-profit board members are less sure.

It is possible the uncertainty around whether organisations should be investing in digital capability stems from board members' own perceived weaknesses - the majority of board respondents were unsure whether their non-profit boards had the right skills to drive their organisation forward in a digital world.

It should come as a relief to those non-profit board members that they are not alone. Recent McKinsey studies¹ found that for-profit boards have the same concerns and that less than one in five corporate directors fully understood how digital was changing the dynamics of their companies and the sectors they worked in.

What is clear from the survey is that optimism about the potential for digital is high and non-profit boards feel they are employing the right staff to help their organisations on a journey from the analogue world to the digital one.

WHAT IS DIGITAL CIVIL SOCIETY?

Lucy Bernholz, Director of Stanford's Digital Civil Society Lab describes digital civil society as all the ways we voluntarily use digital resources for public benefit in the digital age.

This includes:

- Donations of data from individuals and institutions
- Private use of digital infrastructure for public benefit
- Voluntary exchanges of time or money in digital form

In essence, it is a range of activities we've been doing for a long time for public benefit, but now using the digital resources and digital infrastructure that we all increasingly depend on.

“In digital civil society not-for-profits and foundations are responsible for managing this vast new resource - digital data - in alignment with their mission. They also must respect people's privacy and their choice to engage with organisations voluntarily.”

Lucy Bernholz, Director of Stanford's Digital Civil Society Lab

1 Sarrazin and Wilmott, McKinsey Quarterly July 2016, Adapting your board to the digital age.

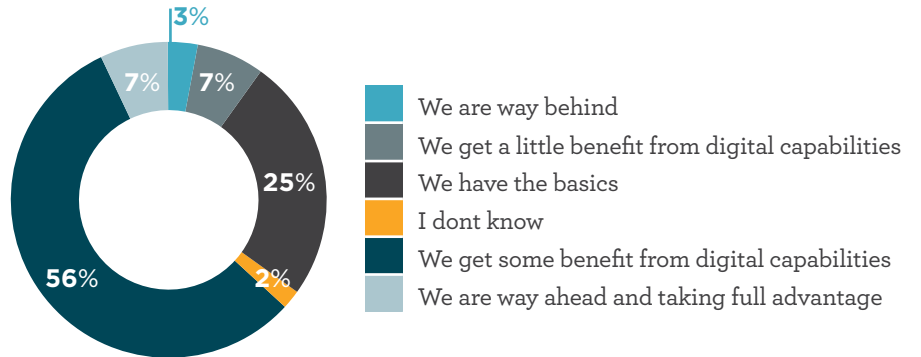
THE ANALOGUE INSTITUTION IN THE DIGITAL WORLD

The majority of respondents to the survey represent organisations that have been in existence for a decade or more. That means most were established prior to Facebook launching in 2004. Those organisations served stakeholders before we could like, share or connect with friends, family and others across the globe in an instant. Those organisations that existed in Australia prior to 1998 operated in a world that didn't know that Google was a search engine (and an advertising company, car manufacturer, television maker, web applications maker, map provider, analytics tool) and, of course, a verb.

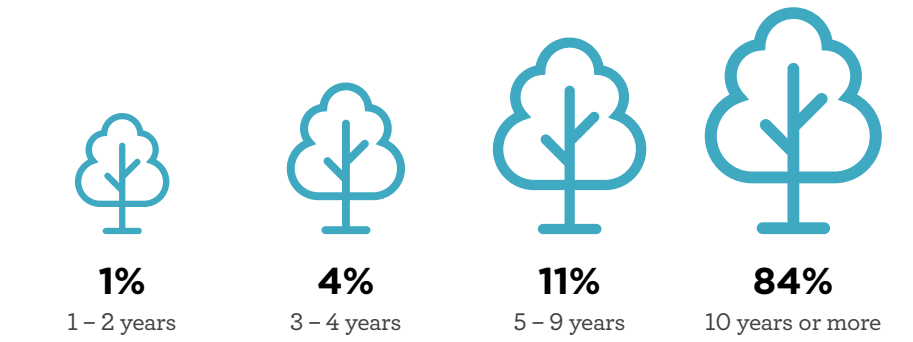
That means many of the organisations represented in this survey were established in an analogue age. They were set up to deliver services, work with donors, create impact and to govern themselves in a time when the daily forms of communication used today may not have even existed. Their founders would have envisaged working towards the same goals they have today but would have expected to achieve them in a very different manner.

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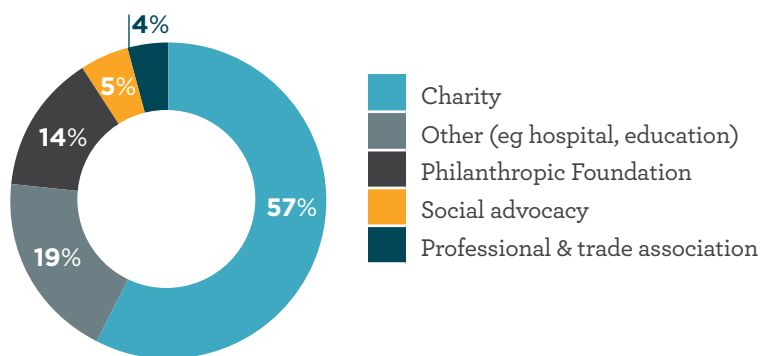
To what extent do non-profit organisations feel they are taking advantage of digital technology capabilities?



Years in operation of surveyed non-profit organisations



Respondent organisation type



EXTENSIVELY USED DIGITAL TOOLS

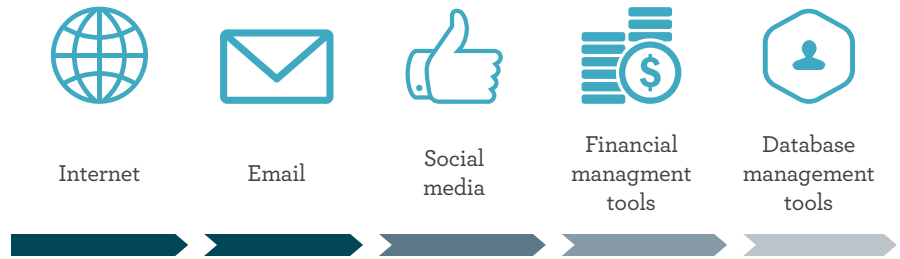
Social media may be a relatively 'young' digital tool but non-profits see it as almost as important as their websites and email. That means Facebook, Twitter, Snapchat and even LinkedIn are as important as daily email communication for their organisations.

While it appears more and more non-profit organisations in Australia are utilising the power of social media there's still a way to go to convert 'connecting' with stakeholders into donations. Online sales and donation functionality is used by only half the respondent organisations.

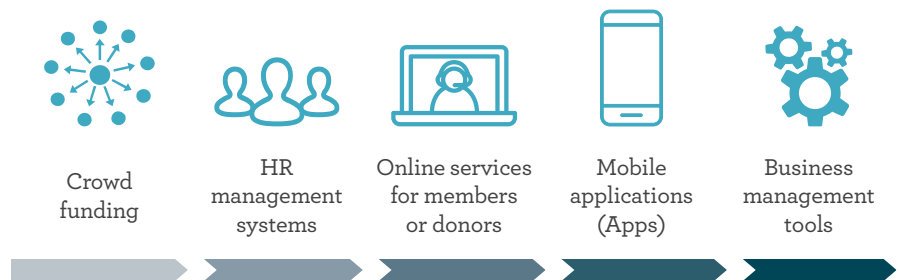
Interestingly, philanthropic foundations are behind their friends across the rest of the non-profit sector. Foundations are using digital tools at a much lower rate across the board than other organisations, posing the question - does this reflect a less transparent philanthropic sector than we need to have or is it a reflection of lack of investment by funders into their own operational needs?

Philanthropy Australia is currently, with support from Perpetual, venturing into a mapping project that will provide greater transparency around where Australian philanthropic gifts might go. During their time in Australia, the team from Stanford PACS held discussions with more than 40 philanthropic leaders who were passionate about moving the dial on how philanthropic foundations might begin to use their digital data repositories in responsible, effective ways that advance their missions.

MOST USED DIGITAL TOOLS



LEAST USED DIGITAL TOOLS



HOW ARE NON-PROFITS USING DIGITAL TOOLS?

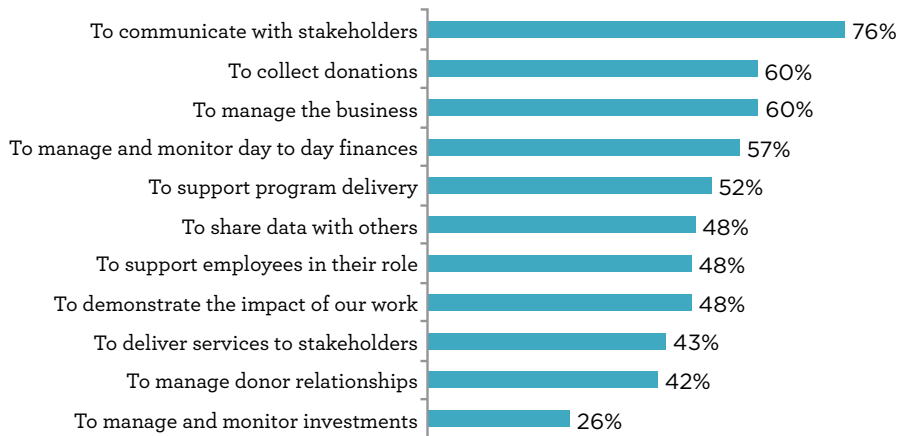
While the majority of respondents use digital tools to communicate with their stakeholders, less than half see this communication as being about the impact of their work.

One of the big challenges from a governance perspective for many non-profit organisations is deciding how and when to share data they collect with others. Ensuring that stakeholders have provided explicit consent for their data to be used and shared is important, as is an understanding of issues around data storage, ownership, governance and ethics.

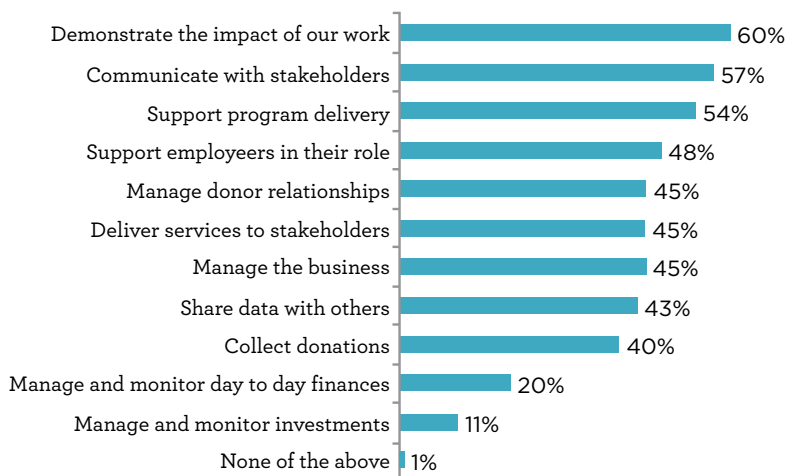
It may not come as a surprise therefore that less than half of non-profits surveyed are choosing to share their collected data with others. Yet if less than half are sharing the data they collect with others - or to demonstrate impact - then why collect it at all?

All boards need to be asking themselves whether the data collection that is taking place in their organisation is required and if it is, does the organisation have the right systems in place to protect that data and use it ethically and responsibly? Collecting data for a 'rainy day' is not an option. If you can't clearly foresee how it will be used in the future, holding it exposes you to risk without reward.

How digital tools are being used today



Where non-profits would like to see significant improvement in their digital capabilities



Are boards and operational teams thinking about digital the same way?

There are a couple of clear points of difference between what boards and executives in operational teams see as a priority for investment in digital capability. While just about everyone is aligned around getting better at using digital to demonstrate impact, board members and operational teams don't always harmonise on investing in digital tools that will support their employees in doing their roles. Additionally, there's a gap to bridge with regards to stakeholder service delivery.

In short, while non-profit boards clearly see the benefit of digital as a communication tool they are still wrestling with some of the very real challenges digital transformation creates in service delivery and infrastructure spend.

“Don't collect what you can't protect.”

Lucy Bernholz, Director of
Stanford's Digital Civil Society Lab

DATA RISK AND THE ROLE OF FUNDERS

Lucy Bernholz, the Director the Digital Civil Society Lab at Stanford, told non-profit organisations to be more cautious about what data they collect and hold, even if funders ask them to. Instead, Lucy encouraged them to ask funders to consider the nature of the data being collected and to cover the costs associated with protecting the data. As funders (public and private alike) ask more of non-profits in terms of demonstrating impact, they must be willing to consider their role in meeting the costs of collection, protection and use.

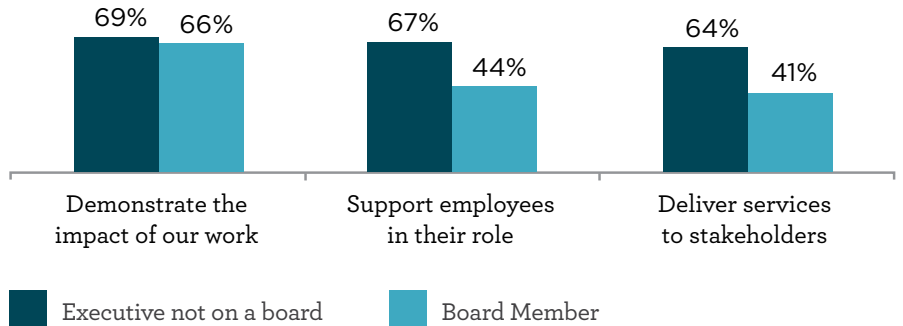
Skills needed to deal with digital technology

Non-profit boards and leaders feel they're employing the right people to assist them in doing a great job in a digital world, with more than 50% confident their employees were capable of taking advantage of digital opportunities. The skills matrix of the board is one area being examined closely with only 27% believing they currently had the right mix to effectively manage issues around digital governance.

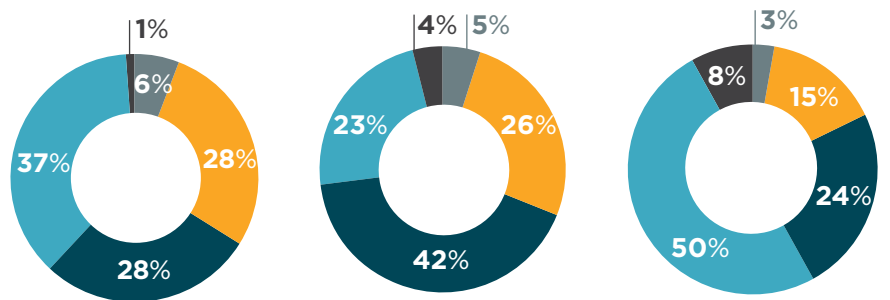
At board and operational team level, the cost of being ready to take advantage of digital and use it effectively were the two biggest concerns. Surprisingly, despite significant and high profile digital data breaches regularly in the news, less than a third felt issues around privacy, responsible use of digital tools and governance were of concern – this may not align with donor sentiment and looms as a key area of concern in the sector over the next few years.

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Where non-profits would like to see significant improvement in their digital capabilities: comparing respondents on boards with executives not on boards



Examining the skills matrix



Our board has the right skills to optimise our use of digital technology

Our board is well placed to effectively manage digital governance

Employees are capable of taking advantage of the opportunities digital capabilities present

Legend: Strongly disagree (dark grey), Disagree (orange), Not sure (dark blue), Agree (light blue), Strongly agree (black)

“Boards now need an understanding of intellectual property and telecommunications law because it’s these frameworks that guide privacy protection and ownership of digital assets. With digital tools, our program services become alloyed with data governance considerations.”

Lucy Bernholz, Director of Stanford’s Digital Civil Society Lab

THE ROAD AHEAD

The survey results outlined are a snapshot in time and highlight just a fraction of the conversations that are happening with great regularity at board and non-profit executive leadership level.

For philanthropists, there are some clear pointers to the need to be open to investment in digital infrastructure and organisational capability. The non-profit sector cannot afford to be left behind in how it services some of our communities' most vulnerable members. Equally, funders should reflect on how they can support the building of digital data governance capability. If there is a genuine belief that digital data might be one part of a bigger jigsaw puzzle to address some of our society's most intractable problems, then we need a non-profit sector that is ready and able to address questions related to the responsible, ethical and safe use of data.

For non-profit board members, now is the time to re-examine the needs of your beneficiary communities and examine how digital tools might meet their needs. All non-profit boards should also be examining their skills matrix and assessing whether they have the right people around the governance table to help their organisations deliver on their mission.

Stanford PACS and the Digital Civil Society Lab have already begun the process of pulling together resources that exist under commons licence to help non-profit organisations and foundations on this journey. Their digitalImpact.io site is designed to help non-profit organisations and foundations use digital data ethically, safely and effectively.

Perpetual and Stanford PACS will continue to support Australia's non-profit sector in responding to the changing needs of its stakeholders in a digital world. It is inevitable that some non-profit organisations won't survive but new organisations built for the digital world will pop up in their place. Other non-profit organisations will thrive as they transition into a new world of digital service delivery, digital data collection and digital stakeholder engagement. We hope this report and our partnership with Stanford PACS will help prepare as many organisations and leaders as possible.

LESSONS FOR PHILANTHROPISTS

- Invest in digital infrastructure and organisational capability
- Consider how you can develop digital data governance capability
- Work with non-profits to develop safe, ethical and effective data strategies

LESSONS FOR NON-PROFITS

- Re-examine the needs of your beneficiary community – are digital tools core to helping your organisation deliver on its mission?
- Consider whether your organisation has the skillset to address digital governance issues
- Visit Stanford PACS' digitalImpact.io for free digital governance tools and resources

“Just as your strategic plan guides how you use your financial and human resources toward mission, it should also take into account the digital assets and liabilities of your organisation.

There is tremendous potential here. Digital data and infrastructure, used safely, ethically, and effectively, vastly expand the resources you have to use toward mission. In some cases, we can redesign entire systems of care or service, just by switching from analogue structures to digital ones. Doing so requires maximising opportunity and minimising risk – across the organisation's structure and toward its social purpose.”

Lucy Bernholz, Director of Stanford's Digital Civil Society Lab

ABOUT STANFORD CENTER ON PHILANTHROPY AND CIVIL SOCIETY (STANFORD PACS)

Stanford PACS is a research centre where scholars, practitioners and leaders come to together to explore ideas to create social change. Stanford PACS publishes the preeminent journal, Stanford Social Innovation Review, which provides a platform for global community building.

ABOUT PERPETUAL

At Perpetual we combine a strategic approach to philanthropy with sustained support for the non-profit sector, to ensure that the individuals and families (and their advisers) we work with are maximising the potential of their giving. We support non-profit governance by funding sector research and capacity building opportunities for non-profit organisations and offering financial governance advice and investment management support.

MORE INFORMATION

Perpetual offers tools and resources to the non-profit and philanthropy sectors to help build capability in the areas of leadership, governance, outcomes and investment management. This includes insights on digital governance from our partnership with Stanford University's Center on Philanthropy and Civil Society. You can subscribe to receive insights at www.perpetual.com.au/philanthropy

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