THE NEW ROLE OF TECHNOLOGY IN STRENGTHENING TRUST BETWEEN DONORS AND PHILANTHROPIC ORGANIZATIONS

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INTRODUCTION

The manner in which non-profit organizations interact with their constituents is changing. While donors and prospective donors come to expect ever greater amounts of communication from organizations, organizations are often ill-equipped to meet those expectations. In failing to meet donor expectations, organizations put further strain on the bonds of trusts they work so hard to build with their stakeholders.

Fortunately, new technologies can help to bridge this gap and strengthen trust between organizations and their constituents. We envision a future in which these technologies improve donor communications, donation transparency, and fund allocation accountability. Namely, we see distributed ledger technology (DLT) as playing a crucial role in all three of these areas. DLT can be used to create highly functioning digital tokens that enable organizations to more easily manage fund allocation and give donors greater transparency over donation beneficiaries. The rich interactions created by this technology can help an organization to motivate ongoing and likely greater contributions from its donors—by engaging them with the organization's mission like never before possible.

THE CONNECTION BETWEEN PHILANTHROPY AND TRUST

Strong communication is essential to non-profit institutions because these institutions base their very existence on relationships. No matter their area of focus, every non-profit has one common, uniting characteristic—they are mission driven. Educational, social service, and religious organizations all exist to fulfill a mission. Non-profits typically advance their missions through strategic "mission advancement" activities, which are essentially communication initiatives. A non-profit must communicate in a way that mobilizes its constituents and aligns them with the organization's mission—offering them an opportunity not just to receive information, but to be participants in the growth of the mission. By strongly articulating its mission, a non-profit can garner a receptive and supportive audience. With this motivated audience, the organization can generate the resources necessary to accomplish its mission. This communication serves as the foundation for the organization's relationship with its donors, and an organization's ability to communicate is directly linked to its fundraising success.

Once a relationship is established between an organization and its donors, or prospective donors, that relationship must be properly nurtured. All relationships—whether they be platonic, collegial, familial, or organizational—require trust. For every non-profit institution, success depends upon the establishment of a high-level of trust amongst all stakeholders. While donor relationships can be nurtured in a myriad of ways, a fruitful relationship cannot be maintained without trust. Moreover, no relationship will last once that trust is broken beyond repair. In the very recent past, we have unfortunately seen multiple examples in which the relationships between a non-profit and its constituents have broken down—ostensibly, for a variety of reasons. In reality, the true reason for these breakdowns can often be traced back to a breach of trust between the leadership of the non-profit and its constituents.

The breakdown of trust can often be attributed to a lack of robust internal processes within an organization—mission is no longer enough if it is not accompanied by reliable implementation. Increasingly, board members and donors alike have demanded more frequent and robust communication from these organizations. These stakeholders are right to apply such pressure—most non-profits would greatly benefit from more sophisticated communication practices and impact metrics. Many non-profit organizations have struggled to employ strong business practices for years.

REBUILDING AND MAINTAINING TRUST

So then, how can organizations build trust over the course of their relationships with donors? Going even further, how can organizations repair trust once it has been broken? To address these questions, there are three areas on which organizations must focus:

COMMUNICATION

First, the importance of regular, clear communication is essential for building long-term relationships with constituents. In communicating with constituents, organizations must ensure that they engage constituents in the organization's vision. Constituents should therefore be seen and participate as co-workers in accomplishing the mission and vision of the organization.

TRANSPARENCY

Transparency is also indispensable when it comes to building and sustaining relationships with constituents. Donors must be given full knowledge over resource allocation within the organization so that they know when and how the organization is spending funds. This knowledge forms part of the ethical calculus between donors and non-profits, and it is required for building and maintaining trust. Audited financials, annual reports, and clear, updated listings of employees and board members are key elements that demonstrate a non-profit's level of transparency and accountability.

REFRAMING THE RELATIONSHIPS

Thirdly, if trust becomes compromised between a non-profit and its constituents, the relationship must be reframed. Generally, a breakdown of trust indicates a corresponding failure in the operational practices of the organization. Rebuilding this trust—and those operational practices—takes significant time, effort, and money. Policies and controls must be reviewed, and new, more effective practices must be implemented and monitored in order to achieve continued adherence to the mission. Once this transformation is achieved, the organization and its constituents are able to start with a relatively clean slate within this newly established reality.

THE USE OF BLOCKCHAIN TECHNOLOGY IN PHILANTHROPY

In the battle to build and maintain trust, emerging technologies have provided a reliable means to ensure communication and provide complete transparency in fund allocation. These technologies can also help non-profits to reframe relationships after a loss of trust. Specifically, distributed ledger technologies create a new reality in which stakeholders interact with each other in a "trustless" environment. In this environment, information is transferred and stored in a distributed, peer-to-peer manner, virtually eliminating the need for a central authority in which trust must be placed. Information is validated by the large number of individuals and entities all participating in the ledger network. After being programmatically secured so that it cannot be altered after validation, the information is then stored by all the ledger participants. Because this entire process has been programmed to happen automatically, it is not controlled by any single person or entity. Therefore, the need to trust a controlling central authority is removed, and this "trustless," programmatic environment becomes the new reality.

Distributed ledger technologies create a new reality in which stakeholders interact with each other in a "trustless" environment.

All of this happens on top of a technological infrastructure that itself was built on top of the internet. There are many ways to access the distributed ledger infrastructure, including via the Inveniam.io platform. By utilizing Inveniam's platform, users benefit from the robust functionalities of Inveniam's WISE system. WISE provides a simple drag-and-drop web app that allows organizations—even those with no technical capabilities—to build complex workflows that take full advantage of distributed ledger technology (DLT). Subsequent white papers will more fully explain how an organization can create these workflows using WISE in order to enable peer-to-peer communication or simply peer-to-peer visibility, in full accordance with the organization's privacy guidelines. For now, the takeaway remains that this technological infrastructure has paved the way for peer-to-peer transparency between the donor and the end beneficiary.

THE ROLE OF THE DIGITAL TOKEN IN BUILDING TRUST

For donors, this new workflow will provide immediate access to information about their donations via a passkey known as a “token.” These digital tokens are created by non-profit organizations using WISE in order to represent donations on a distributed ledger. To make donations, donors would buy the relevant tokens and then store them in digital “philanthropy wallets” that they access through their computers or mobile devices. Donors are able to click these tokens at any time, an action that would open a direct line of communication between the donor and the beneficiary, in a manner that corresponds to the organization’s privacy guidelines. As a result, communication can now occur at the behest of the donor—if, and only if, it is in the best interest of both the donor and the recipient. This communication can come in the form of notes, pictures, video, or any other format that exists digitally. The organization can decide how and when this transparency occurs, ensuring the integrity of the process. This immediate, donor-driven access to communication with beneficiaries increases donor confidence in the organization as well as the allocation of funds. Moreover, this technology allows donors to maintain long-term visibility throughout the duration of the fund allocation and beyond.

In fact, the Inveniam.io platform provides not only more direct communication between donors and beneficiaries, it also provides a greater quantity of information than current models allow for. This information is greater in volume and granularity, both of which contribute to increased transparency as donors can see exactly how every donation dollar is being spent. Inveniam’s WISE system enables organizations to link each token to the performance of a specific grant. This means that the transmission of funds to the beneficiary is attached to a known set of guidelines. These guidelines keep the organization accountable to donors and the beneficiaries accountable to the organization. As a result, donors can watch in real time as their contributions are allocated and as those allocations are utilized by beneficiaries. All of this happens automatically, without any further intervention from the non-profit organization once the token is created and launched.

This automatic mechanism for accountability reinforces the trust that constituents have in the organization and the use of funds.

Clearly, this shift to automated technology that gives donors the control represents a fundamental transformation of the typical relationship between non-profit organizations and their constituents. As the issue of trust, or lack thereof, looms larger and larger for many non-profits, fundamental change will become a requirement—not an option. By embracing technological disintermediation, non-profits can demonstrate to their constituents that they are committed to improving communication and transparency in a manner that greatly benefits both donors and grant recipients. This commitment to more efficient, donor-driven communication as well as complete, automated transparency can help organizations to protect fundraising efforts in the face of waning trust.

For donors, this change will present exciting opportunities for entirely new and inspiring digital interactions. For example, we envision a future in which charity events feature large screens that display thousands of tokens, each representing a specific dollar amount to be donated. In this scenario, event attendees could take out their mobile devices and open their philanthropy wallets, which are linked to the auction display screens. By selecting a token, the attendee's funds are automatically transferred to the organization and that token is automatically placed into the attendee's wallet. That token then provides the newly minted donor with all of the rights and benefits discussed above. As tokens are selected by donors, other attendees will see selected tokens disappear from the large display screens, generating even greater interest and enthusiasm for these contributions. Then, the organization could lead a countdown as the final tokens disappear from the screen.

RELIEF FROM ADMINISTRATIVE BURDENS

In addition to creating an enhanced, more motivational experience for donors, this shift to technology-enabled relationship management will also take a large administrative burden off the shoulders of the organization's leadership. By using a system like WISE, non-profit leadership can create donation tokens and administer funds with a simple drag-and-drop tool. Because WISE is a rules-based engine, once built, tokens will essentially administer themselves by following if/then rules that trigger certain actions when specific prescribed events occur. This system can exist either on a distributed ledger or on a private storage system—although a private storage system does not provide the same benefits of distribution and immutability.

With this rule-based functionality, organizations can define grant paraments and the system will subsequently track the performance and completion of the grant as defined in the system. For example, a non-profit can describe the conditions for fund allocation to an educational program in a disadvantaged locale. As conditions are met, beneficiaries will upload evidence of this (for example, photographs of classrooms or notes from children) to the system. Once validated, the system will automatically acknowledge that the condition has been met, thereby triggering the next step of grant performance, which could be the disbursement of additional funds.

INVENIAM ACCOMPANIES NON-PROFITS IN THE UTILIZATION OF DLT

Inveniam has already deployed several complex transactions to the blockchain over the course of 2018. In the first quarter of 2019, we will onboard a selection of non-profit organizations that will build stronger, more trusted relationships with their donors via the Inveniam.io platform. Organizations that wish to improve communications, transparency, and business processes in a robust, new environment can explore the Inveniam.io platform with us. As fundraising and fund allocation paradigms continue to shift, non-profits would do well to take advantage of this exciting technology to engage a greater number of people in their work, and in doing so, increase their ability to fulfill mission.

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