E-business for NGOs
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The for-profit sector has spent billions of dollars looking for ways to succeed in the knowledge economy. New ICTs shift costs, extend markets, expand information flows, and change the borders of organisations. Such structural changes force NGOs to rethink strategies and operations. It also requires a different approach to terms like 'client', 'profit', and 'competition.' It means asking questions like 'who are my clients', 'who are my competitors,' and 'how does my organisation create or add value?' It means imagining what ICTs and the Internet can offer in terms of new advocacy strategies and new ways of funding. The NGO sector is on the edge of a major transformation. One challenge is to learn from business lessons and to apply e-business principles and paradigms in ways that enable NGOs to become more efficient, effective, and integrated. Written for development NGOs, this brief introduces e-business notions from the for-profit sector. It examines their relevance for NGOs, and outlines the first steps an NGO could take when adopting an 'e-business' approach.

What is e-business?

The problem with buzzwords like e-commerce or e-business is that there are as many definitions as there are experts. The definition of e-business used here refers to the way in which financial, capital, and human resources are organised. Of course, there is also the underlying e-business technology. E-commerce, as part of e-business, is less disruptive in terms of organisational change.

Defining e-commerce and e-business

E-commerce
Electronic trading of physical goods as well as intangibles like information. Includes all trading steps such as marketing, ordering, payment, and support for delivery.

E-business
An inter-networked organisation using ICTs to establish close relations among its stakeholders, employees, customers and suppliers. ICTs help to minimize distance between the business and its partners, by automating transaction processing, strengthening relationships, and reducing costs.

Importance of e-business

Technological developments fuel cultural and societal developments, and the other way around. Understanding these trends and developments helps us to create new opportunities for the design and delivery of new products or services. Some important trends are:

- Networked markets: With fewer geographic and time restrictions, there are new distribution opportunities for ideas, products or services.

- Integrated software applications: Efficient and effective decision-making requires an integration of various software systems.

- Infrastructure convergence: Worldwide, telephone networks, cable TV networks, wireless networks, and computer data networks are converging into a unified network based on the Internet Protocol.

- NGO sector convergence: Smaller NGOs join forces to survive in the competitive NGO environment. It also enables them to spread and lower costs.

- Shift of power from public to private sector: Traditional government tasks are being transferred to NGOs, resulting in more responsibilities and duties.

- NGOs initiating commercial activities: Especially in the USA, NGOs are trying to diversify their financial resources by initiating commercial activities.

These trends give an idea of the direction of change, and how these developments directly and indirectly affect an NGO. Business models can be used to relate these trends to an organisation and its operating environment, helping to guide an organisation's mission, and the strategy to accomplish it.

Understanding business models

How are business models relevant to mission-based organisations with high-standing values like NGOs? Essentially, a business model offers a clear framework for understanding an organisation in relationship to its environment.

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*A business model describes the **process** by which an **organisation creates profits and (added) value in exploiting the potential** of a **market environment** to the satisfaction of the **clients**.*

Let's briefly look at each of the highlighted elements:

Process - The continuous flow of products, services and information within an NGO and between the NGO and other actors in the environment.

Organisation - The mission, strategy, structure, people and technology determine the nature of the organisation (profit vs. non-profit, grassroots NGO vs. intermediary NGO, etc.). An organisation usually has internal functions, such as personnel management, accounting, and R&D as well as external functions like public relations, marketing, sales, and procurement.

Typical questions to ask are: Why does your NGO exist? What are your unique capabilities? Do you have a reason to exist in the future? A useful tool is the SW analysis:

Organisational strengths	Organisational weaknesses
• Value based and mission driven • Highly motivated employees, volunteers • Strong marketing/advocacy skills • Flexible and flat structure • Knowledge sharing	• Financial resources • High skilled (IT-) professionals (cannot afford high wages) • Staff development programs and training • Performance measurement

Creating profit and added value in exploiting a potential gap - Knowing the market environment and client needs enables an NGO to use its unique capabilities (such as specialised employees or unique knowledge base) to adjust or improve the products and services in such a way that the client is satisfied, or even surprised, because the service was beyond expectations.

Typical questions to ask are: How can you apply our unique capabilities? Do you add value, material or immaterial? What are the real needs of your beneficiaries? Who are your competitors, or partners? A useful tool is an OT analysis:

Market opportunities	Market threats
• Privatisation of government tasks • Developments in online marketing (email newsletters etc.) • Wireless devices offer new ways of communication • More open access to technology (Linux and other open source software) • Volunteering becomes more popular in the West • Internet fuels forming of alliances • Growth of venture philanthropy	• Donor fatigue • ICT developments slow down because of dot.com shake out • Increasing competition of large NGO's

Market environment - Other business actors, such as competing NGOs, suppliers, funding agencies, target audience and the government, each have their stake in the NGO, directly or indirectly. They add value by supplying knowledge, regulation, office supplies, or financial resources.

Client - The clients of an average NGO can be divided into primary and secondary clients. The beneficiaries of the NGO fall into that first category, while funding agencies, the target audience, or the government fall into the second category. Each has a specific need that the NGO has to meet.

Typical questions are: Who are your current clients, members, and beneficiaries? Where do resources come from? Who is your target audience? Who can be future clients? What do clients expect? Useful tools are surveys, database-analysis, country reports etc.
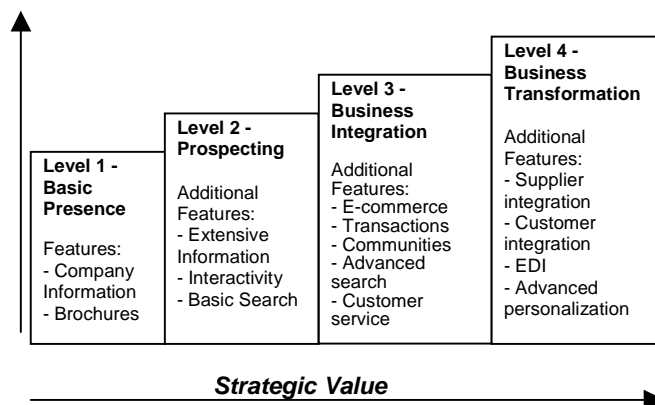
Thinking like a business does not mean adopting a 'for profit' strategy. Focusing on 'clients' however, can lead to the adoption of different approaches to various actors in the NGO environment. It is a signal towards your target audience, your beneficiaries, and your donors. It is about not taking things for granted. Not taking for granted the funding. Not taking for granted the efficiency and effectiveness of programmes. And certainly not taking the beneficiary organisations or individuals for granted.

From e-commerce to e-business

Imagine e-commerce as a way to diversify your financial resources! Imagine the use of SMS on mobile phones for advocacy. Imagine an inter-networked, multi-disciplinary, and learning NGO sector. Considering e-commerce and e-business is inevitable. Everybody is jumping on the ICT train. That is exactly the power of a network: the value of being inside the network is higher than being outside.

Cap Gemini has developed a useful *e-business flowchart* showing how organisations evolve into an e-business.

Organisational Impact

Level 1 - Basic Presence	Level 2 - Prospecting	Level 3 - Business Integration	Level 4 - Business Transformation
Features: - Company Information - Brochures	Additional Features: - Extensive Information - Interactivity - Basic Search	Additional Features: - E-commerce - Transactions - Communities - Advanced search - Customer service	Additional Features: - Supplier integration - Customer integration - EDI - Advanced personalization

Strategic Value

Let us look at the levels in more detail:

- *Basic presence*: The NGO has established its place on the Internet. It uses a 'push' strategy to supply information on its activities.

- *Prospecting*: The NGO explores using the Internet as a distribution channel, involving some additional features.

- *Business integration*: The NGO proactively integrates its businesses with those of its clients and partners. This pull strategy helps the clients and partners to recognize potential added values and to engage in a relationship with the NGO.

- *Business transformation*: The inter-networked NGO exploits the Internet as a channel with not just clients, but also with suppliers and other relations.

Another way to cluster the levels is as follows:

Past: Bricks-and-mortar - Traditional way of organising, characterized by strong hierarchies, a product focus, limited geographic reach. (Example: the grocery store around the corner).

Present: Bricks-and-clicks (Level 1-2) - Traditional organisations establish a web presence and perhaps e-commerce facilities (Example: Dell Computers).

Future: Clicks-and-mortar (Level 3-4) - The true e-business, which is part of a virtual electronic network of suppliers, clients, and others. (Example: Amazon).

Selling products online - The Perfect Storm

Founded by Sabastian Junger, the Perfect Storm Foundation (PSF) offers educational and cultural grants and scholarships to the children of commercial fisherman.

In 1998, Ned Savoie, owner of a Web development company called Harbour Light Productions, saw the PSF featured on a local television show. Inspired by the show and the book, Ned tracked down the PSF and offered to build a Web presence. The site promotes the PSF and engages the community. As a relatively new organisation, the Foundation needed to promote their name and mission. They received a donation of t-shirts and sweatshirts, had the logo added and started selling them in local shops and through the Web site. The volume of orders was increasing, and PSF decided to move to a shopping cart system that processed the credit cards for them. Online sales have not been astronomical, but are definitely more manageable now that PSF has a streamlined system in place. They get about 15-25 online orders per week, with individual orders averaging $26 plus shipping and handling.

E-commerce has been worth the effort and everything has been running smoothly. PSF promotes the site and online shop by making sure that any press reference to the Foundation includes a reference to the website. PSF advises nonprofits just starting out in e-commerce to be prepared to fulfil the orders and build in shipping and handling charges. PSF also makes online donating available to their audience, but it has not been as successful as the online store.

Lessons learned:

- Thinking like a business can help a NGO prepare for e-commerce.
- Knowing and understanding potential "customers" will help an organisation decide what products to offer online.
- NGOs must also make sure that their audience knows how to find them online.

Models for NGOs

Several e-commerce and e-business models used by NGOs are listed and assessed in the tables below.

E-commerce model	Advantages	Disadvantages	Examples
E-shop: Electronic trading of goods, services and information.	New source of revenue. Indirect support of beneficiaries. Creates extra visibility.	Are commercial activities in line with mission? High initial costs Does it comply with intellectual property rights, etc? Retail rarely supports content.	Novib www.novib.nl Metropolitan Museum of Modern Art www.moma.org
E-mall: A collection of e-shops or a sector marketplace.	Shares costs. Builds web traffic and visibility. Fuels cooperation.	Policies for knowledge sharing among NGOs? How to divide revenues from selling under a common brand?	OneWorld www.oneworld.org APC www.apc.org
E-branding: Organisation develops a website to support its brand-strategy.	Issue-oriented website can be used with traditional media. Creates a certain experience or feeling.	Difficulties to communicate same values as in paper, TV, radio ads.	Etoy www.etoy.com Animal Protection Holland www.boe.nl
E-business model	**Advantages**	**Disadvantages**	**Examples**
Information broker/Portal: They provide (business) information and consultancy.	Well-known portal generates lots of page hits. Revenues from selling ads (bannering).	Interactive services, such as online payment system, search engine, need continuous checking. Maintaining neutrality can sometimes conflict with NGO mission.	Yahoo www.yahoo.com OneWorld www.oneworld.org APC www.apc.org
Virtual Communities: Members add value by communicating; Members contribute to a knowledge base provided by the virtual community.	Knowledge creation by knowledge sharing. Communities extend services. People are mobilised quickly. No geographic constraints. Interactivity. Communities generate loyalty. Communities enable greater collaboration.	Continuous online moderation of the discussions.	Digital Divide Network www.digitaldividenetwork.org World Wildlife Fund www.wwf.org

Implications for NGOs

Some pros and cons of e-business approaches are set out in the table on the right. More strategically, there are both internal and external implications to take account of before deciding to follow such ways of working.

Internal implications
- Technology: Selling products over the Internet, or buying them from suppliers, requires integration of various systems within an NGO, such as local network, Intranet, financial system, and the website. Offering products and services for sale through a website also requires secure payment engine.
- Structure: There are several ways to start with E-commerce activities. One is direct integration of an E-commerce department; a second is a separate start-up; a third option is to integrate the start-up after it has proven to be successful. Starting a venture with a profit company is also an option.
- People: Some of the people in the organisation, from chairman to volunteer, are likely to resist the changes that ICT and E-commerce bring about. Workgroups, training sessions and team building help reduce the fears.

External implications
- Sponsors and funders: A website offers a new channel to give funders insights into an NGO's performance.
- Suppliers: A large NGO community can put pressure on suppliers because it gives them buying power. Using tenders and auctions may also result in lower costs, since suppliers have to bid for a contract.
- Beneficiaries: A virtual helpdesk can also be a feedback mechanism, giving first hand information and helping to improve programmes.
- Regulatory environment: Selling or creating knowledge has to comply with Intellectual property laws. Disclaimers help to shape the expectations of partners and beneficiaries.

- Other NGOs: ICTs offer great opportunities for NGOs to cooperate. Websites, listservs, and virtual communities can bring people together from all over the world, standing up for a certain cause. Reports and policy proposals can be written online, not being hindered by time or geographic borders.

Pro's	Con's
• Image: e-commerce helps with marketing, communication, and branding strategies.	• High investments with uncertain returns.
• Efficiency: clients can look for and purchase information, products and services without physical contact. The same goes for suppliers, and partners.	• Can the organisation cope with the information explosion? More important; is the data used intelligently?
• Effectiveness: ICTs and the Internet enable a more proactive approach. NGOs can engage in 'personal', one-to-one relationships with their clients, resulting in a detailed client profile.	• Relationship management is difficult without personal face-to-face contact.
• Innovation and Creation: ICT developments and competitive pressures really force companies to re-think their assumptions about who they are, and what their role is.	• Joint e-commerce activities can result in difficulties of dividing revenues among the various partners.

More information
- www.benton.org
- www.apc.org
- www.coyotecom.com
- www.oecd.org/dev
- www.topica.com
- www.nonprofits.org
- www.summitcollaborative.com
- www.iicd.org
- www.bellanet.org
- www.hivos.com