Chapter 1

Social Bootstrapping: Microfunding Major Projects in the Arts and Nonprofit Organizations

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ABSTRACT

Just as the three most important aspects of real estate are: Location, Location, Location, it can be said that the three most important aspects of seeking funds for major projects are Access, Access, Access. The advent of social media has opened a new avenue for artists and non-profits to fund their programs: social bootstrapping. This chapter will address the use of social media platforms to raise funds for major arts and nonprofit projects. This chapter will also consider the implications of social media to fund niche programs that may be considered “too risky” to fund under the traditional rules or those that simply don’t have the access to major contributors. Pioneers in the arts and nonprofit industries have successfully adopted the best practices of the technology industry and used social media platforms to secure funding that would not traditionally be available.

BACKGROUND

Traditional methods for funding major arts and non-profit projects generally require major capital investments from corporations, or at least a major benefactor. Because the super-rich establish endowments like The Bill and Marilyn Gates Foundation, major projects can be executed with a single stroke of the pen. Even the U.S. National Endowment for the Arts has the ability to fund major projects, though resources are scarce in today’s tight budgets and pressure by Congress to limit investment in the arts in favor of defense and health care programs; despite a slight increase from 2013, the 2014 U.S. Budget reduced funding for the arts by 28% from its peak 2009 funding (National Endowment for the Arts, 2014).

The main problem with seeking funding for major projects from a single source is that artists with a vision or people trying to start a new public service program may not have access to major benefactors; competition is high for finite resources and getting to the door is difficult. Nonprofit service organizations face this same problem. As the competition for public funds increases dramatically, so too does the need

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to serve the community. Well-known nonprofits can get the attention of major benefactors or government agencies, and even cooperate with large organizations to access funds via major corporate or government fundraising efforts. One example of this approach is the Combined Federal Campaign (CFC). The CFC program is managed by the United Way, and allows U.S. Federal Employees (and contractors) to provide payroll deduction contributions to a variety of non-profit organizations that have been selected by the United Way to participate (Office of Personnel and Management, 2014). In this model, the United Way uses its well-established brand name to act as an intermediary between smaller non-profits and the U.S. Government. However, even getting access to the United Way program can be all but impossible for new or very small non-profits. Because of a lack of access to major resources, artists with a strong, unique voice or nonprofits that service a niche need may fail to complete their vision.

LITERATURE REVIEW

Microfunding: Not a New Concept

The concept of microfunding may be the answer to those programs that cannot garner the attention of major benefactors. Microfunding is the process of collecting large sums of money for a specific cause or project through a large number of donations in very small increments. The success of microfunding depends entirely on the network available. A local bake sale or car wash may be sufficient to help buy uniforms for the school band, but in order to launch a major project via microfunding, one needs to reach as many people as possible.

Capturing the attention of millions of people to contribute to a cause generally requires easy presence. One method of establishing this easy presence is to use the ubiquity of the Internet and mobile technology to access people directly. Mobile is particularly important to microfunding, as over 40% of time reviewing media is spent on mobile devices (Meeker, 2014). Current research in the field of computer-mediated microfunding suggests that people are far more likely to donate to worthy projects when the donations are made convenient and if the requesters have established a personal connection to the contributor (Gerber, Hui, & Kuo, 2013). Said another way, the likelihood of successful fundraising is dependent on the ability to make people care and make it easy for people to contribute.

Microfunding presents a secondary benefit to the general public: it allows people to feel they have contributed to a cause or project that is greater than themselves. As described in research published by the Poznan University of Technology, large-scale Non Governmental Organizations (NGOs) and organizers of charity projects have turned to computer-mediated microfunding as a source of income and increased awareness of their projects (Wojciechowski, 2009). Not only does microfunding remove the barrier to entry of participation by lowering the threshold of donations, they also allow people to participate in solving a global issue or major project. This approach also provides individuals with a sort of bragging rights to participation. Sometimes referred to as the “Sunday Effect,” there is a distinct correlation between pro-social activity and public viewing of said behavior (Malhorta, 2010a). The idea that altruism can be social is an odd one; altruism by definition should not be dependent upon whether people’s activities are being viewed by others. Despite this, research has shown that people have a tendency to be more active supporting projects when there is a sense of competition involved. Similar to a live auction, where participants become swept by the concept of winning the bid, project contributors are more likely to participate in fundraising efforts if they receive public recognition (Malhorta, 2010).
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