HIGH-TECH AND HIGH PURPOSE

Entrepreneur applies high-tech to social problems

by Pam Sturner

Visiting the new quarters of Benetech, a technology nonprofit on California Avenue in Palo Alto, is a little like touring a technology incubator circa 1997.

Spacious cubicles, an open floor plan and sunny conference rooms invite employees to circulate and share ideas. A tail fin from CEO Jim Fruchterman's first project — a rocket — decorates a wall near his office. A foosball table sits discreetly off to one side.

One element is missing from the usual dot-com formula, however: a profit motive.

Instead, Benetech's 15 employees are working for a different kind of return, one at least as ambitious as any dreamed up in the for-profit world. They hope to use technology to solve intractable social problems and to make the world a quantifiably better place.

The idea of marrying technology and philanthropy was virtually unheard of 20 years ago when Fruchterman first sought a technical solution to a social problem.

As a partner in a startup devoted to optical character recognition, he wanted to build an inexpensive reading machine for the blind. While venture capitalists eagerly embraced the technology for lucrative applications, they had no interest in Fruchterman's project, which had a potential market of less than $1 million a year.

Troubled that commercial investment had no room for an application with important social benefit, Fruchterman realized that he needed a different mechanism to fund his product.

"I said, 'Let's start as a nonprofit; we can probably run at break even,' " he said.

That thought became the seed for the nonprofit Arkenstone, which soon exceeded Fruchterman's expectations, generating $4-5 million in annual sales within a few years.

Taking the reading machines to market had another benefit: It created competition, which helped to halve the cost to consumers, from more than $10,000 to less than $5,000.

The experience whetted Fruchterman's appetite for tech-focused philanthropic projects. In June 2000 he sold Arkenstone to a for-profit company and used the proceeds to start Benetech at Moffett Field in Mountain View.

Seeking to maximize the effectiveness of Benetech, he adopted the development model used by high-tech incubators: get projects up and running, make them self-sustaining, spin them off to other nonprofits and plow the company's resources into more research and development

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Early this year Benetech launched its first venture, an online book-sharing community for the disabled called Bookshare.org. Modeled on Napster, the system depends on members and volunteers to scan in books, which can then be converted to Braille or sound files.

Users must provide proof of disability and pay a $25 startup fee plus a $50 membership. Those who can't afford to pay can work off the cost by scanning in books or helping with quality-control checks.

In the opinion of Paul Edwards, a past president of the consumer group American Council of the Blind, Bookshare.org stands to abolish the slow pace at which books become available to the disabled, a longstanding obstacle to reading.

The National Library Service, the division of the Library of Congress that has been the main source of books for the blind, adds only about 5,000 books a year to its collection, including 500 in Braille and 4,500 on tape. By contrast, Bookshare has put about 7,300 on the Web in only a few months.

"For a lot of us, Bookshare will make available a huge chunk of literature," said Edwards, an avid reader who has advocated building an online library for the blind for 10 years. "It fills a huge void in the world of blindness. It suddenly makes reading affordable and direct."

Fruchterman is quick to point out that unlike Napster, Bookshare violates no copyright laws, thanks to exemptions covering accessibility for the disabled. Even so, he worked closely with publishers to incorporate safeguards that prevent distribution of files outside Bookshare.

"We made the decision to go to (publishers) early and have them involved so that they would be behind us," he explained.

With Bookshare up and running, Benetech is preparing to beta test a second project, a software system for human-rights groups. The application allows human-rights workers to document abuses confidentially and disseminate nonconfidential portions of the records. Known as Martus — meaning "witness" in Greek — the program was developed with input from Amnesty International, Human Rights Watch, Lawyers Committee for Human Rights and the United Nations, and recently won a $250,000 grant from George Soros' Open Society Institute.

Jonathan Peizer of the Open Society Institute thinks Martus can become "the bread and butter" of human-rights work, which involves massive data collection efforts. Such applications are "not necessarily taken care of by for-profit companies, because they don't see any profit in it," he added.

For Fruchterman, the current projects represent not only useful items in themselves but also platforms to adapt to other uses as the cost of technology falls. Once PCs and cell phones become more affordable, he hopes to introduce a range of products to improve the lives of people who have been excluded from technology. Among his ideas are a GPS navigation system for the blind and online libraries for remote villages.

"The barriers to using technology are dropping fast," he said, noting that software has replaced the components that once made reading machines expensive. "The lower the price point gets, the more overlap there is between the needy population and the general-market population."

To keep up the pace it has set for developing projects, Benetech will have to raise $1-2 million this year, Fruchterman estimates. Although the company has received between $400,000 and $500,000 in the past six months, the remaining effort will demand about half of Fruchterman's time, compared to 10 percent last year.

Because Benetech resembles both a technology company and a nonprofit, explaining the firm's mission takes time, as donors usually have experience in either technology or philanthropy, but not both, said Kathy Meyer, Benetech's vice president for business development.

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"Benetech is a pretty complex model. We're neither fish nor fowl," Meyer said. "It's been a challenge to know who to approach for what when."

Overall the firm has had a warm reception from technology companies, which have seen an opportunity to help a like-minded outfit that is not competition and win good publicity in the process. Companies including IBM, Sun, Hewlett-Packard and Fujitsu have donated equipment.

For Benetech, the move to Palo Alto appears to be solving another problem: providing a ready population of volunteers. At Moffett, a former naval base, restricted access kept volunteers away, Meyer said. Since the move to California Avenue, the office has had about one volunteer come in per day. Meyer hopes that proximity to public transit will also make the office more accessible to the disabled.

If fundraising is more difficult these days, Fruchterman also sees a fortunate consequence in the downturn, which allowed Benetech to move to California Avenue.

"I've always wanted to be located in Palo Alto, but I couldn't justify it before," said Fruchterman, a Palo Alto resident. "Because of the dot-com (implosion), it cost us no more to locate here than in Mountain View. It's nice to know that for a few years, anyway, we don't have to worry about going anywhere."

Although he can't offer his employees stock options, he thinks he's found a model for attracting top-notch employees. Benetech, he argues, taps into techies' fundamental motivation: to solve problems.

"This is about solving really important problems for people no one else is doing something for," he said. "I think the average tech person would love to work on them."

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