

## A Conversation with the authors of "The Giving Code: Silicon Valley Nonprofits and Philanthropy"

### 1. *Why did you set out to research the current state of giving in Silicon Valley? Could you tell us about the process you used?*

As social impact advisors who live in Silicon Valley and are raising our families here, we have spent the past decade working with both local nonprofits and local philanthropists, and have lots of anecdotal evidence about the disconnects we've observed between the two. So we wanted to do this research to go beyond the anecdotes, and gather more data and insight.

We approached The David and Lucile Packard Foundation, because they are committed contributors to local causes, and they agreed to support our effort to more deeply understand the local social sector marketplace. Our goal was to research both the "supply side"—the amount of wealth going to philanthropy—and the "demand side"—the amount of funding required by local nonprofits to meet local needs.

We likened the process of our research to putting together a 1000-piece puzzle without having all of the pieces. Our 13 partners gave us access to their quantitative data, and we generated and analyzed additional quantitative and qualitative data to fill in missing gaps. We also spoke with more than 300 local stakeholders, including high net worth individuals and their advisors, and leaders of community-based organizations. We looked across all these datasets to find the insights in our report. In so doing, we were able to answer some questions that no one had ever answered in terms of the status of philanthropy and nonprofits in Silicon Valley.

### 2. *What are your key findings? And what surprised you the most as experts on philanthropy and the social sector?*

Our first major finding was about the huge amount of wealth—and new philanthropy—being created in Silicon Valley, which we defined as San Mateo and Santa Clara Counties. Silicon Valley companies generated \$833B in sales last year, and has a 4.3% growth rate, with only 3.2% unemployment. As a result of this growth, the region now boasts more than **76,000 millionaire and billionaire households**, based on investable assets, excluding their home.

As wealth in Silicon Valley grows, philanthropy is also growing at record rates. We have seen a **150% increase in individual giving in the region from 2008-2013, to \$4.8B**, which has outpaced the statewide and national averages. The number of private foundations with \$10M in assets has more than doubled in the last decade, growing 72%, as has the total amount of corporate giving. Donor advised funds (DAFs) from just two major providers have grown nearly 300% since 2005, and boast more than \$2B in assets.

Next, we sought to understand if these donations are enough to support local community-based organizations. In so doing, we discovered what we call “The Prosperity Paradox.” We were stunned by the data we uncovered: nearly **30% percent of Silicon Valley residents—roughly 800,000 people—rely on some form of public or private assistance in order to get by**. And the community based organizations they rely on for services are struggling because of the increased cost of living. It is hard for them to afford commercial rents, wages are too high, and the competition for talent is too intense.

Yet even as they can't afford to operate, **demand for local nonprofit services is increasing**. As a result, many local nonprofits lack financial stability: more than 30% are running deficits, and 47% have less than three months of operating cash on hand. Another more sobering finding is that the **vast majority of local philanthropy—about 90% across all categories—leaves the region**. Less than 10% stays to support nonprofits based here, and a fraction of that—often less than 5%—goes to community based organizations, which we define as local nonprofits primarily focused on serving local needs.

3. *Why are local nonprofits so chronically underfunded in one of the wealthiest regions in America, if not the world?*

In our report, we talk about four major gaps—in knowledge, social networks, mindsets, and empathy—which are keeping Silicon Valley community nonprofits and local donors apart. Most new donors aren't connected to local community or local nonprofits, and don't understand how the social or public sectors operate; they tend to come out of the private sector, and focus on numbers and metrics. Conversely, many local nonprofit leaders don't speak the language of business, or have relationships among tech's newly wealthy, so they don't know how to access any of this new philanthropy. The two keep missing each other.

For philanthropists, additional barriers are about having limitless choices about where to focus; a belief that their philanthropy can achieve more impact in emerging markets; concern that local nonprofits don't have effective programs or lack clear strategies; and feeling overwhelmed by the many nonprofits crowding the Silicon Valley ecosystem. Meanwhile, nonprofit leaders lack familiarity with the newer ways that philanthropists are giving, report an unease about the approaches that new donors bring to the table, and lack the capacity to provide the kinds of data that these donors increasingly require.

An additional issue is structural: there are very few intermediaries helping to bridge between donors and community based organizations. The few that did exist, have closed their doors (United Way), or changed their focus (the Silicon Valley Community Foundation). New emerging financial intermediaries—such as Donor Advised Funds—often operate from outside the region, and aren't set up to

connect donors to *local* community. Others, like the giving circle SV2, are very effective but aren't scaling fast enough to meet demand.

4. ***What do you think are the long-term implications for the region if this issue is not addressed?***

The data in our report is sobering. Silicon Valley is becoming defined by inequality, which has practical implications for the quality of life for everyone who lives here. Our teachers, medical personnel and first responders can't afford to live here anymore. Perhaps, the most compelling reason for Silicon Valley's new philanthropists to give locally is what it would mean for the region—and for the world—if in helping improve the health and vitality of this community, they actually got it right.

Local philanthropists have the opportunity right here, right now, to address persistent challenges not unique to our region: How do we tend to the least well off in our society? How do we manage sprawl and growth, and design cities and communities that are affordable and healthy? How do we create innovative and thriving schools that prepare our children and workers for the future? How do we ensure that the jobs we are creating are not just for the most highly educated, but also for diverse citizens? How do we innovate in local government and break down silos to solve regional problems?

All of these questions are begging for solutions and answers that we believe the region's emerging philanthropists are poised to help uncover and create.

5. ***In what ways do your findings about philanthropy in Silicon Valley mirror what is happening in other parts of the country?***

One could argue that this community—in fact, *any* local community—is a microcosm of all the problems that ail us nationally and globally, part of a larger system but also a fractal of the whole. And yet Silicon Valley *isn't* just any community. It is an epicenter of revolution, a place where rules get broken and radical thinking leads to breakthrough ideas that forever change the way whole systems operate. Directing both their wealth and their ingenuity locally would create an opportunity for these budding philanthropists to find new solutions to seemingly intractable problems and then adapt those solutions to other communities, cities, regions, and even nations. Ever in search of disruption and scale, why shouldn't this new wave of philanthropists start right here, where they are growing their companies, raising their families, and already dreaming of “the next big thing”?

6. ***What would you say to local philanthropists who argue they should be free to give to the causes they care most about, be it their alma mater or finding a cure for a family health issue?***

We see this as a “both/ and” proposition, and hope everyone will start with their passions. We also hope that by educating donors about the gravity of the need in their own backyard they will consider allocating a portion of their philanthropic portfolio toward local causes and issues, as these issues affect the quality of life for everyone living in the area.

7. ***How can Silicon Valley begin to address and solve the huge mismatch in giving?***

In the many months we spent researching, interviewing, and sense-making around these issues, we uncovered many potential next steps and starting points—most of them offered by nonprofit leaders and local philanthropists themselves. As a result, we are the caretakers of a growing database of good ideas for how to bring these groups together in alliance and partnership. In the report, we share a summary of the best ideas, and hope that in doing so we will spark still more. All of them have the same goal—to begin building networks and relationships that can help the local system work more optimally.

8. ***How can philanthropists and nonprofits take the lead in addressing the mismatch in giving?***

In our report we have a list of things both sides can do to begin bridging the gap in service of shared community.

Philanthropists can:

- Give to issues by investing strategically in great leaders, organizations, or networks with unrestricted funding (i.e. “general operating support”). And consider pledging multi-year gifts, especially if clear milestones are in place.
- Join a giving circle or donor network to learn about the language and frameworks of the social sector and develop your skills as a philanthropist.
- Engage with the nonprofits and causes you support in a way that adds greater value. First ask questions and listen, seek to understand their challenges, and look for opportunities to connect directly with their clients.
- To know if you are creating impact, don’t restrict your funding to programs, but provide additional funds to cover the costs of assessing and measuring the work as well. Also consider supporting greater collaboration among nonprofits focused on the same issue.
- Only require metrics aligned to a nonprofit’s existing plans and goals, so they can standardize their reporting to funders.

Nonprofits can:

- To win unrestricted support, create a realistic, multi-year plan with clear goals, anticipated outcomes and stated risks. Make sure the plan has a clear “theory of change.”
- Find or create learning opportunities for you and your board members to 1) understand the frameworks of the social sector, and 2) what these new donors are looking for in their philanthropic investments.
- Consider creative ways to engage your current and potential donors to advance your cause; build the cost of this engagement into your budget.
- Develop an evaluation plan with projected costs and clear implementation. Articulate metrics that you can track now and those you will track over time. Work with your key funders to standardize these metrics.
- Before committing to a new project or program, do research to confirm the needs. Then create a plan with clear goals and interim milestones that can be the basis for setting expectations in your organization, and with your donors.

9. ***What’s your advice to tech philanthropists who are relatively new to giving? What are the key takeaways for them based on your report?***

We hope they will get educated on what is happening in their local community and find engaging ways to connect, participate and give. Joining a giving circle is an easy first step—it’s like a book club, but the focus is on giving. A Resource List at the end of our full report provides recommendations for getting connected with giving circles like SV2, which provides experiential learning opportunities, links to our favorite books and articles, and more.

10. ***What makes you optimistic about the prospects for the social sector going forward?***

We interviewed over 140 nonprofit leaders during our research and we found out we have incredible resources and ingenuity in this region among our nonprofit and philanthropic leaders—and we have a whole lot of capital. Most importantly, we believe these challenges are addressable. We found so many bright spots—people and organizations doing amazing work that needs more scale. We need to find ways to share best practices, build the capacity of these nonprofits and their leaders, and scale what is already working.

11. ***In addition to philanthropy, is there a role that technology can play in solving the social disparities facing the region?***

Technology is so important to the health and vibrancy of our social sector. Nonprofit organizations need more capacity to collect, track, assess, and evaluate data and the technology tools to do so. But technology alone won’t solve our complex social and economic problems; it is only an important part of the solution.