

How Silicon Valley Has Disrupted Philanthropy

Local nonprofits are having trouble attracting money from tech donors. The solution? Talk like a start-up.



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For more than a century, the Boys & Girls Club of America has had a pretty simple mission: providing somewhere for kids to go after school so they stay out of trouble. A [1982 PSA](#) put it simply: “It’s a place to go besides the streets,” a man sings, as a video plays of (mostly black) boys running into a club.

But in 2018, that message isn’t enough to attract local money to the Boys & Girls Clubs of the Peninsula, which serves Silicon Valley, where the biggest donors tend to favor causes that use novel solutions to “disrupt” poverty, or that can employ data to show just how many problems their money solves. Many are fans of [effective altruism](#), a philanthropy philosophy that espouses “evidence and careful analysis to find the very best causes to work on” rather than “just doing what feels right.”

So Peter Fortenbaugh, the executive director of the Boys & Girls Clubs of the Peninsula (BGCP), started thinking about what his organization could do to win local support. “Traditionally, we were a safe place to hang out, but in 2018, that’s just as important, but no longer sufficient,” he told me. He started adding on educational and vocational training programs to prepare kids to work in Silicon Valley. He launched a summer camp that emphasizes STEM learning and works with kids falling behind in reading. He started sending donors an annual [“Report to Stakeholders”](#) with detailed data about impact and how what the club does now compares to previous years.



And to really bring the money rolling in, he launched a “Shark Tank” event, in which “entrepreneurs”—employees and students—pitch wealthy Silicon Valley donors on certain programs, outlining just how much money they need and what “equity” the donors will receive on those programs. One presentation pitched the “sharks” a “unique and innovative cross-sector partnership”—a summer learning program—and talked about the program’s “marginal costs,” assuring potential donors that BGCP’s cost per student was lower than that of

competing programs. The approach has been remarkably effective in bringing in money: Last year, the organization raised \$2.7 million in 45 minutes from donors including George Roberts, the billionaire founder of investment firm Kohlberg Kravis Roberts & Co., who lives in nearby Atherton.

Fortenbaugh’s broader strategy has paid off as well. The Boys & Girls Club of the Peninsula has seen revenues double in the past four years, to \$14 million. Revenues for the national Boys & Girls Club, by contrast, have steadily decreased in recent years, according to the group’s [financial documents](#). Fortenbaugh attributes his success to the way he approaches donors. “We say, ‘We can maximize your return on investment,’” Fortenbaugh told me. “It’s not

about looking for a handout, it's about helping [donors] achieve their goals." Recently, Golden State Warriors player Kevin Durant built a new basketball court in the BGCP Redwood City branch; Durant later said that he would pay for the first year of college for four BGCP students. Scott Forstall, an engineer who is known for leading the original development team for the iPhone and iPad, has said that he joined BGCP's board after reading the Report to Stakeholders, sending 36 detailed questions to Fortenbaugh, and learning that, rather than just focusing on keeping kids busy after school, BGCP was "setting up kids for success in school and beyond."

Silicon Valley companies transformed the way we shop, search for information, connect with friends, and consume entertainment. The people who made millions or billions from these companies are now changing yet another sector of the American economy: philanthropy. They're forcing nonprofits to become incubators and disruptors, rather than just service providers, and to think about how they sell themselves, how they measure what they do, and what programs will attract money. For the organizations that know how to speak their language, it's a tremendous opportunity.

Yet many local nonprofits have not figured out how to pitch themselves effectively to the millionaires in their backyards. About 90 percent of philanthropic dollars from Silicon Valley go to national and international causes, according to *The Giving Code*, a 2016 report about Silicon Valley philanthropy written by two women who run a consulting firm that works with nonprofits and donors. Of the 10 percent that stays local, much goes to large universities or hospitals, and less than 5 percent goes to local community-based organizations. Donors often give to causes they have a personal connection to—someone who has lost a parent to cancer may give to a nonprofit that tries to find a cure for cancer—or to groups that try to fix problems in the tech industry, like a lack of diversity in science and math programs. Many Silicon Valley founders are also from elsewhere, or have homes around the world, and don't have the community ties business owners may have had in the past. "There's a lot of philanthropic dollars coming out of Silicon Valley, but not a lot of them are staying here," Cat Cvengros, the vice president of development and marketing at Second Harvest Food Bank of Santa Clara and San Mateo Counties, told me.

At the same time, rising housing prices in Silicon Valley mean increased need for local services, and more expensive operations for nonprofits, which have to pay staff more so they can afford to live in the area. Second Harvest, for example, has seen demand double in recent years. About 80 percent of community-based nonprofits in San Mateo and Santa Clara counties said they'd seen increased demand in the last five years, according to *The Giving Code*, and more than half said they were falling short of meeting that demand. With tech donors, "there's a lot of focus on scale and disruption, and big systemic problems like education and healthcare," Heather McLeod Grant, one of the co-authors of *The Giving Code*, told me. "But the problem is, by focusing on scale and larger institutions, they're missing the grassroots community organizations that are serving low-income families."

So Silicon Valley nonprofits are pivoting, to use a local term of art, like the Boys & Girls Club did. They're taking their cues from *The Giving Code*, which recommends not talking about "charity" and meeting immediate community needs, but instead focusing on "impact" and getting at root causes of problems. It suggests using the language and mindsets of business, and focusing on metrics, data, and effectiveness, rather than the language of altruism and ethics. It says that Silicon Valley donors are interested in approaches to solving problems that use technology, and in causes to which they have a personal connection.

“If we want people to donate to us, we need to be in the current century and the current environment,” Karen Scussel, the executive director of Child Advocates of Silicon Valley, told me. The group, which provides services for foster youth, is launching a virtual-reality experience to help potential donors understand what it’s like to be a foster kid. Child Advocates is also starting to come up with metrics to show its impact, and talk about how it is serving more children each year. Scussel now tells potential donors that money invested in Child Advocates can help save public money in the long run, because the organization can prevent kids from dropping out of school. “Rather than say, ‘I need money,’ you have show yourself as an investment and return of investment,” she said.

The Silicon Valley Children’s Fund, which also works with foster youth, has contracted with a marketing firm that will help it “speak in the language of business and metrics,” Melissa Johns, the organization’s executive vice president, told me. The group wants to be able to tell donors how much money they’ll save “in the back end of society” by investing in foster youth, she said.

These efforts are not usually within the budget of a typical nonprofit. Sacred Heart Community Service, which works with low-income people in Santa Clara County, doesn’t even have a full-time marketing specialist, for instance. But earlier this year, two local foundations announced they were giving out 20 grants to local nonprofits to help them use some of the findings of The Giving Code to attract more donors. Sacred Heart is using its grant money to hire a consultant.

JobTrain Inc., which helps low-income adults find career pathways, received a grant to update its data about hidden poverty in the Bay Area. JobTrain has seen flat donations in recent years, even as philanthropic giving from Silicon Valley has grown, CEO Barrie Hathaway told me. “We’re surrounded by a tremendous amount of wealth, but finding a way to capture the imaginations of the people who live here is challenging,” he said. The group is trying to figure out how to reach young donors, launching a treasure hunt that culminates in a BBQ, and working with outside groups to figure out how to target potential donors. But Hathaway says JobTrain has not yet “cracked The Giving Code.”

Many other organizations are still puzzling over how they can prove to donors that their work is worth the investment. Groups like food banks, for instance, which provide an essential emergency service to low-income people, aren’t exactly disrupting poverty. (Second Harvest, the food bank, is nonetheless trying to collect more data about how many people it serves in order to measure impact.) In 2016, after years of stagnant donations, the United Way of Silicon Valley folded into San Francisco’s United Way, a sign that organizations that provide the most basic—but important—services have struggled to raise cash. Even showing donors the need can be difficult in the sprawling Bay Area, where wealthy people may commute from home to work on busy freeways yet never see the poverty a few miles away.

And not every organization has the luxury of an executive director like Peter Fortenbaugh, who has an MBA from Harvard and who worked in tech and consulting before entering the notoriously low-paying world of nonprofits. (His vice president of development also has an Ivy League pedigree and an MBA.) Fortenbaugh has been able to stack his board with people who have made millions from tech, and who know others who have as well. Those connections can make a big difference. Kevin Durant, for example, became connected after meeting a board member at a mutual friend’s birthday party. He’s since given tens of thousands of dollars to the clubs and their students; a drop in the bucket for a basketball star who has signed multi-million dollar contracts, but a huge sum for any nonprofit looking for cash.

As nonprofits work to rethink how they pitch donors at the same time they're serving greater need, some leaders told me that they sometimes wondered whether this was "fair," whether nonprofits should have to change how they work to get money from the millionaires and billionaires in their backyards. A few leaders suggested that perhaps it's the donors who should be changing their priorities, rather than expecting that cash-strapped nonprofits know how to both serve low-income customers and market themselves as an entrepreneur would—though they did not want to be quoted saying that, because they need more money. And anyway, it's a moot question; in the end, nonprofits must do whatever the people with the money want.

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