

## COVER STORY



Kyra Kazantzis, CEO of Silicon Valley Council of Nonprofits.

# NONPROFIT LEADERS ADAPT TO A NEW WORLD

Executives running Silicon Valley nonprofits are adding a business mentality to their storytelling for gaining the interest – and dollars – of local donors.

BY ALISHA GREEN  
Contributor

In some ways, the findings in “The Giving Code” were ahead of their time.

The research highlighted the seemingly paradoxical boom in Silicon Valley wealth happening alongside rising financial distress in the region. Report authors Alexa Cortés Culwell and Heather McLeod Grant saw that disconnect between expanding wealth and a growing local need firsthand as co-founders of Open Impact, a San Mateo-based group focused on connecting philanthropists with causes.

Income inequality wasn’t a big topic of discussion in October 2016 when the report was released, Cortés Culwell said, but now it feels like it’s on the main stage. The problem has only grown, driving up demand for the types of services offered by nonprofits as more people find their salaries are not keeping up with the cost of living.

But nonprofits aiming to meet that increased demand are facing their own crunch. Caught between rising oper-

ating costs and the risk of losing staff if they can’t offer high enough wages, nonprofit leaders must make the case to donors for funding that covers these types of overhead expenses – or be forced to make cuts.

Additional fundraising might seem like a simple task in Silicon Valley, where nonprofits are neighbors with some of the world’s largest tech companies and the wealthy people running them. “The Giving Code” report revealed a starker reality, though: “We’re one of the largest economies in the world, and our nonprofits struggle as much or more to raise money,” Cortés Culwell said.

The report found that even as philanthropic giving from within Silicon Valley rose, the portion of that funding going to community-based groups had stagnated over the previous decade.

A number of local organizations took it as a call to action and have since turned their focus to bridging the gap between the wealth that exists in Silicon Valley and the nonprofits serv-



VICKI THOMPSON



**Peter Fortenbaugh, CEO of the Boys and Girls Club of the Peninsula, at their Menlo Park location.**

VICKI THOMPSON

**► BY THE NUMBERS**

**GIVING IN SILICON VALLEY**

According to 2016's "The Giving Code" report, here's what community-based groups in San Mateo and Santa Clara counties said about the challenges of operating in Silicon Valley:

**80 percent**

Reported an increase in demand for services over the previous five years.

**74 percent**

Said they didn't have access to high-net-worth donor networks.

**51 percent**

Said they wouldn't be able to meet demand for their services that year.

**63 percent**

Said it is difficult to find donors who are willing to cover full costs.

*Source: The Giving Code: Silicon Valley Nonprofits and Philanthropy*

**COMMUNITY FOUNDATION LOOKS AHEAD**

New leadership at the Silicon Valley Community Foundation plans to focus more on local efforts. In 2018, SVCF gave out \$1.4 billion in grants. Here's a breakdown of where the money went:

**\$114 million**

Santa Clara and San Mateo counties.

**\$380 million**

Other Bay Area counties.

**\$795 million**

National.

**\$69 million**

Global.

**36 percent**

The total of grantmaking by SVCF in 2018 to San Mateo, Santa Clara and other Bay Area counties.

*Source: Silicon Valley Community Foundation 2018 Community Impact Highlights*

ing the region. Much of the movement is centered around training nonprofit leaders on how to connect with potential donors who are used to the metrics-driven language of the business world. Increasingly, nonprofit leaders are finding that taking a more business-minded, quantitative approach to describing the work they do is helping them secure the dollars of Silicon Valley philanthropists so they can meet community needs.

One group offering more help to nonprofit leaders is the Silicon Valley Community Foundation, the largest intermediary for local donors choosing which causes to support.

Following the ouster of its previous CEO over allegations of misconduct, new SVCF CEO Nicole Taylor embarked on a listening tour to chart a different course for the group. One recurring request? People are looking to the foundation to connect local donors with the causes in their backyard.

"You are going to see us really begin talking about how we can champion local giving, local impact," said Erica Wood, executive vice president of community impact at SVCF.

The foundation has already taken steps such as launching a Community Connections Forum in May, with plans for more forums on at least a quarterly basis that bring together donors and nonprofits to talk about regional challenges and "promising solutions," Wood said. It's also considering hosting pitch days where nonprofits can present their work directly to donors, making the case for their support.

Sparking more conversations between donors and nonprofits is just part of the battle, though. Even when they connect, there can be major differences in how they talk about the work that needs to be done and the costs that come with it.

"Nonprofit leaders tend to speak a language of social justice, and their storytelling is more qualitative," Cortés Culwell said. "It's not that that's not compelling, but it's insufficient for donors." In Silicon Valley, potential donors are often more used to hearing quantitative narratives that fit in the framework of business terms.

"A lot of donors want to see strategic plans, and a lot of nonprofits struggle to afford the capability to have a strategic plan," she added. That creates a vicious cycle for nonprofit leaders.

Few funders want to pay for the capacity nonprofits need to develop more long-term strategy and measure their impacts, Cortés Culwell said, yet they "get penalized when they don't have it."

One of the major hurdles in Silicon Valley is the "overhead trap." Even when donors decide to back a nonprofit, some tend to ask that operating costs be kept under 20 percent or another arbitrary number, said Kyra Kazantzis, CEO of the Silicon Valley Council of Nonprofits. With the high rents and salaries it takes to attract and retain staff, keeping

## COVER STORY

CONTINUED FROM PAGE 5

overhead costs that low isn't realistic for most nonprofits. Not to mention that it cuts off the opportunity to train staff on new skills for better connecting with donors.

"We're certainly training our nonprofit sector to know how to get money and how to speak to funders generically," Kazantzis said. "But these finer points around overhead and full-cost budgeting are even more helpful than just how to go and tell your story, because it is the reality that's holding us back from doing what we want to do."

Nonprofit leaders are taking steps to help each other directly, too, and some have been experimenting for years with new approaches that can hook Silicon Valley funders.

Peter Fortenbaugh, CEO of the Boys & Girls Club of the Peninsula, has found success in connecting with local donors by treating them like partners. The offer to them is "if they give us their hard-earned resources, we will work our hardest to make sure we're running the most impactful programs, that we've got the right staff, the right positions, to get the highest return on their investment," Fortenbaugh said.

His approach is informed in part by his business background, including time at consulting firm McKinsey & Company. Fifteen years ago, he developed an annual report to stakeholders for the Boys & Girls Club of the Peninsula that summarizes what's going on at the organization and how it is measuring its impact.

"That's worked to gain a lot of credibility and trust with our local partners that we're running like a business," Fortenbaugh said. He's since talked with a number of other nonprofits locally about the benefits of a stakeholder report, and several of them have adopted the report format as part of their outreach strategies.

Ultimately, there's a sense of optimism that – even with its unique challenges – being in Silicon Valley could present a chance for nonprofit leaders to learn from the donors they're trying to reach.

"There is this very energetic and entrepreneurial spirit that happens in Silicon Valley," Kazantzis said. The people drawn to the Valley tend to take chances and look at how to solve problems in new ways. In the business realm, they have to come up with creative storytelling and marketing to explain those bold new approaches.

The opportunity there for nonprofits, as Kazantzis put it, is figuring out how those tactics can translate: "What are those creative storytelling ways that are really working for these Silicon Valley creatives, and what might we learn from it?"

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**PETER FORTENBAUGH,**  
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**ALEXA CORTES  
CULWELL,**  
Author, "The Giving Code"

## TRANSFORMATION



**Walter W. Powell,**  
co-director of the Stanford  
Center on Philanthropy  
and Civil Society.

COURTESY PHOTO

## What nonprofit leaders should ask to 'go virtual but remain authentic'

In addition to the challenges around fundraising and rising costs, nonprofit leaders in Silicon Valley are faced with overseeing the transition within their organizations to an increasingly digital nature of work.

Walter W. Powell, co-director of the Stanford Center on Philanthropy and Civil Society and a professor in the Stanford Graduate School of Business, has been exploring these kinds of changes for nearly two decades. He leads a study tracking a random sample of some 200 Bay Area nonprofits. That includes interviewing executive directors about topics such as how they are using technology to connect with donors and the communities they serve.

The movement toward digital work shows up in two ways locally: Powell has seen more nonprofits offering their services online instead of, or in addition to, providing those services in person. A growing number of nonprofits in the region are also looking at ways of allowing their staff to telework so they aren't as burdened by lengthy commutes.

These kinds of shifts raise questions for nonprofit leaders about how to best "go virtual but remain authentic," Powell said. Embracing transparency may be a key part of striking that balance. The ongoing Stanford study has identified three types of transparency that could help keep community ties strong in an increasingly online world.

Here are some of the questions nonprofit leaders can be asking to evaluate how they perform on each type of transparency:

**Procedural transparency:** Does the nonprofit have a social media presence? Are annual reports and IRS Form 990s posted online? Is there a whistleblower policy?

**Presentational transparency:** Does the nonprofit share its rankings and evaluations by outside groups? Does it respond to those reviews?

**Authentic transparency:** Is the nonprofit willing to share both good and bad news? Does it ask for feedback about how to deal with challenges it is facing?

– Alisha Green,  
contributor