

# With Sudden Wealth, the Desire for Sudden Impact

By KATIE HAFNER

SILICON VALLEY is percolating again, with venture capital flowing, Google's stock in the stratosphere and companies like Facebook valued in the billions. And in increasing numbers, the rich are cultivating a sense of noblesse oblige.

"It's not O.K. to be stingy in Silicon Valley anymore," said Peter Hero, the senior adviser at the Silicon Valley Community Foundation, which helps its members give money away through donor-advised funds. "It used to be O.K. to be stingy because there was this libertarian sense of, 'I'm making my workers rich, and if they want to give it away, that's O.K.' But that's not true now."

Mr. Hero, 64, was the president of one of two foundations that merged last year to form this one, and the group he led raised \$1.3 billion from 1996 to 2006. For two decades, he has worked at getting successful entrepreneurs to relish the idea of giving.

Now his foundation works with a lot of people "who suddenly became wealthy, realized they could do something and don't want to look stupid and give to the wrong thing," he said. "They show up and say, 'I've been giving to my church and my alma mater, but I want to do more than that now.'"

Rather than just sit back and write checks, Mr. Hero said, "what people in Silicon Valley want is a high-impact strategy."

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To that end, high-tech entrepreneurs are turning their business acumen to mission-oriented investing, treating their giving as an investment that looks for both a financial and social return. They have invested in companies that make irrigation pumps for Africa, in microcredit ventures and in sustainable timber companies.

The concept of mission-related investing has been around Silicon Valley for several years, but it is only in the past two or three that the practice has taken hold.

"We're seeing a lot of people deploying a lot of capital in these for-profit opportunities that have a social outcome," said Jim Fruchterman, founder of Benetech, a nonprofit organization in Palo Alto, Calif., that develops software for disabled people, environmental groups and others.

Nearly 200 such donors make up a group called SV2, short for Silicon Valley Social Venture Fund, which makes multiyear grants to organizations chosen and vetted by the members. Others are setting up family foundations.

Charly Kleissner, 50, an engineer with

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what he calls a "very successful career in Silicon Valley," has focused on philanthropy for the past six years and with his wife, Lisa, runs his family foundation, KL Felicitas Foundation, which is endowed with \$11 million.

"I made so much money, I figured I didn't need that much," he said. "And I didn't want to spend all of it on me and my family."

With sustainability "arguably being the biggest issue of the 21st century," Mr. Kleissner said, his foundation has sought investments in for-profit social ventures. For the past five or six years, he has been working full time at social investments.

One of his investments is in Pico Bonito, a commercial spinoff of an ecological nonprofit group that is reforesting land around Pico Bonito National Park in Honduras. The profit venture is creating sustainable timber products for distribution and sale.

With some of these investments, Mr. Kleissner said, he is willing to make a trade-off on the financial return, as long

as there is a demonstrable social or environmental return. In the Pico Bonito case, he said, he is measuring the social return with metrics like jobs created in the two dozen or so villages affected by the project.

"The environmental return includes the elimination of large amounts of carbon dioxide emissions," he said, "and all the other environmental benefits associated with reforestation, like reintroduction of native forest species, establishing a permanent mechanism for plant, animal and ecosystem rejuvenation and preservation."

People like Mr. Kleissner, Mr. Hero said, "aren't willing to simply trod in the well-worn philanthropic paths of the 20th century, and they're creating new and complex and highly successful strategies to make greater social impact and to bring all the players — for-profit companies, nonprofits and individual social entrepreneurs — together to create greater leverage for each."

One reason for the active engagement, Mr. Hero said, is that instead of

## In the land of venture capitalism, it's not cool to be stingy anymore.

giving money away at the end of their lives, people are giving it away while still young. Bill Gates, he said, is a prominent example.

"Gates has said that when he started Microsoft, the idea of making money and at the same time giving it away seemed like lunacy," Mr. Hero said. With guidance from his family, Mr. Gates began thinking about getting involved in philanthropy while he was still young. Still, Microsoft was 25 years old before Mr. Gates and his wife, Melinda, set up the Bill and Melinda Gates Foundation. "Now he says, 'Some things can't wait,'" Mr. Hero said. "He'd like to see everyone do it now."

Veterans of the philanthropic way of life, like Mr. Hero and Mr. Fruchterman,

continue to push their peers to do more.

"Within a 10-mile radius of Palo Alto, there are a couple of thousand families that could give \$50 million to a social cause and fundamentally change some issue," Mr. Fruchterman said. "You could do a lot with \$50 million, or even \$10 million. You could cure a disease, or revolutionize services to an impoverished part of the world."

And Mr. Hero is pushing wealthy entrepreneurs to think differently about how they compute their giving. "Giving as a percent of your income is an attitude that has to change," he said. Giving a percentage of net worth might be a better model, he said.

At Google, in particular, as the stock price continues to rise, the number of employees with stock options who find themselves suddenly worth millions is also rising.

"My hope is that over time, people will start thinking of their own wealth in that way, in terms of equity, not income," Mr. Hero said, "and adjust their giving accordingly."