

Executive Summary of the 2001 High-Tech Donors' Study

The economic boom of the past several years has created a new generation of wealthy -- professionals in the high-tech industry who have made significant amounts of money in a very short time. Many reports and media accounts have labeled high-tech givers a new breed of donors intensely interested in venture philanthropy. According to the popular view, this new philanthropy entails an explicit effort by donors to apply the lessons learned in business -- strategic thinking, focus on measurement, accountability, scalability, investment, and return on investment -- to ensure the charities they support are effective in producing outcomes, in documenting these outcomes, and in becoming creative risk-takers.

*The 2001 High-Tech Donors Study*¹ was an attempt to dig deeper into the philosophy and characteristics of charitable giving by these high-tech executives. Through in-depth interviews, The Study sought to pinpoint the executives' motivations behind giving and the relationship between their business success and their charitable work. The Study looked to answer whether their views on giving represented a "new" philanthropy and whether the term "venture philanthropy" adequately captured their philanthropic approach. With the recent decline in the economy, the Study also looked at the overall prospects of future giving by these high-tech donors. Was philanthropy a passing interest, or were they preparing themselves for a lifetime of philanthropic activity?

Background

The 2001 High-Tech Donors Study was carried out from January through March 2001 by Paul G. Schervish, Mary A. O'Herlihy, and John J. Havens of the Boston College Social Welfare Research Institute. The research was conducted on behalf of the Association of Fundraising Professionals (formerly the National Society of Fundraising Executives); and was initiated and funded by Dr. Robert B. Pamplin, Jr., President and CEO of the R.B. Pamplin Corporation in Portland, Oregon.

The leading questions of the research revolved around discerning:

- 1) the relationship between how high-tech wealth holders accumulate their money in business and how they allocate it to philanthropy;
- 2) the range of personal, business, and philanthropic issues that surround high-tech wealth and philanthropy;
- 3) the implications of the findings for understanding and improving the trajectory of the philanthropy carried out by high-tech donors; and
- 4) the application of what we learn to further our understanding of the emerging problems and prospects of philanthropy in general.

¹ The final report, "Agent-Animated Wealth and Philanthropy: The Dynamics of Accumulation and Allocation Among High-Tech Donors," can be downloaded from the SWRI website, <http://www.bc.edu/swri>

A Note on Participants

The findings of the study are based on confidential personal interviews with 28 high-tech wealth holders involved in philanthropy, as well as two co-participating spouses, and several well-informed individuals who work with and among high-tech philanthropists, three of whom were interviewed formally and their interviews transcribed. The sample of respondents consisted of 30 persons, 20 males and 10 females in 28 families, both spouses having been interviewed in two families.

To be included in the study, a person had to be a high-tech wealth holder and active in philanthropy. A high-tech wealth holder was defined as a person who has made or is making the majority of his or her wealth from direct participation as an owner or a top executive with equity holdings in a high-tech business. A high-tech business was defined as one that produces hardware or software for computers and communications, or a company, which although not involved in research and development, depends completely upon the application and leveraging of software for its entrepreneurial success.

While no lower limits were set in terms of wealth, only six of the 28 families reported a net worth of \$5 million or less. The family net worth of participants ranged from \$1 million to \$1.15 billion, with an average of \$159 million and a median of \$43 million for the 26 families reporting net worth. (Please see Table 1 below).

Of those reporting racial or ethnic affiliation, one respondent was Black, one reported no racial or ethnic affiliation, one reported Jewish, and the remaining 25 were White. The respondents ranged in age from 26 to 57, with a median age of 42. The participants were well educated with two holding Ph.D.s, eight holding Masters degrees, and eleven holding bachelors degrees, out of the 23 participants reporting educational attainment. Two respondents were based in Austin, Texas; two in Atlanta, Georgia; four in Massachusetts; two elsewhere on the East Coast; one in the Midwest; one in Canada; and the remainder in California and Washington State.

Reflections on Validity

The purpose of the Study was not to capture a complete portrait of the full population of high-tech donors, but to begin to create the picture of these executives' giving habits. In all case studies with small samples coupled with the methodology of intensive interviews such as this, validity is not a statistical issue, but an intellectual one. The question is not whether the sample represents the full range of variation in high-tech donors, but whether what the Study reveals is true and how far beyond the sample the findings can be applied.

Given the number of themes and ideas repeated continually throughout the interviews, and the relatively diverse make-up of the interviewees, there is strong evidence to suggest that a significant and accurate picture has been painted. While additional interviews would undoubtedly yield more information, the major contours and themes regarding the giving habits of high-tech executives have been laid out in this Study.

A New Philanthropy? Yes and No...

Popular reports refer to high-tech wealth holders as engaging in "new" or "venture" philanthropy -- that is, essentially, applying the lessons learned in business to their charitable efforts. However, all respondents to the 2001 High-Tech Donor Study were involved in a variety of traditional philanthropic approaches for a variety of traditional reasons and motivations:

- Many respondents pointed out that their "venture philanthropy" was not a new concept in history -- that in fact many earlier philanthropists were also as much interested in accountability and results as they are.
- Respondents used a variety of philanthropic strategies apart from "venture" philanthropy, including adoption philanthropy ("adopting" family members or friends and assisting them in their activities), consumption philanthropy (supporting issues or organizations which directly affect the donor, and brokering philanthropy (soliciting friends and colleagues to help a cause or charity).
- They seldom limited their philanthropy to causes in which they were personally involved, and many were perfectly happy to simply give to organizations that they believed were effective or with whose missions they identified.
- Some respondents even made contributions to organizations that did not meet the criteria of effectiveness or engagement.

Agent-Animated Philanthropy

The distinctiveness of high-tech donors does not lie in their motivations or their participation in venture philanthropy. Rather, it is in their insistence on philanthropy that is market-conscious and knowledge-based. Market-conscious, because high-tech executives believe that the key to success is understanding astutely attending to the needs presented to them; and knowledge-based, because they place the highest priority on human intellectual capital and recognize the necessity of applying intellectual capital to meet those needs.

The term "agent-animated philanthropy" is used to describe this market-conscious, knowledge-based philanthropy that high-tech executives employ. This "agent-animated philanthropy" was a dominant theme that surfaced in each interview and respondents identified three major tenets of this approach:

1) *Being explicit about attentiveness to the market.* High-tech donors believe that charitable organizations must become more perceptive about the needs of the people they serve. In particular, high-tech donors do not see needs as discrete products, but as processes -- a series of processional outcomes that address the entire issue as opposed to just piecemeal solutions. They are sensitive to the market because they are not just looking for ways to address emerging needs, but at how ideas and technology can meet a backlog of needs that was previously impossible to meet.

Many high-tech donors also view established charities and foundations as being stuck in old perceptions of the needs of their clients or have subtly allowed organizational needs to hamper their work. This critique, while never presented with severity, was universal among respondents, and is a critical reason why many high-tech donors are so interested in providing managerial expertise and long-term funding, allowing organizations to work freely of constraints that keep them from being more market-conscious.

2) *The application of intellectual capital as the key attribute necessary to instill in the nonprofit world.* High-tech donors believe that human capital is the key to human development; while money is important, ideas can make a greater impact. Just as ideas and innovation have created their success in their business; so too will they create the greatest success in philanthropy. They also feel that philanthropy is still a relatively young industry and the best ideas are yet to come. Given their emphasis on intellectual capital, it is not surprising that high-tech donors give heavily to education, research, the arts, early child development, teacher training, and for-profit ventures which foster new businesses with a socially beneficial purpose.

This focus on intellectual capital can come into conflict when their philanthropy is applied because knowledge and ideas are not the sole determinants of success in the nonprofit world. Whereas the best and most innovative ideas are frequently the most successful ones in the business sector, other factors come into play when ideas are applied to a person or issue in the real world. Customs, habits, self-interest, and even resistance come into play. Much of the misunderstanding between agent-animated donors, nonprofit professionals, and beneficiaries originates from an under-appreciation of the compelling authority of human capital by the former and an under-appreciation by the latter.

3) *Being resolute about growth of scale as the key outcome for the nonprofits with which they are involved.* As with their businesses, high-tech donors consider that growth in scale of an enterprise is the primary indicator of success. Respondents repeatedly stated that most established charities simply are not growth-oriented because they do not have large enough or consistent enough financial support and rarely think in terms of expansion. High-tech donors wonder why, if a nonprofit is doing such important work, should it not try to expand its impact and become a model for other organizations? While thinking and doing what has worked to date is understandable, in the eyes of high-tech donors modest achievement is an enemy of the greater good. Expansion of a charitable organization and its work is not an end in itself, but an indicator that a sequence of effects has properly been set in motion. As charities set in motion more effective programs, these programs—and others like them -- will become known and attract more investment. As such, new entrants to the nonprofit sector which clone the work of an existing organization are to be welcomed and encouraged, not spurned.

Characteristics of High-Tech Donors

Other skills and approaches specific to the high-tech industry which high-tech donors bring to philanthropy include:

- an insistence on research and "due diligence" to for the start of any new venture;
- strategic thinking that combines both a global view and a broad systems approach;
- a strong belief in the centrality to success of teamwork, partnering, and collaboration, rather than competition;
- an idealistic and optimistic belief in the capacity of the individual to make a difference, especially through intellectual effort, which comes from seeing the revolutionary effect that their problem-solving approach has had in business;
- a fundamental belief in the development and application of human capital as the basis for solving society's problems;
- and a conviction that innovation, a reassessment of circumstances, and constant change are crucial to progress.

Characteristics of High-Tech Donors: Venture Philanthropy

Respondents practiced a number of philanthropic strategies: both traditional strategies, which have been noted above, and other approaches which have been described as "venture" philanthropy. But based on discussions with respondents, it is clear that their "venture" philanthropy refers to a range of approaches and strategies that include entrepreneurialism and the contribution of human capital. The Study designates the following terms for these related, but distinct approaches: managerial, venture, and entrepreneurial philanthropy. Respondents were involved in each of these types of philanthropic strategies, and many were involved in all three. Carrying out one or more of these strategies is a leading characteristic of high-tech donors.

- *Managerial philanthropy* is the contribution of organizational expertise without the contribution of financial resources to elevate the effectiveness of a charitable organization.
- *Venture philanthropy* infuses managerial advice and financial resources into a new or existing philanthropic effort, but does not interject the hands-on daily direction that is the hallmark of an entrepreneur.
- *Entrepreneurial philanthropy* occurs when a wealth holder financially establishes and personally directs a new charitable enterprise.

Characteristics of High-Tech Donors: The Spiritual Secret of Wealth

Throughout the Study, respondents repeatedly testified that their vast amount of wealth, the speed with which it was amassed, their stumbling upon a successful product, and the assistance they received from others to succeed, represent good fortune, not just their own merit. The more religiously inclined respondents attributed their good fortune to grace or blessing, while the more secular spoke of luck and good fortune. While they know it has been up to them to take advantage of their fortune and work hard to achieve

success, they are aware of the good hand that has been dealt them. Conversely, they also realize then that the misfortune of others does not simply result from the lack of effort, but that circumstance and bad luck play a role.

It is in this context that many high-tech donors talk about "giving back" -- gratitude for what life has given them, especially in a short amount of time, and the motivation to help others who have not been similarly blessed. The most generous individuals in the Study had learned how to receive their blessings with gratitude, rather than with guilt, or for granted. Their generosity is derived from this gratitude.

Characteristics of High-Tech Donors: Identifying With a Cause

Like other wealthy philanthropists, high-tech donors tend to support organizations with which they identify, either through family, friends, interests, hobbies, or other personal experiences. Unlike other groups of wealth holders, however, high-tech wealth holders, for several reasons, are not at first strongly connected to or identified with the needs around them:

- They are relatively young and have not accumulated the network of contacts that comes from living in a community for a long time.
- They tend to be unmarried, recently married, or have young children, so their contact with school, community life, and other parents is minimal.
- They often end up conducting business operations in a locale in which they did not grow up, and most of their businesses are not locale-specific, but could be operated anywhere. Thus, their businesses tend not to generate connections to their communities. Their business relationships are minimal as well.
- They tend not to be active participants in religious congregations.

High-tech donors' primary relationships are with employees, other people working in the high-tech sector, family, and friends. Their lack of social and community connections can be an obstacle to identifying with causes and finding outlets for their feelings of gratitude. Because of this, many respondents cited the importance of their venture-partner activities, giving circles, and socialization with other donors in creating these connections and identifications. They seek out and are pleased to find people and experiences that bring them into contact with the needs to which they can dedicate charitable contributions.

Characteristics of High-Tech Donors: Hyperagency

The capacity to have a profound institution-making impact is termed "hyperagency," a key characteristic high-tech donors share with all wealth holders. High-tech donors have enough resources to not just support a cause, but found a cause. When they choose to be, they are self-determined agents in their philanthropy. Rather than being compelled to support causes that already exist, as most people are, they possess the ability to single-handedly produce new philanthropic organizations and directions. Hyperagency enables wealthy donors in general and high-tech donors in particular to accomplish single-

handedly what would otherwise require a social or political movement to achieve, to create the consequences they desire to occur. Hyperagents tend to focus on long-term, comprehensive solutions to needs.

The Positive and Negative Potential of Intercessional Philanthropy

Especially as it occurs in managerial, venture, and entrepreneurial philanthropy, agent-animated philanthropy can be described as intercessional. Intercessional philanthropy is a mode of engagement in which individual donors directly shape the charitable enterprises with which they associate. An intercessional approach to philanthropy provides both what is most potentially caring and most potentially domineering about the relationship between high-tech donors and their charitable activities. On the one hand, the idea of intercession has a noble heritage, connoting a beneficial intervention on behalf of others. On the other hand, intercession also has the negative connotation of interference and heavy-handedness that forces an outcome that may not be helpful. The dual potential of the intercessional approach is the basis for the controversial repute of agent-animated philanthropy, something that respondents readily acknowledged.

The positive opportunities for care spawned by intercession include:

- Spurring creative directions in organizational formation and operations;
- Offering sensitive criteria for and insightful appraisals about measuring outputs;
- Knowing when to step aside and turn a venture over to others; and
- Developing a working relationship of mutual respect between the high-tech donor and the individual beneficiaries.

The potential adverse effects of intercessional philanthropy include:

- Implementing views despite countervailing opinions by front-line professionals or community activists;
- Sidetracking worthwhile projects while pushing other projects that are important to the high-tech donor but that are not needed by the community;
- Insisting on an accountability scheme too narrow for effectiveness; and
- Charities commencing projects merely because they can attract funding and not because they will benefit the community.

Conclusion: Philanthropy as an Emerging Vocation for High-Tech Donors

There is strong evidence from the Study to suggest that high-tech donor's initial dedication to philanthropy is an indication of an emerging fuller commitment. Indeed, high-tech donors are just beginning to formulate their philanthropic identity. Despite their sizeable contributions, most of the respondents who are young in chronological age or in business tend to be more infused with a business than a philanthropic outlook. They are still turning the corner on their philanthropic identity, but there is an explicit anticipation of an even greater contribution of time and money in the future.

Respondents cited several factors as limiting more extensive and intensive philanthropic involvement at this stage of their careers.

- They have not attained their desired level of wealth;
- Most of their assets are tied up in business activities;
- They need to devote bulk of time to commercial enterprises;
- They are still learning about philanthropy and feel the need for more "education" about different methods and strategies of giving.

Although growing into a philanthropic identity will occur at various points in time in the future, there is no hesitancy on the part of the respondents to report that philanthropy will become an ever more central way of life. They appreciate how much wealth they will control, expect to pass on only a relatively small amount of their wealth to heirs, and are actually anticipating the day when they can unleash their energy and financial resources to attend to the commonwealth. It is not a matter of whether they will assume a more comprehensive philanthropic identity, or whether it will be substantial; the question is the timing of their greatest philanthropic involvement.