

A conversation with David Goldberg, September 22, 2017

Participants

- David Goldberg – Founder and Global CEO, Founders Pledge
- Dr. Nick Beckstead – Scientific Research Program Officer, Open Philanthropy Project

Note: These notes were compiled by the Open Philanthropy Project and give an overview of the major points made by Mr. David Goldberg.

Summary

The Open Philanthropy Project spoke with Mr. Goldberg of Founders Pledge to follow up on its 2016 grant to Founders Pledge. Conversation topics included Founders Pledge's recent activities, money it has moved to effective organizations, and its current funding situation.

Founders Pledge's process

Founders Pledge thinks about its value creation from three perspectives:

1. **Pledge value** – Growing the number of pledge and closing pledges with high monetary value.
2. **Money moved** – deploying donations to end recipient charities.
3. **Effectiveness** – Helping founders use their donations as effectively as possible.

Events

Founders Pledge holds ~30 events per year across Europe and the US. Events are an opportunity to close pledges, build and strengthen ties within the community, and educate and influence members.

Events include forums, structured social gatherings such as dinners, and visits to the field operations of effective charities such as GiveDirectly.

Onboarding

After a founder has pledged, Founders Pledge interviews him or her to learn about his or her interest areas and how he or she thinks about giving. It then plans its programming based on trends in pledgers' interest areas, and invites pledgers to events that align with their specific interests. It also presents cause areas of Founders Pledge's choice to the community, engaging members in themes that they might not have previously been exposed to.

Exits

When a pledger has an exit, Founders Pledge sets up a call between the pledger, his or her Founders Pledge account manager, and Founders Pledge's research director. The research director interviews the pledger to gain an updated understanding of

his or her ethical framework, how he or she thinks about giving, where he or she is interested in giving, and constraints on where he or she is willing to give. Then Founders Pledge compiles a tailored package of giving recommendations using research it conducts itself as well as partnering with other charity evaluators, such as GiveWell, the Centre for Effective Altruism, Animal Charity Evaluators, etc.

Six to eight weeks after the call, Founders Pledge sends the pledger its giving recommendations, and the research director has another call with the pledger to discuss the recommendations, after which the pledger makes his or her decisions.

Pledges

Pledge value

Founders Pledge calculates the value of a pledge as:

$$(\text{valuation of company}) \times (\text{shareholding of pledger}) \times (\text{percentage of pledge}).$$

Founders Pledge's growth rate in pledge volume has slowed in 2017 but its growth rate in pledge value has not - this is due to the change in its growth tactics, centered around targeting higher value pledges:

	Number of pledges	Total pledge value
2016	499	~\$113 million
2017 (through September)	277	~\$138.5 million
Total to date	1021	~\$338 million

Exits

Founders Pledge has had 29 exits so far, with a total expected value of \$18.24 million. \$10.18 million of that money is in the process of being deployed to charity, with \$6.9 million yet to go to the end recipient.

Exits are broken down into three categories:

- **Full exit:** In a full exit, a founder is bought out completely in cash or in shares that are liquid, so there is no delay in when the founder can fulfill his or her pledge.
- **Partial exit:** In a partial exit, a founder or investor liquidates a portion of his or her holdings, but not the entirety.
- **Structured exit:** In a structured exit, a founder's entire company has been acquired, but a portion of the value that he or she is entitled to is locked up over the course of years.

Lag time

The global average time for a startup to go from series A to exit is roughly seven years, so there is on average significant lag time between when a pledge is made and when the money enters the charity sector.

Recent activities

Hiring

Founders Pledge has recently spent much of its time on hiring, and has doubled the size of its team to 17 full-time employees. It now has two full-time researchers, as well as a deployment director who works with the research team.

International expansion

Founders Pledge has spent a large portion of its time in 2017 working on expanding into Europe.

Berlin

Founders Pledge's growth in Berlin this year was slower than expected. It initially had high uptake in Berlin, and the city has a large community of potential pledgers, but the rate of pledges has slowed after Founders Pledge's initial entry into the market.

In June, after three months of searching for the right person to run its Berlin office, Founders Pledge hired Max Birner, a former entrepreneur and a German native. Mr. Birner has been developing a strategy for approaching German entrepreneurs, and Founders Pledge's outcomes have started to improve again since he was hired.

So far Founders Pledge has 75 pledges in Germany, with a total value of about \$13 million. This is 4% of Founders Pledge's total pledges by dollar value.

Paris and Stockholm

After learning from its experiences in Berlin, Founders Pledge has decided not to open offices in Paris or Stockholm in the immediate future. Its Berlin office allows Founders Pledge to have a presence on the European continent, and there are strong communities of active pledgers in both Paris and Stockholm, which means that Founders Pledge can easily host events in those cities without having to employ anyone there.

United States

Founders Pledge recently hired its first full-time US employee, Matthew Hunter, who will be the CEO of Founders Pledge, Inc. (the US branch of Founders Pledge). Mr. Hunter is based in New York City and will cover the whole of the US and Canada.

Consulting service for non-entrepreneurs

Founders Pledge is building a research consultancy to help non-pledgers give more effectively within the framework of their personal priorities. This will be a useful way to reach people who are willing to optimize their giving based on a set of preferences and constraints. Founders Pledge aims to earn revenue from this consulting service, and hopes that it will be able to use it to move some funds to effective organizations.

Funding

If Founders Pledge sustains its current level of operations, without hiring any additional employees or expanding its budget in the United States, it will need a minimum of ~£1 million per year to continue to operate.

2018 budget

Assuming that Founders Pledge keeps up with inflation and does not hire many more staff, its budget for calendar year 2018 will be ~£1.2-1.6 million globally.

Mr. Goldberg believes that he could effectively use more than £1 million per year. He expects that Founders Pledge will see great success in the United States, and that Founders Pledge, Inc. will soon require a support team as well as another staff member working on growth and community.

*All Open Philanthropy Project conversations are available at
<http://www.openphilanthropy.org/research/conversations>*