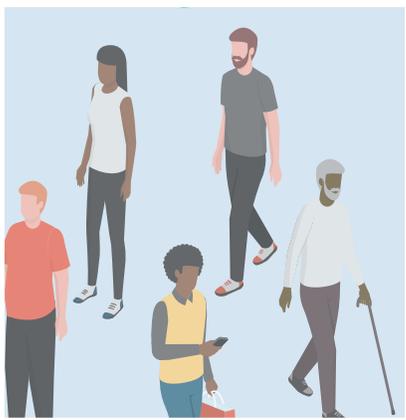




NONPROFIT DIVERSITY EFFORTS

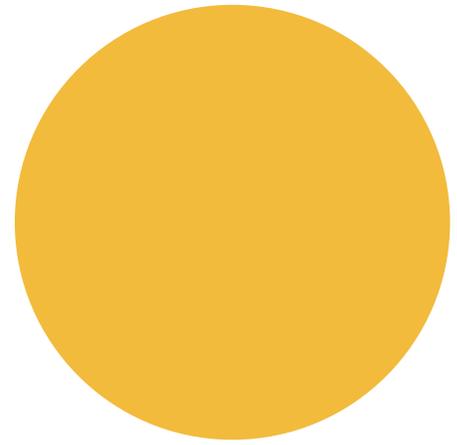
Current Practices and the Role of Foundations



THE CENTER FOR
EFFECTIVE PHILANTHROPY

Nonprofit Diversity Efforts

Current Practices and the Role of Foundations



PROJECT TEAM

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ABOUT THE CENTER FOR EFFECTIVE PHILANTHROPY

The mission of the Center for Effective Philanthropy (CEP) is to provide data and create insight so philanthropic funders can better define, assess, and improve their effectiveness—and, as a result, their intended impact.

ACKNOWLEDGMENTS

We are very appreciative of the support that made this work possible. Special thanks are due to the Rita Allen Foundation and the W.K. Kellogg Foundation, each of which provided significant funding for this research.



We are grateful to David Biemesderfer, Kelly Brown, Chris Cardona, Jara Dean-Coffey, Betsy Fader, Michelle Greanias, Jacob Harold, Joe Hewton, Miriam Heyman, Robert Hughes, James Knickman, Jean McCall, Cheryl Milloy, Edward Pauly, Kathy Reich, Nan Stone, and Jehan Velji for providing feedback on a draft of the survey used for this research. The project team would like to thank Phil Buchanan for his contributions to this research, as well as Jay Kustka and Sara Dubois for their design of the report.

This research is based on CEP's independent data analyses, and CEP is solely responsible for its content. The report does not necessarily reflect the individual views of the funders, advisers, or others listed throughout this report.

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Dear Colleagues,

Diversity in the nonprofit sector is a widely-discussed topic among foundations.

Various institutions have published articles and reports on topics such as the barriers to achieving diversity in nonprofit leadership, the benefits of having a diverse board and staff, and the importance of foundation transparency about diversity data.¹ Other organizations, including D5 Coalition and Green 2.0, focus exclusively on advancing diversity, equity, and/or inclusion within the philanthropic and nonprofit sectors.²

The Center for Effective Philanthropy has sought to understand the efforts of nonprofit organizations when it comes to diversity and the ways in which their foundation funders are interacting with and/or supporting those efforts. In what ways is diversity relevant to nonprofit organizations' goals? What demographic information are nonprofits collecting, and how is that information used? How are foundations involved in the diversity efforts of grantees, and how would those grantees like their funders to be involved? To answer these questions, we sent surveys to 338 leaders of nonprofit organizations with annual expenses between \$100,000 and \$100 million. We received responses from 205 of those leaders for a response rate of 61 percent.

It is our hope that the data presented in this report will be useful to foundation leaders as they consider this important topic.

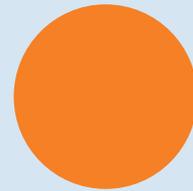
Sincerely,

Ellie Buteau
Vice President, Research

1 Orson Aguilar, "Hiding Your Diversity Data Helps Keep #Philanthropysowhite," *Transparency Talk* (blog), March 28, 2018, <http://blog.glasspockets.org/2018/03/greenlining-aguilar-28032018.html>; Maya Beasley, Ph.D., "Beyond Diversity: A Roadmap to Building an Inclusive Organization" (Green 2.0, May 2017), http://www.diversegreen.org/wp-content/uploads/2017/05/BeyondDiversity_Report.05.24.2017.pdf; Barbara Chow, "From Words to Action: A Practical Philanthropic Guide to Diversity, Equity, and Inclusion," GrantCraft Leadership Series (Foundation Center, 2018), http://www.grantcraft.org/assets/content/resources/Words_to_Action-Barbara_Chow.pdf; Una Osili et al., "The Impact of Diversity: Understanding How Nonprofit Board Diversity Affects Philanthropy, Leadership, and Board Engagement" (Indiana University Lilly Family School of Philanthropy, February 20, 2018), <http://hdl.handle.net/1805/15239>; Sean Thomas-Breitfeld and Frances Kunreuther, "Race to Lead: Confronting the Nonprofit Racial Leadership Gap" (Building Movement Project, 2017), http://www.buildingmovement.org/pdf/Race_to_Lead_Nonprofit_Racial_Leadership_Gap.pdf.

2 "About D5," (D5: Advancing diversity, equity, and inclusion in philanthropy, 2018), <http://www.d5coalition.org/about>; "About Us," (Green 2.0, 2018), <https://www.diversegreen.org/about-us>.

DEFINITION OF **DIVERSITY** USED IN THIS STUDY



In the survey, we used D5's definition of diversity:³

The demographic mix of a specific collection of people, taking into account elements of human difference, but focusing particularly on:

Racial and ethnic groups:
Asian Americans and Pacific Islanders,
Hispanics/Latinos/Latinas,
African Americans and blacks,
and American Indians and Alaska Natives

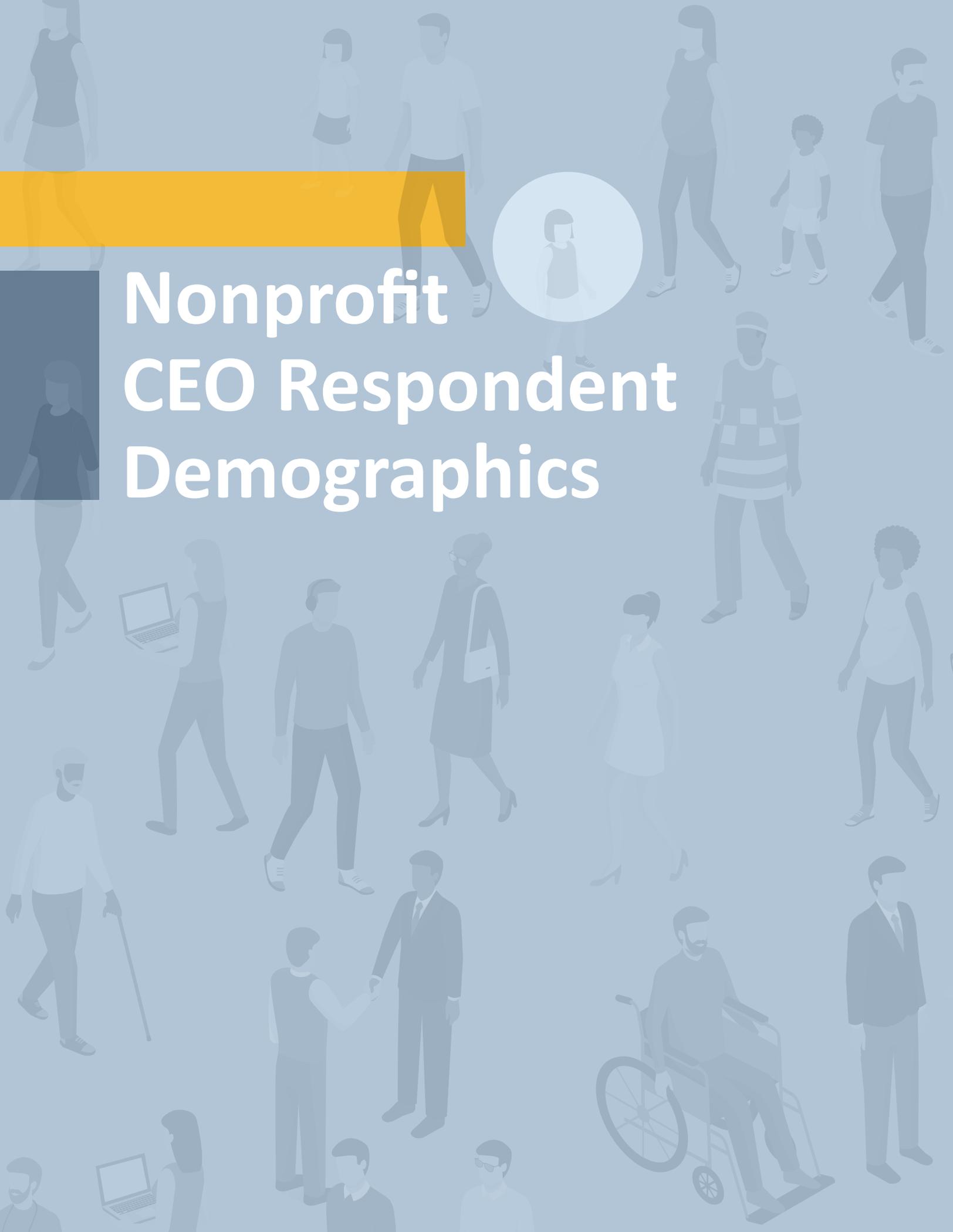
LGBT populations

People with disabilities

Women

We acknowledge and respect that this is one of many ways to define diversity, a concept that can encompass many other human differences as well.

³ "What Is DEI? | D5," D5 Coalition, <http://www.d5coalition.org/tools/dei>.



Nonprofit CEO Respondent Demographics

Gender identity⁴

60% female



36% male



Race/ethnicity⁵

79% White



6% African-American/Black



6% Hispanic



2% Asian



2% Multi-racial

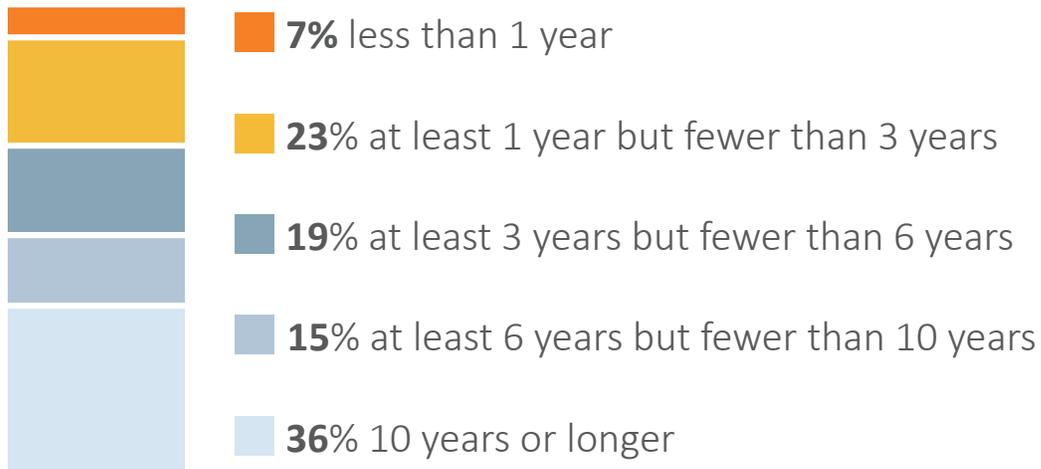


4 Four percent of respondents indicated that their gender identity did not fall into any of the response categories provided or preferred not to say.

5 Five percent of respondents did not select any of the race/ethnicity categories provided or preferred not to say.



Tenure in current role



Program areas of nonprofit organizations⁶

67% education



42% social justice



41% community and economic development



41% human services



38% health



⁶ Respondents were allowed to select all program areas that applied to their work. The program areas listed here are the five that respondents most frequently selected.

Geographical scope of nonprofit organizations⁷

71% local



37% state



31% regional



15% national



14% global



Because we are a rural organization and many of the communities that we serve are less diverse than urban centers, we often get measured against standards that don't quite fit our demographic—and that almost always do not include 'rural' as a diversity category with any weight.

-Nonprofit CEO

⁷ Respondents were allowed to select all geographical scopes that apply to their work.





Importance and Prevalence of Diversity at Nonprofit Organizations

Percentage of nonprofit CEOs who say the following aspects of diversity are relevant to their organization's goals

83% race/ethnicity



68% disability



55% gender identity



52% sexual orientation



WHY DIVERSITY MATTERS

In a 2017 report from Green 2.0, CEOs, COOs, and HR Directors from major U.S.-based foundations and environmental nongovernmental organizations (NGOs) were asked about the potential benefits of diversity to organizations:⁸

- 100 percent of foundation respondents and more than 90 percent of NGO respondents believe diversity will lead to organizations appearing **more connected to communities**.
- More than 90 percent of respondents from both groups indicate that diversity will lead to **increased creativity within an organization**.
- More than 60 percent of foundation respondents and more than 80 percent of NGO respondents believe diversity will lead to **better management/employee relations**.
- More than 70 percent of NGO respondents believe diversity will result in **additional fundraising networks**.
- 50 percent of foundation participants and slightly more than 60 percent of NGO participants indicate that diversity will lead to **increased productivity**.

⁸ Maya Beasley, Ph.D., "Beyond Diversity: A Roadmap to Building an Inclusive Organization" (Green 2.0, May 2017), http://www.diversegreen.org/wp-content/uploads/2017/05/BeyondDiversity_Report.05.24.2017.pdf.

Percentage of nonprofit CEOs who say their organization collects demographic information about the following groups

81% the population(s) the organization seek to serve



77% the organization's board members



75% the organization's full staff

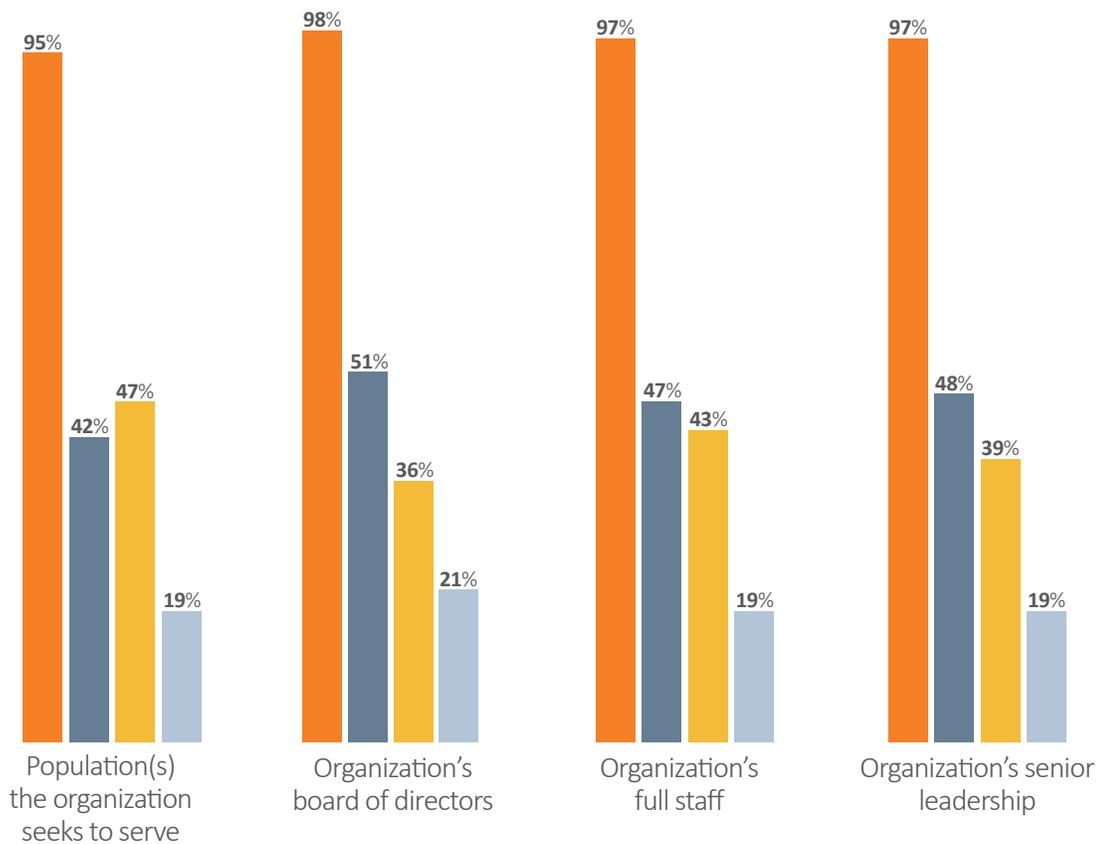


73% the organization's senior leadership

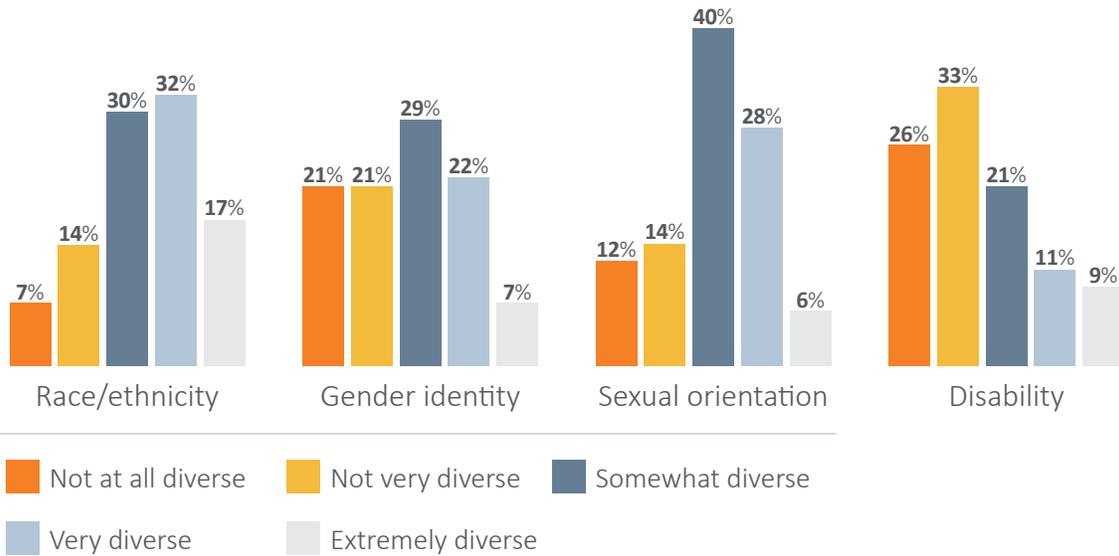


Percentage of nonprofit organizations collecting the following demographic information about each group

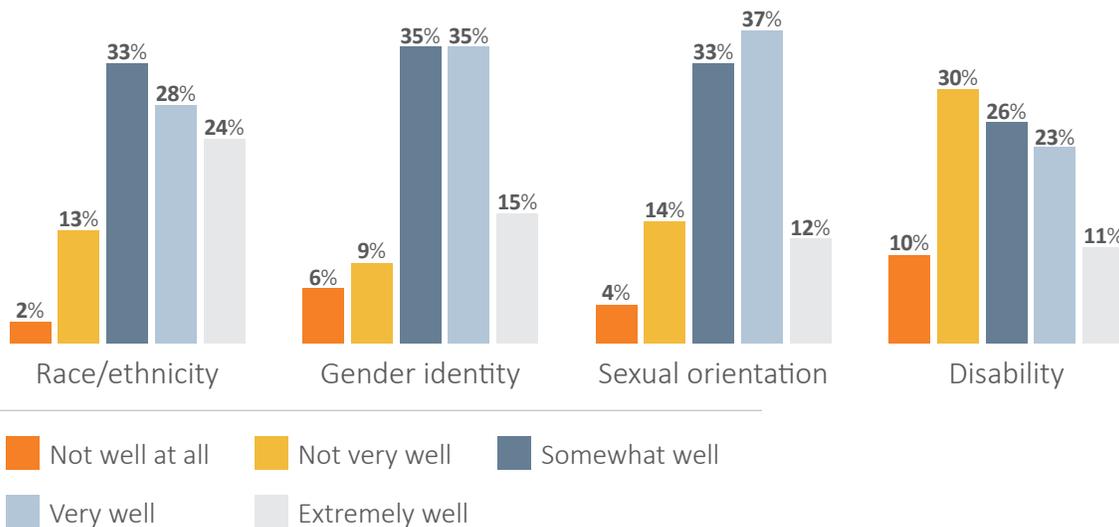
■ Race/ethnicity
 ■ Gender identity
 ■ Disability
 ■ Sexual orientation



How diverse nonprofit CEOs **believe their organization is** when it comes to each of the following



How well nonprofit CEOs **believe their organization reflects the population(s) it seeks to serve** when it comes to each of the following



Disconnect between the **importance** of having diverse groups of people working at nonprofit organizations and the **actual** diversity within those groups

Nonprofit CEOs who believe that for their organization to achieve its goals, it is **very or extremely** important for each of the following groups of people to be diverse

Nonprofit CEOs who believe that each of the following groups of people is **very or extremely** diverse



Disconnect between the **importance** of having groups of people working at nonprofit organizations reflect those the organization seeks to serve and how well those groups **actually** reflect those served

Nonprofit CEOs who believe that in order for their organization to achieve its goals, it is **very or extremely** important for each of the following groups of people to reflect the population(s) the organization seeks to serve

Nonprofit CEOs who believe each of the following groups of people reflects the population(s) the organization seeks to serve **very or extremely** well



IMPORTANCE OF A DIVERSE BOARD

In a 2018 study, the Indiana University Lilly Family School of Philanthropy, in partnership with Johnson, Grossnickle and Associates and BoardSource, surveyed nonprofit CEOs and board chairs to explore the role of diversity in board engagement. Three different areas of board activity were studied: board member engagement, fundraising engagement, and advocacy engagement.⁹

BOARD MEMBER ENGAGEMENT

- Nonprofit CEOs who have boards with higher percentages of women say those boards tend to be more engaged, committed, and involved.
- Nonprofit CEOs who have boards with higher percentages of members age 39 or younger say those boards tend to be more engaged, committed, and involved.

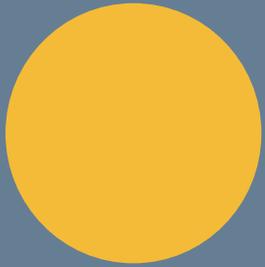
FUNDRAISING ENGAGEMENT

- Nonprofit CEOs who have boards with higher percentages of women say those boards more actively participate in fundraising and rate the boards higher for their fundraising performance.
- Nonprofit CEOs who have boards with higher percentages of members age 39 or younger say those boards are more likely to have members who ask for donations.

ADVOCACY ENGAGEMENT

- Nonprofit CEOs who have boards with higher percentages of women say those boards tend to be more engaged in advocacy activities.

⁹ Una Osili et al., “The Impact of Diversity: Understanding How Nonprofit Board Diversity Affects Philanthropy, Leadership, and Board Engagement” (Indiana University Lilly Family School of Philanthropy, February 20, 2018), <http://hdl.handle.net/1805/15239>.

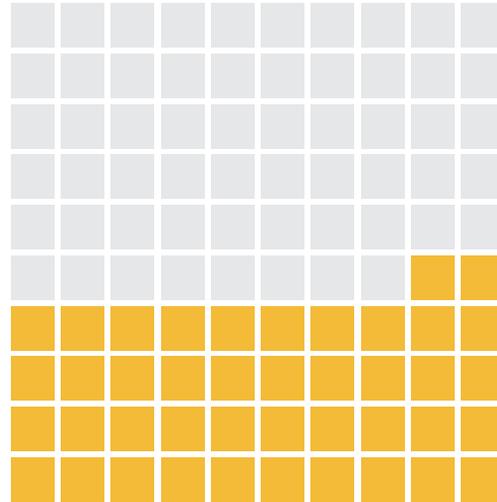


Foundation Involvement in Nonprofit Diversity Efforts



42%

of nonprofit CEOs report that their organization's foundation funders have not discussed diversity issues with them.



Percentage of nonprofit CEOs who say foundation funders have discussed diversity issues with their organization in relation to the following

34% both their organization's **internal operations and programmatic work**



19% their organization's **programmatic work**



5% their organization's **internal operations**

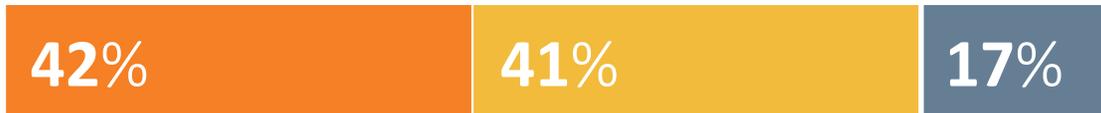


If we are going to eliminate disparities that negatively impact people of color disproportionately, funders, nonprofit leaders, policy makers, all of us need to have the courage to talk about race, racism, and how it contributes to, if not causes, the disparities we seek to eliminate.

-Nonprofit CEO



How involved nonprofit CEOs **would like** their foundation funders to be when it comes to their organization's diversity efforts

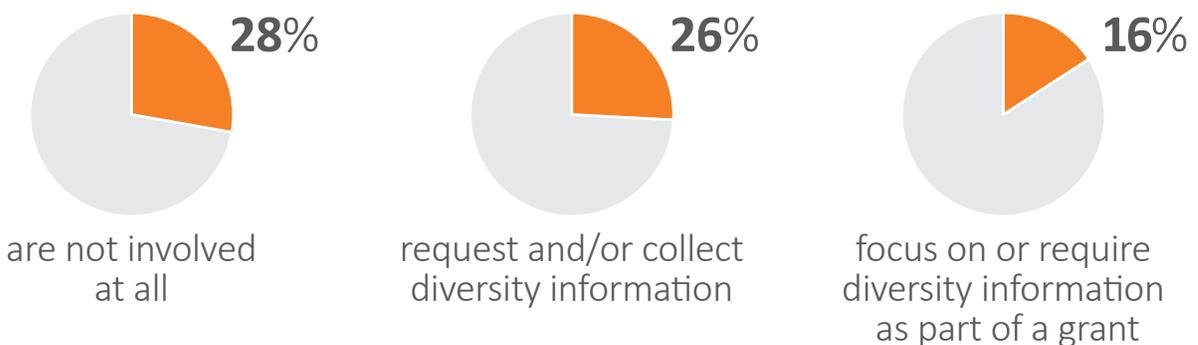


Not at all involved or not very involved

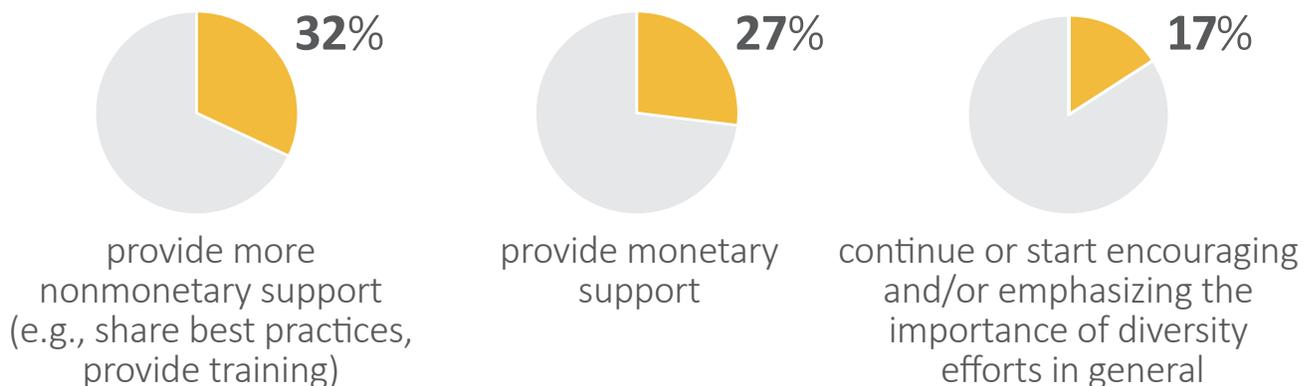
Somewhat involved

Very or extremely involved

How nonprofits' foundation funders are **currently** involved with their organization when it comes to their diversity efforts



What nonprofits' foundation funders **could** do to be most helpful to their organization when it comes to their diversity efforts

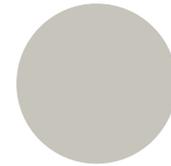




We currently use a variety of consultants to provide implicit bias training and to address corporate culture to ensure inclusion and increase equity building practices. This work is not supported by our funders. It would be helpful to normalize support for this work and to provide on-going guidance on best practices. Team coaching for management teams is helpful to set the tone of the work.

-Nonprofit CEO

IMPORTANCE OF FOUNDATION INVOLVEMENT



In a 2018 study, the Center for Public and Nonprofit Leadership at Georgetown University explored how nonprofit organizations are advancing racial equity within their boards and staff through interviews, focus groups, and a survey of nonprofit and philanthropic leaders.¹⁰

Nonprofit leaders highlighted many challenges to advancing racial equity within their organization. Some internal challenges include historic organizational practices, lack of board commitment, and balancing internal racial equity work with programming commitments. Other challenges were external: lack of funding, difficulty finding trainings or technical assistance, and limited access to diverse recruiting networks.

The report suggests that foundations can support nonprofit diversity efforts by:

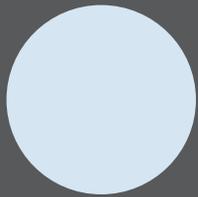
- providing funding for nonprofits to hire additional HR staff, offer equitable professional development opportunities, and compensate staff for time devoted to racial equity work;
- hosting convenings and trainings with a racial equity focus;
- helping identify and invest in the development of recruitment pipelines for people of color; and
- forming networks that will continue to advance the aforementioned efforts along with other racial equity-related efforts.

¹⁰ Luisa Boyarski, Ph.D., “Advancing Racial Equity Within Nonprofit Organizations” (Center for Public and Nonprofit Leadership, 2018), <https://georgetown.app.box.com/s/ibg47y5715d8nkuomcq65wr64pz03nqz>.





Demographic Information Requested by Foundations



Percentage of nonprofit CEOs who say their foundation funders have requested demographic information about the following groups

88% the population(s) the organization seeks to serve



63% the organization's board of directors



53% the organization's full staff



44% the organization's senior leadership

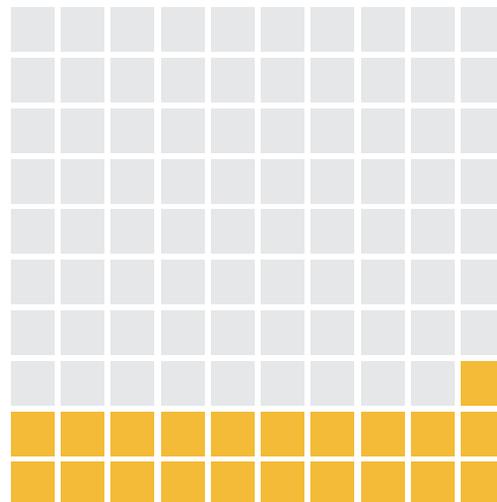


31% the respondent themselves

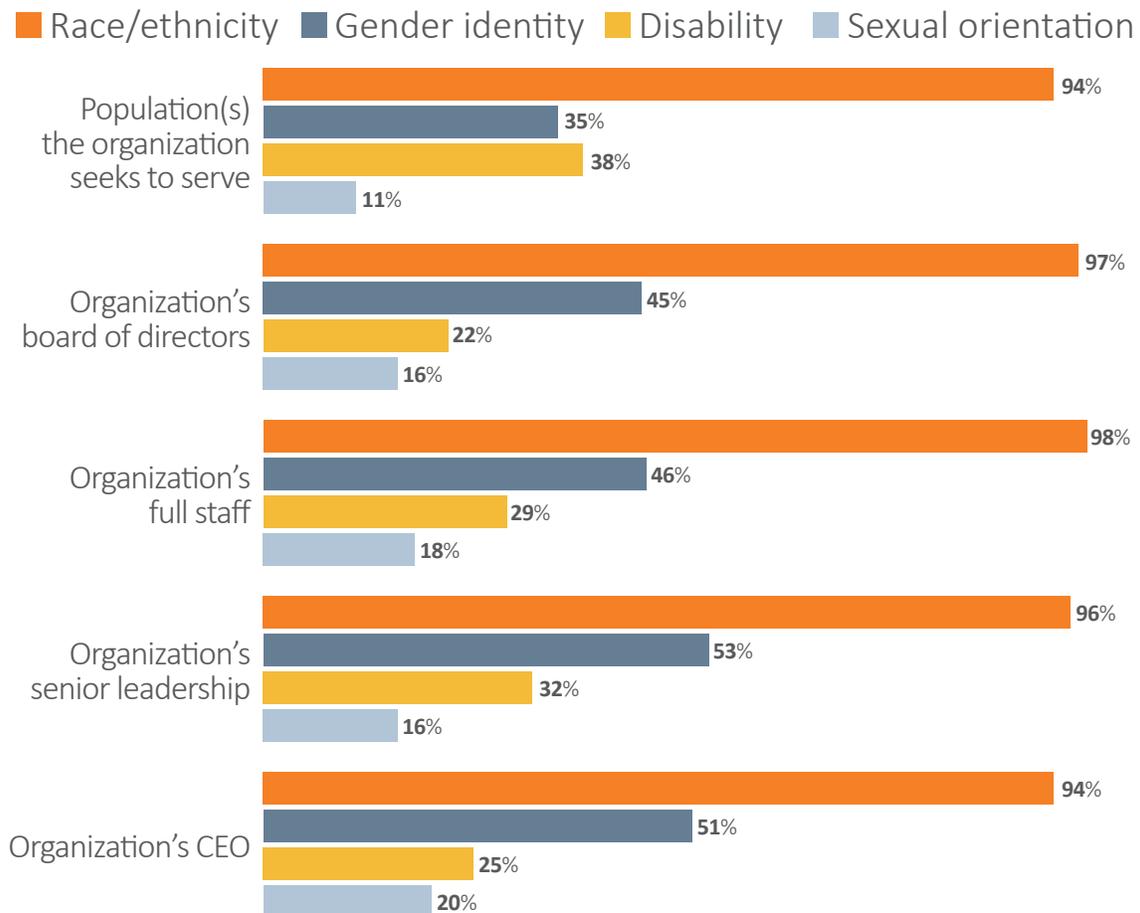


21%

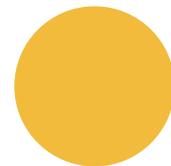
of nonprofit CEOs report that their foundation funders explain how they use the demographic information that they collect.



Percentage of nonprofit CEOs whose foundation funders have requested the following demographic information about each of the following groups



WHAT FOUNDATIONS DO WITH COLLECTED INFORMATION



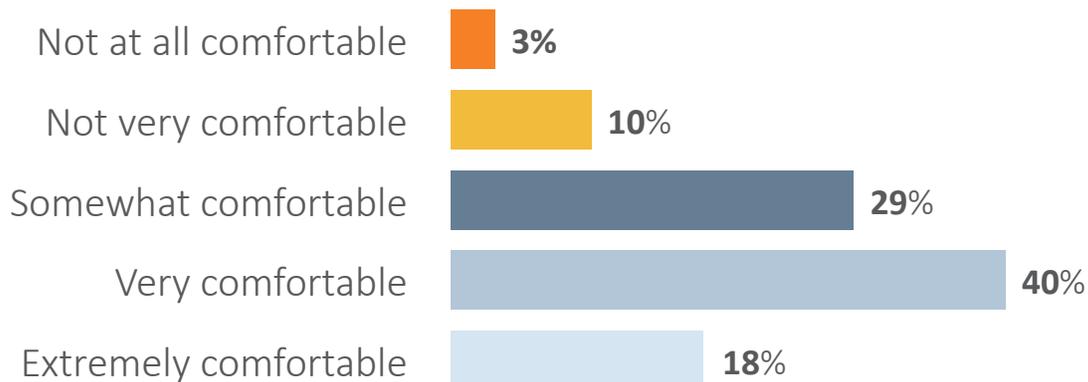
In a 2018 report, PEAK Grantmaking surveyed and interviewed its members to explore the dynamics of funders collecting and using demographic information. The purpose of this study was to find out what demographic information funders collect and how, how funders use this information, what lessons grantmaking staff learn from collecting this information, and how to help grantmakers use and engage with this data more effectively.¹¹

When asked how the collected demographic information was being used by their organization, the top uses for this data, as reported by the respondents, were to:

- Assess if the funder is reaching the populations it intends to reach
- Assess progress on diversity and inclusion goals
- Provide internal audiences with a clear picture of impact
- Provide external audiences with a clear picture of impact

¹¹ Kelly Brown, "Insight, Impact, and Equity: Collecting Demographic Data" (PEAK Grantmaking, 2018).

Level of comfort providing demographic information to foundation funders



Top factors that make nonprofit organizations either comfortable or uncomfortable providing demographic information to foundation funders:¹²

- Ability to collect information that adequately represents the organization or those it serves
- Importance of diversity to the organization
- Actual diversity of groups at the organization
- Use or interpretation of demographic information by a foundation



Our students are much more than mere statistics. Sometimes it feels as if by representing them via census data, we are shortchanging the person and feeding into the stereotypes that exist about the particular demographics.

-Nonprofit CEO



Our funders act as partners rather than judges in our work. There is a sense that they want to help us improve, rather than look for reasons to drop us.

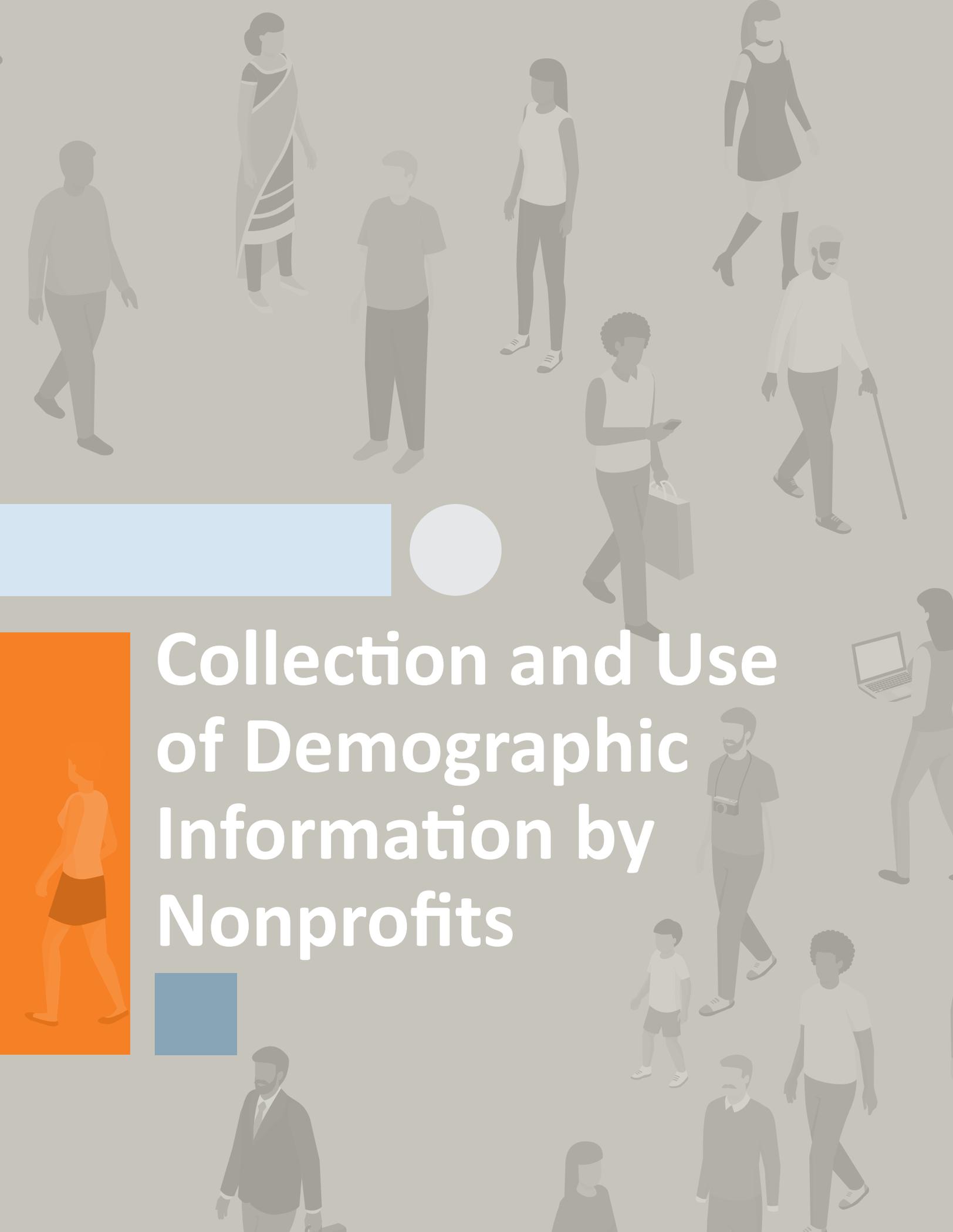
-Nonprofit CEO



We are proud to be diverse, so providing that information has always been a rewarding and enlightening experience.

-Nonprofit CEO

¹² Factors come from nonprofit CEO responses to an open-ended question that asked, “What about your experience providing demographic information to foundation funders makes you comfortable or uncomfortable?”



Collection and Use of Demographic Information by Nonprofits

Percentage of nonprofit CEOs whose organization uses the following tools to guide what types of demographic information to collect

76% categories developed at the respondent's organization



52% Census categories



46% categories provided by a foundation funder



20% GuideStar categories

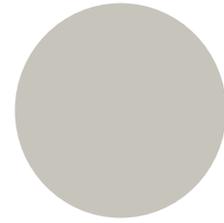


The process of measuring demographic information, especially for most of our programs, is not very reliable, and depends highly upon visual information (e.g. what race does that person appear to be), rather than on self-identification (which is often not feasible). Some questions regarding demographic information feel intrusive to ask our participants (e.g. sexual orientation). I think the focus on ensuring a diverse population internally and externally is very important, but feel less than confident about the tools I have to measure and report that information.

-Nonprofit CEO



WHAT INFORMATION FUNDERS ARE COLLECTING ON BENEFICIARIES



In the report by PEAK Grantmaking about the nature of funders collecting demographic information, funders were asked what kinds of demographic data they “collect on the beneficiaries/constituents of organizations applying for and/or receiving grants.”¹³ Of the respondents that stated they collected demographic data (roughly 50%), over:

- **70%** collect data on race/ethnicity
- **60%** collect data on age
- **60%** collect data on gender
- **40%** collect data on socio-economic status
- **20%** collect data on sexual orientation
- **20%** collect data on ability

How nonprofits use demographic data they’ve collected

88% make decisions about the organization’s programmatic efforts



87% share it with the organization’s board



86% share it with the organization’s funders



76% make decisions about the organization’s internal operations



71% provide specific types of support and/or accommodations to the organization’s staff



70% inform hiring practices at the organization



66% share it with the organization’s non-foundation funders



¹³ Kelly Brown, “Insight, Impact, and Equity: Collecting Demographic Data” (PEAK Grantmaking, 2018).

Hiring practices of nonprofits

90% recruit candidates from a wide range of sources (e.g., institutions, databases)



64% evaluate candidates through skills-based assessments



54% request that search firms provide a diverse candidate pool



11% ask candidates to complete an anonymous demographic survey in order to evaluate the diversity of the candidate pool



7% redact information from resumes before they are reviewed (e.g., names, addresses, educational backgrounds)



ADVICE TO FUNDERS



Share ways and specific examples of how we can better recruit a diverse workforce.

-Nonprofit CEO



Support the professional growth and development of diverse candidates through support for leadership skills development.

-Nonprofit CEO





Methodology

Data discussed in this report was collected in 2018 from CEP’s panel of nonprofit leaders, called *The Grantee Voice: Feedback for Foundations*.

PANEL

The Grantee Voice panel was established in the latter months of 2017. First, to create a list of nonprofits to invite to the panel, a dataset of almost 430,000 registered 501(c)(3) organizations that filed a Form 990 between 2013 and 2016 was obtained from the National Center for Charitable Statistics (NCCS). CEP kept nonprofits in the dataset only if they met all of the following criteria:

- the organization filed a Form 990 between 2015 and 2016;
- the organization is located in the United States;
- the organization records annual expenses between \$100,000 and \$100 million;
- the organization has a positive contributed revenue;
- the organization has an identified area of work (based on NTEECC coding);
- the organization is not a mutual/membership benefit organization (based on NTEECC coding);
- the organization is not a religious based organization (based on NTEECC coding);
- the organization is not a hospital or university (based on NTEECC coding);
- the organization is not a foundation (based on NTEECC coding);
- the organization is not a fundraising entity working specifically across issue area groups (based on NTEECC coding);
- the organization is not a supporting organization (based on NTEECC coding);
- the organization is not flagged by NCCS as “out of scope” (i.e. the organization must be a 501(c)(3), non-foreign entity, a government entity).

After filtering for nonprofits that met the criteria described above, 142,582 nonprofits remained in the dataset. CEP took the remaining dataset and randomly selected 14,000 nonprofits, ensuring that this selected sample was representative of the full range of expenses. CEP worked with Foundation Center to determine if each nonprofit in this random sample had received any funding between 2013 and 2016 from independent or community foundations giving at least \$5 million annually in grants. Only nonprofits that had received such funding remained eligible for an invitation to join the panel. In total, 6,309 nonprofits met this criteria.

Only individuals leading eligible nonprofits were considered for inclusion. These individuals typically had titles such as executive director, president, or CEO. Ultimately, 3,954 nonprofit leaders were invited to join *The Grantee Voice* panel after some were removed due to invalid contact information. While the invitation was open, 134 more nonprofits leaders were removed due to additional information that was received showing they were ineligible for our sample. In total, 676 accepted the invitation out of 3,820 eligible nonprofit leaders, resulting in an acceptance rate of 17.7 percent. We statistically tested for and saw slight differences in the annual expenses and geographical regions of the organizations that did and did not accept the invitation to join the panel.¹⁴

¹⁴ A chi-square analysis of expense quartiles was conducted, and a statistically significant difference of a small effect size was found. Nonprofits with annual expenses less than \$1.7 million were slightly more likely to accept the invitation to join the panel, and nonprofits with annual expenses of \$1.7 million or more were slightly less likely to accept the invitation to join the panel. A chi-square analysis of geographic region was conducted, and a statistically significant difference of a small effect size was found. Nonprofits located in the western United States were slightly more likely to accept the invitation to join the panel, and nonprofits located in the southern United States were slightly less likely to accept the invitation to join the panel.

SAMPLE

In January and February of 2018, a survey on how diversity relates to nonprofit organizations and their work, and how foundation funders can be most helpful in that area, was sent to 338 of the nonprofit leaders who comprise *The Grantee Voice* panel.¹⁵ Completed surveys were received from 201 leaders and partially completed surveys, defined as being between 50 and 80 percent complete, were received from four leaders. Thus, 205 of the 338 eligible leaders completed the survey for a response rate of 60.7 percent.

SURVEY PERIOD	NUMBER OF LEADERS SURVEYED	NUMBER OF RESPONSES	SURVEY RESPONSE RATE
January—February 2018	338	205	60.7%

METHOD

The survey was fielded online for a four-week period from mid-January to mid-February 2018. Nonprofit leaders were sent a brief e-mail that included a description of the purpose of the survey, a statement of confidentiality, and a link to the survey. Leaders were sent up to seven reminder e-mails.

The survey consisted of 32 items and included questions about the state, relevance, and importance of diversity efforts at nonprofit organizations; foundation involvement in those diversity efforts; and the collection of demographic information on the part of both nonprofit organizations and their foundation funders.

RESPONSE BIAS

Nonprofits represented by leaders who responded to the survey did not differ from nonrespondent organizations by staff size, yearly expenses, or region of the United States in which the nonprofit is located.¹⁶

QUANTITATIVE ANALYSES

To analyze the quantitative survey data from nonprofit CEOs, descriptive statistics were examined. A series of t-tests, chi-squares, correlations and ANOVAs were run to examine relationships among variables. Only descriptive information, including means and percentages, are shared in this report.

15 We randomly selected half of the overall panel for the purposes of this survey.

16 A chi-square analysis was conducted between whether or not nonprofit leaders responded to our survey and whether those nonprofits were less than or greater than or equal to the median staff size of nonprofits in our dataset. No statistically significant differences were found.

A chi-square analysis was conducted between whether or not nonprofit leaders responded to our survey and whether those nonprofits were less than or greater than or equal to the median yearly expenses of nonprofits in our dataset. No statistically significant differences were found.

A chi-square analysis was conducted between whether or not nonprofit leaders responded to our survey and the geographic region in which the nonprofit was located. No statistically significant differences were found.

QUALITATIVE ANALYSES

Thematic and content analyses were conducted on the responses to the following open-ended survey items:

How, if at all, are your foundation funders involved with your organization when it comes to its diversity efforts?

What could your foundation funders do to be most helpful, if anything, when it comes to your organization's diversity efforts?

What about your experience providing demographic information to foundation funders makes you comfortable or uncomfortable?

A coding scheme was developed for each open-ended item by reading through all responses to recognize recurring ideas, creating categories, and then coding each response according to the categories.

A codebook was created to ensure that different coders would be coding for the same concepts, rather than their individual interpretations of the concepts. One coder coded all responses to the question and a second coder coded 15 percent of those responses. For each open-ended item, an inter-rater agreement of at least 80 percent was achieved for each code.

Selected quotations are included in this publication. These quotations were selected to be representative of the themes seen in the data.





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