

WEALTH MATTERS

In Philanthropy, Race Is Still a Factor in Who Gets What, Study Shows

Nonprofit groups led by black and Latino directors lag behind peers with white leaders, but two leading philanthropic organizations hope to change that.

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Philanthropy often sets out to mitigate inequality. But a research report set to be released next week by two leading philanthropic organizations shows that race remains a defining factor when looking at which organizations get funded and how much they receive.

Nonprofit organizations led by black and Latino executive directors lag behind peer organizations with white leaders, according to the report from Echoing Green, an early-stage funder in social innovation, and the Bridgespan Group, a philanthropic consultancy.

Among organizations focused on improving the outcomes of black boys, for example, groups with black leaders had 45 percent less revenue, and unrestricted assets that were 91 percent lower, than their counterparts with white leaders.

The data is being released to show the philanthropic community how entrenched and persistent unequal funding is, said Cheryl L. Dorsey, president of Echoing Green. “It’s even worse because it’s philanthropy, and we’re supposed to be changing the world,” she said.

The timing is relevant because the coronavirus crisis is a crossroads for foundations: Either they will return to the status quo or they will use this moment to evaluate different ways to fund groups in need.

“Pandemics are a reflection of any society’s vulnerability,” Ms. Dorsey said. She noted that African-Americans, just 13 percent of the population, accounted for a third of the cases of Covid-19, the disease caused by the coronavirus.

Ms. Dorsey said she feared that the post-pandemic recovery would be even more skewed against people of color unless the conclusions in the report advanced the conversation on structural inequities.

“Is this a moment to not just talk about the data but to do something about it?” she asked. “I’m hopeful now that people are attuned to it that we can make some progress.”

The report, “Racial Equity and Philanthropy: Disparities in Funding for Leaders of Color Leave Impact on the Table,” identified three main barriers for minority-led nonprofit organizations that seek funding from foundations.

The first is establishing connections to a funding organization. The study noted that 92 percent of foundation presidents and 83 percent of full-time staff members are white. In general three-quarters of white people have entirely white social networks, the report found.

“How do you get connected to the decision makers?” asked a co-author of the report, Peter Kim, who is Bridgespan’s chief learning and innovation officer and co-leader of racial equity strategy. “Those peer networks are largely white. If you’re not in those networks, how do you get in?”

The second is building rapport, which can be more difficult when the funder and recipient do not have common experiences, creating unconscious bias. “‘Thank you for coming in’ is different than saying, ‘I have to reach out to that person we both know,’” Mr. Kim said.

The third barrier is creating the measurement reports and statistics that funders seek. Studies that measure a program’s impact over time, for instance, can be costly and time consuming. Such requirements also call into question whether the funder trusts the recipient.

The data came from Echoing Green, which has been collecting racial and ethnic statistics on applicants to its fellowship program for decades. The fellowships are considered one of the most competitive social entrepreneur programs — about 1 percent of the 3,000 applicants are accepted — and serve as a respected credential afterward.

The report's analysis tracked the efforts of fellowship finalists and semifinalists to get funding. It found that minority fellows lagged behind their white peers.

"Folks who are left standing are the best in class," said Ms. Dorsey, a former fellow. "Despite that, these leaders of color are still struggling to gain funding."

She said Echoing Green wanted its data analyzed to drive a conversation based on statistically significant findings, not feelings.

"We're trying to drive social change, and we just kept hitting the same wall," she said. "We had enough brand equity to say, 'You have to be part of a larger collective response.'"

That organizations with white leaders were funded differently from those with black leaders was no surprise to some.

Kingmakers of Oakland is a Bay Area organization that works with schools to improve educational and life outcomes for black male students. Its founder and chief executive, Chris Chatmon, said he had to learn early on what he called the language of philanthropy.

"I've had experiences with some of the largest philanthropic organizations in America, and just to get there is a blessing," he said. "I just want to be there. I don't want to be too honest and they say I'm an angry black man. I don't want to get purged."

But Mr. Chatmon said he had not seen the inequity until he was exposed to similar organizations. At the time, Kingmakers was receiving support from the NewSchools Venture Fund, which backs public school innovation.

"I realized white leaders would ask for far more without the same amount of experience," Mr. Chatmon said, referring to the funding that the groups had raised before coming into the NewSchools program. "Folks of color, we would ask for far less even though we had a proven track record."

Some leaders of nonprofit groups said part of the problem was a lack of understanding about their communities. Edgar Villanueva, a Native American philanthropist, activist and author, said he often had to spend the first 20 minutes of a 30-minute meeting educating funders about the Native American community.

When he worked for foundations making grants, he said, he became aware of what he called coded language of racism that was used to decline organizations led by nonwhite executive directors. Examples included replies that an organization did not have the capacity, or that it felt like a risk, or that its budget was not big enough.

"I call them false barriers," Mr. Villanueva said. "Some people in philanthropy are lazy and don't want to do the extra work to reach beyond someone in our network."

The pool of applicants can also be limited by a closed process, which is generally set up to make the number of applications manageable.

"You have to be in those circles to apply," said Aaron Walker, the founder and chief executive of Camelback Ventures, which aims to promote early-stage entrepreneurs.

The report does not accuse foundations of intentional discrimination; instead, it points out that many of the funding systems that are in place were created without insight from communities that seek funding.

"I don't think people come to a nonprofit and say, 'I can't wait to not fund a black organization today,'" Mr. Villanueva said. "People are people, and they go with what they know."

Some changes will come slowly, but others can be put into place quickly.

Changing the application process might take some time, but adding site visits would be an immediate shift. Mr. Chatmon said one of his best relationships was with a family foundation that sent the founding couple to a school to see what his program did.

“They were coming to classes of all black boys, and it was humbling and beautiful,” he said. “You could see the process of learning, and sometimes it was uncomfortable.”

The composition of a foundation’s board is a driver of what gets funded, but board changes can come quickly with the addition of new members, said Darren Walker, president of the Ford Foundation (and no relation to Aaron Walker).

“Foundations will never change until foundation boards internalize diversity and inclusion,” he said. “Efforts targeted at staff diversity will go nowhere because the power and authority to determine the future of these organizations rests with our boards.”

Mr. Walker said he had shifted the Ford Foundation’s focus to fight inequality, and it has been asking recipients to report on metrics that signal how committed they are to social change.

Another tactic is asking funders to end their practice of being colorblind in their giving, said Fred Blackwell, chief executive of the San Francisco Foundation. The practice was well intentioned but has excluded racial factors that are important to making funding decisions, he said.

“Just to say that ‘We don’t see it’ doesn’t produce the outcome you’re looking for,” he said. “It’s important to see it.”