

Philanthropy & Funding

Overcoming the Racial Bias in Philanthropic Funding

Racial bias—both personal and institutional, conscious and unconscious—creeps into all parts of the philanthropic and grantmaking process. The result is that nonprofit organizations led by people of color receive less money than those led by whites, and philanthropy ends up reinforcing the very social ills it says it is trying to overcome.

By Cheryl Dorsey, Peter Kim, Cora Daniels, Lyell Sakaue & Britt Savage | May 4, 2020



(Photo by iStock/Dmitrii_Guzhanin)

A Native American-led nonprofit organization was recently up for a grant renewal. Its CEO had hoped the process would be routine. After all, his organization had been a grantee of the foundation for 25 years and part of the program officer’s portfolio for almost eight years. Yet he still found himself having to defend his organization’s approach and its demonstrated success.

Meanwhile, one of the CEO’s white peers ran into the same program officer in a bar after a conference and sketched out a three-year project plan on the back of a napkin. The white CEO secured funding in three

months. The Native American CEO’s turnaround time? Eighteen months.

“That kind of privilege, that access, that trust—it’s pretty powerful, and awful,” says Mike Roberts, the Native American CEO in the story. “And that disparity is just what happened to us recently. I have similar stories for nearly every grant we go for.”

Roberts is the CEO of First Nations Development Institute, a 40-year-old organization that works to strengthen economic conditions in Native American communities through direct programming as well as grantmaking to grassroots organizations. First Nations has received a four-star rating from Charity Navigator eight years in a row, a distinction held by only 4 percent of the nonprofits in the nation.

Many foundations have recognized, if belatedly, the inequities Roberts has experienced, and are having frank conversations about race and access. A realization is beginning to take hold that broad change cannot happen without understanding the role that race and racism play in the problems that philanthropists are working to solve. Some funders are incorporating diversity, equity, and inclusion (DEI) statements in their philanthropic processes. Some are hosting anti-oppression staff trainings. Others are convening leaders of color from the community. And yet, inequities persist across the sector.

The systemic nature of the problem prompted Echoing Green and The Bridgespan Group to team up to research the depth of racial inequities in philanthropic funding. As intermediaries, we work with organizations that are often at distinctly different points in their development, giving us a broad view of the sector. Echoing Green is a nonprofit dedicated to supporting emerging leaders and their early-stage organizations and provides seed funding and leadership development through its annual fellowship program. Since its founding in 1987, it has supported 832 fellows. Bridgespan is a global nonprofit that advises organizations and philanthropists. The troubling inequities we both continue to see in our work reflects the extent to which the sector is suffering.

Take Echoing Green's applicant pool, which includes many of the sector's most promising early-stage leaders and organizations. Looking just at its highest qualified applicants (those who progressed to its semifinalist stage and beyond), our research found that on average the revenues of the black-led organizations are 24 percent smaller than the revenues of their white-led counterparts.

When it comes to the holy grail of financial support—unrestricted funding—the picture is even bleaker. The unrestricted net assets of the black-led organizations are 76 percent smaller than their white-led counterparts. The stark disparity in unrestricted assets is particularly startling, as such funding often represents a proxy for trust.

Disparities by the race of the leader repeatedly persist even when taking into account factors like issue area and education levels, and intersect with gender disparities as well. For example, among organizations in Echoing Green's Black Male Achievement fellowship, which focuses on improving the life outcomes of black men and boys in the United States, the revenues of the black-led organizations are 45 percent smaller than those of the white-led organizations, and the unrestricted net assets of the black-led organizations are a whopping 91 percent smaller than the white-led organizations—despite focusing on the same work.

Similar racial disparities appear in Echoing Green's applicant pool between leaders with the same education levels, and the black women leaders consistently received less financial support than either the black men or white women.

These inequities are neither new nor limited to Echoing Green. Organizations led by people of color have been sounding the alarm about these disparities for quite a while. According to the Building Movement Project's *Race to Lead report*, leaders of color, on average, have smaller budgets to work with and are more likely to report they lack access to (and face challenges securing) financial support from a variety of funding sources than white leaders.

For example, 72 percent of leaders of color had board members who did not raise money compared to 64 percent of white leaders, 63 percent of leaders of color reported they lack access to individual donors compared to 49 percent of white leaders, and 51 percent of leaders of color lack access to foundations versus 41 percent of white leaders.

"I call it a philanthropic justice issue," says Edgar Villanueva, vice president of programs and advocacy at the Schott Foundation for Public Education and author of the book *Decolonizing Wealth*. "Despite all of the talk of diversity, equity, and inclusion, and the headway that has been made at foundations, when you look at who is getting money we still have a major injustice. When you think of the billions of dollars going out every year and the small percentage going to communities of color and leaders of color, it's actually really unjust. And I think the philanthropic sector should see that as a major failure on our part."

Inadvertent Contributions to Racial Inequities

Bridgespan and Echoing Green cannot expect the sector to work honestly to address racial inequities without claiming responsibility for the roles our organizations have played in helping to create the current reality.

For Echoing Green, we consider our own responsibilities as an early-stage funder. We continue to help leaders of color get their organizations off the ground even though we know how difficult it will be for many of them, given the barriers they face, to continue to maintain support from the funding community as they try to grow.

Of the many lessons that we continue to learn from our fellows, one is that we cannot represent an Echoing Green Fellowship as being the “great equalizer.” Being transparent about that funding reality is a moral choice point for us, especially as we witness the acute challenges experienced by our fellows of color whose work centers on racial justice. Our enthusiasm for their paths as lifelong leaders of social movements will not dismantle the barriers they face even though they have completed the hard work of earning a fellowship.

We’ve learned how crucial it is to explicitly acknowledge that we still operate in a system of inequity, making the road ahead difficult to traverse for some of our fellows. Resolving to be more honest also allows us to design our programmatic interventions in the context of this challenging reality, not despite it.

For Bridgespan, we, admittedly, have not been on our racial equity journey as long as Echoing Green or other leading voices on racial bias in funding. Our own focus on rigorous measurement has led those we advise to overlook the potential of organizations who don’t fit the narrow definition of “good” such measures create. Those definitions can rely too much on looking back on “what worked” (often offered by a predictable few) rather than moving forward by embracing approaches, ideas, and solutions proposed by a wider tent of voices.

Bridgespan has also enthusiastically promoted philanthropic big bets (philanthropic commitments of \$10 million or more to organizations or initiatives), often without acknowledging how such an approach can contribute to and exacerbate racial inequities if not pursued with an explicit eye toward equity and inclusion. Typically, organizations that are able to garner the attention needed to attract these grants are large and relatively well-funded. Additionally, the higher stakes donors perceive when making big bets can push them to lean on “tried and true” processes and systems that are plagued with bias.

Race-Based Barriers to Funding

Many people in the nonprofit sector already know racial disparities matter. Indeed, philanthropy is increasingly acting on the belief that a less diverse sector in terms of people, organizations, and ideas jeopardizes the overall impact of the entire sector. Consider that while **only 25 percent of family foundations** use formal diversity, equity, and inclusion (DEI) goals or strategies to guide their giving, DEI considerations are significantly more common in family foundations formed in the past 10 years.

This growing awareness that equity and inclusion are needed, however, isn't sufficient to close the racial gaps that exist. For change to take place awareness has to lead to deliberate action. Admittedly, the structural discrimination that plagues our society took lifetimes to build and will take lifetimes to chip away. Still, what specifically is holding the sector back from realizing a more racially equitable reality? What do we need to be doing differently so that the reality better matches our intentions and hopes?

To find answers to these questions we conducted interviews with more than 50 sector leaders, including nonprofit executives of color, philanthropic staff, and people working to address this issue. In a sign of how sensitive discussions about racial inequity and funding can be, the vast majority of leaders of color we talked to during our research would do so only if they could remain anonymous.

Nonprofit executives in general worry that they might lose funding if they speak candidly about donor behavior. But when talking to leaders of color, the fear was amplified. At least one leader paused the interview to double check that we were not recording our call, and others made sure to remind us afterwards that their experiences could not be published. The fear is a sign of how tenuous leaders of color feel their funding relationships are. We honored those requests and did not include their names in this article.

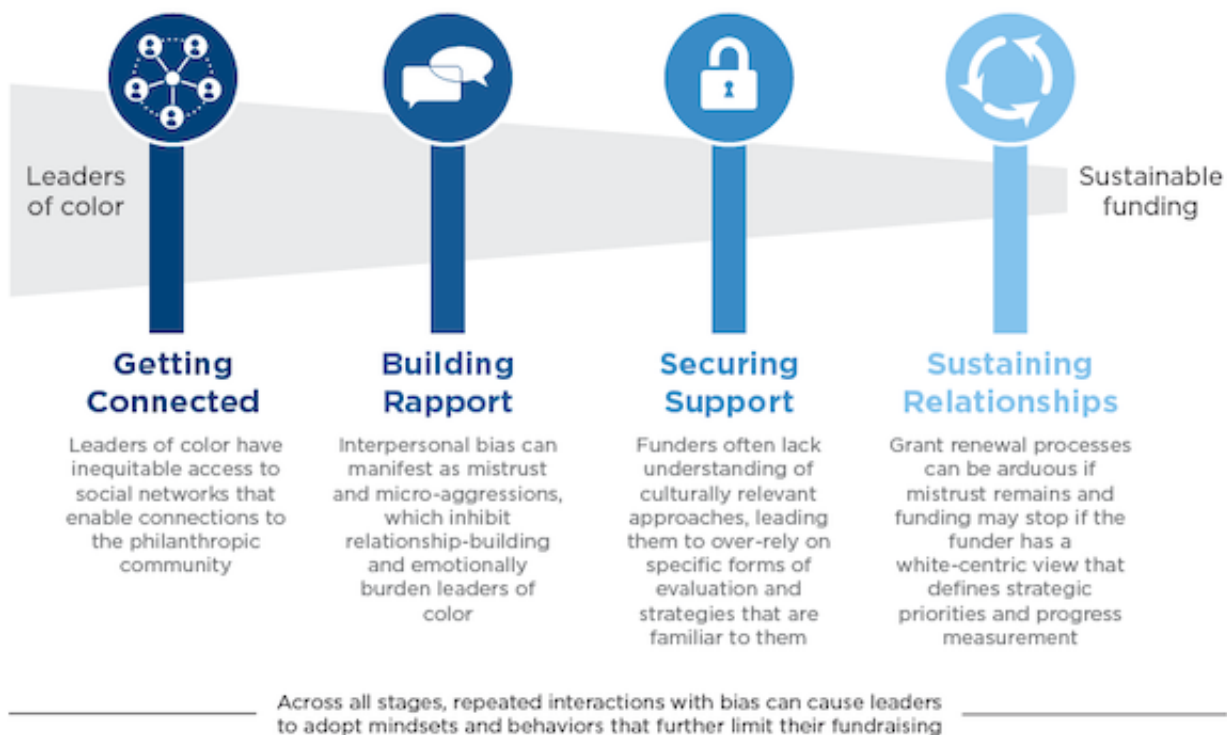
During these conversations we found again and again that leaders of color are consistently hitting four barriers with their fundraising. These barriers represent ways that unconscious bias can work its way into institutional processes and be internalized by philanthropic professionals. It's unintentional, for the most part, but pernicious nonetheless.

We then traced funder norms that may inadvertently fuel the barriers. Such a mirror is necessary because these norms undermine a funder's best intentions to achieve equity. In our conversations

and subsequent research we also identified ways to help break down the barriers.

Here are the four barriers:

Four Key Barriers to Capital



Source: The Bridgespan Group

Barrier One: Getting Connected

Leaders of color have inequitable access to social networks that enable connections to the philanthropic community.

When funders say: “Leaders of color aren’t coming to us for funding, so it feels like there’s a pipeline problem. But maybe we just aren’t connecting with the right people.”

Leaders of color experience: The world of philanthropy is built on relationships—who you know, and who knows you, matters. The ease in which trust and relationships are built travels quite differently across lines of difference, particularly race. Too often, leaders of color are excluded from both formal field events like convenings and informal gatherings.

Our social networks play a major role in excluding some groups of people. **Currently**, 92 percent of US foundation presidents are white, 83 percent of other full-time executive staff are white, and 68

percent of program officers are white. According to the [American Values Survey](#), 75 percent of whites have entirely white social networks. This lack of access—in essence, the absence of the “friend-of-a-friend” privilege—can have lasting repercussions for leaders of color and the survival and growth of their organizations. “I only get to the tables I forge for myself, which very well might not be those that write half-million dollar checks,” says a leader of color.

What funders can do: Diversifying sourcing pools is one way to move toward a more racially diverse portfolio of grantees. Take one common sourcing channel: recommendations from peers. **Research** has found that the majority of foundations view their peers as a trusted source for attaining knowledge to influence their philanthropic practices. While sometimes that knowledge may help with diversifying a portfolio, more often it creates an echo chamber that influences the flow of capital to a small number of organizations and leaders that already have access to the funders’ networks.

Funders can examine and diversify their sourcing channels by reaching out to racial equity experts, scanning conference attendees, and using resources created by equity efforts like CHANGE Philanthropy. Does a given sourcing method prioritize DEI? Have certain channels given rise to a more racially diverse pool than others? Are filters applied (like budget size) that would disproportionately exclude organizations led by people of color? If a sourcing pool does not meet a threshold of racially diverse leaders, consider not accepting it or conducting proactive outreach to further diversify it.

One foundation program officer who is trying to remedy this problem jokingly calls her efforts “subversive philanthropy.” She spends a great deal of time researching organizations and making cold-calls to their executive directors, especially smaller and newer community-based nonprofits which do not typically have access to the bigger foundations in her region. “I am on my own personal crusade,” she says. “For better or worse, funders follow other funders. So whenever we give to an organization’s reserve or whenever I cold-call an organization, I share that information with other funders. I am hoping those grant decisions spread.”

Barrier Two: Building Rapport

Interpersonal bias can manifest as mistrust and microaggressions, which inhibit relationship-building and emotionally burden leaders of color.

When funders say: “I’m pretty conscious about trying to treat everyone the same. But I’m having

trouble connecting more personally with leaders of color.”

Leaders of color experience: Given the inherent imbalance of power between funders and grantees, funders often impose their cultural norms (purposefully or not) upon grantees. It is a form of unconscious bias that can complicate relationships with leaders of color because of the dynamics of race, and lead to what is called “othering.”

Bias is a fact of life. It is not just the kind of we-know-it-when-we-see-it outright racism committed by *other* people. Rather, unconscious bias can seep into our lives from everywhere, even among people with good intentions. Such interpersonal bias, even when unconscious, can manifest as mistrust or microaggressions and stymie or corrode relationships.

The constant struggle to build relationships under these difficult conditions can leave mental and emotional scars on leaders of color. “You are treated like a peasant,” says one. “It has been very painful for me. Circles are small, so you keep running into funders who have made you feel this way over and over again.” Female leaders of color we spoke to added that in these situations it can be difficult to interpret which “isms” are at play (racism, sexism, or both), a reminder that the experiences of the intertwined identities of race and gender should not be underestimated or overlooked.

What funders can do: Dismantling unconscious bias takes deliberate work, learning, and honest reflection. “One of the reasons we don’t see enough equity in funding is the biases that people bring to the work,” says Fred Ali, CEO of the Weingart Foundation. “Whether we know it or not, there are bias ingrained into our assumptions, systems, and practices that can perpetuate inequities if we don’t actively do the work to overcome them.” Such work is an ongoing journey that needs constant attention rather than something that can be checked off and done. That is because issues of race and identity are deeply personal and constantly evolving.

Understanding, respecting, and valuing difference and the voices of others requires one to listen, not just talk. We each have to own the work of uncovering and addressing our own bias and proactively meet people where they are rather than expecting them to always come to us. Ultimately breaking down this barrier requires a funding community willing to embrace humility.

The [Trust-Based Philanthropy Project](#), a five-year peer-to-peer funder initiative, includes a growing number of foundations committed to reimagining funder-grantee relationships. It works to establish

trust and topple power imbalances by centering these relationships on humility, equity, and transparency. The Project's guiding principles offer foundations several ways to do this, including giving grantees multiyear unrestricted funding, soliciting and acting on grantee feedback, and offering responsive and adaptive non-monetary support.

Pia Infante, co-executive director of The Whitman Institute from which the Project sprung, explains, "The future of philanthropy requires more humility and more solidarity. Funders are ultimately accountable to the communities our democracy is failing."

To combat implicit bias Echoing Green has moved to a blind reading of its application pool (removing key demographic information) and implemented implicit bias training for the judges on its fellowship interview panels. On finalist interview day, alumni fellows serve as the lead judge. Recognizing that bias can still creep in no matter the safeguards, Echoing Green also monitors the racial breakdown of its pool at key points throughout the selection process. Over the past five years 74 percent of US-based Echoing Green Fellows self-identified as a person of color.

Barrier Three: Securing Support

Funders often lack understanding of culturally relevant approaches, leading them to over-rely on specific forms of evaluation and strategies that are familiar to them.

When funders say: "I'd like to fund solutions generated by communities of color, but they don't have sufficient evidence of effectiveness or capacity to execute. And many of the approaches just seem too broad and are trying to do too much."

Leaders of color experience: It's a vicious cycle: It takes funding to build capacity and to measure effectiveness, yet being strong on these dimensions is a common precondition for securing funding. Several leaders of color argued that "lack of capacity" and "lack of evidence" are often code words used by funders to justify a decision not to invest. A sober look at root causes would recognize that historic underfunding in their organizations and communities of color more broadly are more often the culprit.

Additionally, funders often rely on their own understanding of "what works" to gauge promise. But background and lived experience inform how any leader works and the solutions they may employ regardless of the issue. Not surprisingly, leaders of color may draw on their cultural background to

develop innovative approaches, especially in addressing issues that affect their own community.

The **Race to Lead** report found that nearly half of executive directors and CEOs of color lead identity-based organizations focused on people of color. If a funder does not have authentic relationships within communities of color and a deep understanding of the issues facing these communities, such culturally relevant approaches may not resonate, causing them to over-rely on strategies or approaches that they are more familiar with but may not be appropriate.

What funders can do: Ultimately creating a portfolio with a more diverse set of grantees will require a rethinking of assumptions on the part of funders of what is worth funding and where solutions are found. For instance, many funders now rely on baseline criteria for the size of the organization they are willing to fund. This practice has created an almost invisible class of organizations that are constantly dismissed for being “too small to fund.” This thinking hurts leaders of color because, on average, they **lead smaller organizations**. It also ignores the historic underinvestment in these organizations and their leaders.

Additionally, funders can prioritize proximity more—valuing the organizations and leaders closest to the issues that are being addressed. Social justice advocate Bryan Stevenson has long advocated that the key to becoming change agents is to “get proximate.” The knowledge and understanding of issues that comes from a leader being from the community is an invaluable asset that can make an organization and its approach distinctive and effective.

In their *Stanford Social Innovation Review* article “**Shifting Philanthropy from Charity to Justice**,” Dorian O. Burton and Brian C.B. Barnes build on Stevenson’s concept to urge grantmakers to “move past the zero-contact grant application process and the feel-good stories of ‘giving without seeing’ often told at homogenous cocktail hours, and strive to get to their boots on the ground, where they can clearly identify how current systems—and in some cases their own practices—are perpetuating injustices.”

A good example of valuing proximate leadership is the Ford Foundation’s **Building Institutions and Networks** (BUILD) initiative, a \$1 billion five-year investment in social justice organizations focused on reducing inequality. The largest in the BUILD cohort has a budget of \$200 million while the smallest \$200,000. The idea behind BUILD is to not only give larger, longer, more flexible grants but also to allow grantees to determine how to spend the funding.

Barrier Four: Sustaining Relationships

Grant renewal processes can be arduous if mistrust remains and funding may stop if the funder has a white-centric view of what is a strategic priority and how to measure progress.

When funders say: “The organization didn’t meet the targets we set for them and didn’t give us a heads up.”

Leaders of color experience: Even when a nonprofit has secured a grant, maintaining a relationship with the funder can continue to be tough. We found that the renewal process can be particularly difficult for leaders of color, as Mike Roberts of First Nations experienced. It is a sign that mistrust often lingers. Strains are particularly bound to develop if the funder and leader are not aligned on how to measure progress or what constitutes a strategic priority (e.g., funders with a narrow focus on specific metrics or definition of program areas that are not aligned with community experience and needs). “If they trusted me they would treat me like a partner,” says one leader of color.

What funders can do: Treating your grantees of color as partners will help empower them to do their best work. Given the inherent power imbalance between those who have money and those who are asking for money, it can be difficult to build a reciprocal relationship. But it is a goal worth working towards.

Part of creating that partnership involves establishing shared goals. For funders, this does not mean ensuring that your grantees sign on to your goals but instead listening more to the goals of your grantees and figuring out how to support them. When it comes to measurement and reporting, a common pitfall is placing unrealistic reporting demands on grantees that are more aligned with the funder’s oversight preferences than the grantee’s learning and improvement needs. Make sure your metrics are important to your grantees and not just to you. And if your grantees are not meeting targets, ask questions to understand why. Be clear about your expectations and give feedback with time to resolve it.

To create true partnerships with grantees it is important to understand the communities your grantees serve and the issues that they are working to solve. This goes beyond site visits and often requires funders to get out of their comfort zone. For some that may mean attending community meetings—not as a funder but as an observer. For others it could mean encouraging honest feedback

from grantees and valuing their candor.

The Wrong Kind of Impact

The fallout of these four barriers is pronounced. Across [Echoing Green's 2019 applicant pool](#) alone, looking only at applications from the United States, the disparities add up to at least \$20 million racial funding gap between black-led and white-led early-stage organizations. The 492 organizations led by black applicants raised \$40 million overall, compared to \$61 million raised by the 396 organizations led by white applications.

The disparities continue as organizations attempt to scale. According to New Profit, during the mezzanine stage, black and Latinx leaders receive only about 4 percent of funding although they make up approximately 10 percent of nonprofit leaders. In the later stages of funding the pattern continues. Of the total number of [big bets](#) for social change documented between 2010 and 2014, only 11 percent went to organizations led by people of color. And one organization, The Harlem Children's Zone, accounted for about one-third of those bets.

The personal repercussions of these barriers can be devastating. We heard repeatedly during our interviews that the trauma brought on by these barriers and inequities pushes many leaders of color to consider leaving the social sector. We even spoke to one respected up-and-comer who left the nonprofit world rather than accept the promotion to the leadership role of her organization because as a black woman she did not want the weight of being responsible for fundraising to rest on her shoulders.

Vu Le until recently was the executive director of Rainier Valley Corps, a nonprofit that promotes social justice by developing leaders of color. He also writes the popular blog *Nonprofit AF* which explores issues of race and inequity in the nonprofit world. He has called this loss of leaders of color an “urgent issue” for the sector. Despite a positive relationship with his board and team, Le recently left Rainier after 12 years because he needed a break.

Burnout is common among all nonprofit leaders, with fundraising taking a significant toll. But for leaders of color the additional weight of race—whether it is dealing with cultural ignorance, microaggressions, or flat out racism—can make things significantly worse. “It builds up like toxins in our bodies and takes an emotional, and psychological and sometimes physical toll,” [Le writes](#). “It’s tiring and demoralizing to never get enough funds to fully implement solutions we know from lived-

experience would work, while our white colleagues get ten times the funds we had asked for to implement ideas we know would fail because, while well-meaning, they have no understanding of our relationships with the communities they're trying to serve.”

We found that leaders often adopt a set of strategies in response to repeated interactions with bias from the funding community, and that some of these responses can undermine their long-term success. For example, some leaders avoid certain funders, others ask for less funding, and many become increasingly hesitant to push back or disagree with funders as the stakes are too high.

This collection of responses become almost a barrier unto itself—call it an invisible fifth barrier. “Philanthropy has a way of silencing people of color,” says one leader of color. “Funders might not think that is what is happening, but if my vision doesn't align with theirs, even if we go back and forth, at the end of the day the person who gets the last word is not me.”

A Path Forward

Some white foundation leaders and philanthropists who are aware of the impact that racism has in the social sector, operate on the assumption that: “If I am not contributing to the problem then I've done enough.” But passivity and silence is part of the problem. Ibram X. Kendi plays with this concept in his book, *How to Be an Antiracist*. It is not enough to be “not a racist,” he argues, you must also expose and eradicate racism wherever you encounter it. In this reframing there is no such thing as a nonracist, only racists (those who allow racism to proliferate) and antiracists (those who fight it wherever it is found).

It is powerful to pair this idea with the work of social psychologist Phillip Atiba Goff who heads the Center for Policing Equity (CPE), which helps police departments use data to change discriminatory behavior. CPE recently received a large grant from The Audacious Project, a funder collaborative which Bridgespan advises and is housed at TED. Goff's research explores ways in which racial prejudice is not necessarily a precondition to racial discrimination. He challenges our most common definition of racism which sees racist behaviors as the products of “contaminated hearts and minds.”

For Goff this focus is misplaced. A definition that “cares about the intentions of the abusers more than the harms of the abused” is inherently racist, he argues. Instead, Goff wants a shift from attitudes to behaviors. “If we change the definition of racism from attitudes to behaviors, we transform the problem from impossible to solvable—because you can measure behaviors,” he said in

his 2019 Ted Talk.

Still, we admit, creating racially equitable funding flows is hard work. The everyday obstacles and challenges that philanthropic staff face can be significant. One of the takeaways from Goff and Kendi is how commonplace racial discrimination can be regardless of intentions. It speaks to the point made by Weingart Foundation CEO Fred Ali about how bias seeps in everywhere in the work.

The challenge can be daunting, even for those with the best intentions. Still, let's not forget the dozens of leaders of color during this research who shared their stories of struggle. Despite the risks, they allowed themselves to be vulnerable and shared their pain, frustration, fear, and worries. They have also succeeded despite the barriers they faced. In that sense these are also stories of tremendous dedication, perseverance, and individual strength. And that is something to take inspiration from and hopefully motivates all of us to be better.

Which brings us back to the question of why racial inequity in funding matters. Yes, racial disparities in funding cripple impact. But such disparities also matter because without taking active antiracist measures to ensure equity in funding for the entire social sector, philanthropists inadvertently contribute to inequities in society.

Villanueva calls it a classic “both-and” scenario urging: “Do your learning, do your work, change your policies, procedures, practices to begin supporting leaders of color *and* look for those opportunities to move money now. Sometimes philanthropy gets paralyzed by its obsession with being an expert on everything, that it stalls money getting to communities. So by all means learn, but learn by funding.”

Now it is up to each of us to decide if we want to be part of the problem or part of the solution. Funding more organizations led by people of color and increasing funding for those already in your portfolio are parts of the solution.

The authors thank Bridgespan colleagues Jeff Bradach and Austin Valido and Echoing Green colleagues Liza Mueller and Ben Beers for their contributions.



Cheryl Dorsey is the president of Echoing Green. Prior to taking lead of the organization in 2002 she was a social entrepreneur herself receiving an Echoing Green Fellowship in 1992 to help launch a community-based mobile health unit in Boston. She has also served in two presidential administrations.



Peter Kim is a partner at The Bridgespan Group. He co-leads the firm's racial equity strategy, focusing on integrating racial equity more fully into its approach to serving clients.



Cora Daniels is an editorial director at The Bridgespan Group.



Lyell Sakaue is a manager in the philanthropy practice at The Bridgespan Group.



Britt Savage is a consultant in the philanthropy practice of The Bridgespan Group.

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