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

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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.