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Executive Summary

THE IMPACT OF DIVERSITY

Understanding How
Nonprofit Board Diversity
Affects Philanthropy,
Leadership, and Board
Engagement

February 2018



The desirability and appropriateness of nonprofit board diversity has long been recognized. What is less understood is the impact diversity has on a board's engagement and outcomes. This report considers that impact and the factors that contribute to it.

EXECUTIVE SUMMARY

Diversity on nonprofit boards in the United States has been widely studied. A great deal of research has focused on this area, exploring topics such as the level of diversity, the motivations for increased diversity, and the benefits diversity seems to deliver.

Despite such research, little is known about how increasing the diversity on nonprofit boards affects board engagement and impact. This study addresses this gap by answering two questions:

WHICH ORGANIZATIONAL ATTRIBUTES CORRELATE WITH BOARD DIVERSITY?

The goal of this question is to provide a better understanding of the landscape of nonprofit board diversity.

HOW IS BOARD DIVERSITY RELATED TO ORGANIZATIONAL ACTION?

The goal of this question is to examine the relationship between board diversity and board outcomes, which we assessed by looking at board member engagement, fundraising engagement, and advocacy engagement.

To examine this topic, the research team worked in two phases. For the first phase, we conducted an empirical analysis of the dataset from BoardSource's *Leading with Intent: 2017 National Index of Nonprofit Board Practice* (LWI) and also included information from Forms 990 and the Indiana University Lilly Family School of Philanthropy's Million Dollar List. For the second phase of the research, we used case studies to delve more deeply into the findings from Phase One.

A key to the research was measuring board engagement, which we accomplished by focusing on three outcomes: board member engagement, fundraising engagement, and advocacy engagement. These were measured by the responses nonprofit organization CEOs gave to relevant quantitative and qualitative questions.

This study does not provide any simple guidelines for how organizations can quickly increase their boards' diversity or engagement, but it does offer interesting insights into the relationships between diversity and the work of nonprofit boards. In addition, case studies provide examples of organizations that are actively wrestling with issues of diversity and how these issues contribute to engagement.



AN IMBALANCE

Demographic diversity in the United States continues to increase—it's anticipated that Hispanic and Asian-American populations will double by the year 2060 and the African-American population will rise from 13.1 percent of the population in 2012 to 14.7 percent in 2060. Meanwhile, women's economic power and educational achievements continue to rise. While gender diversity on nonprofit boards is improving, many seem to remain primarily white, older, and have more male than female board members.

WHICH ATTRIBUTES ARE LINKED TO DIVERSITY?

We asked our first question in an effort to better understand the landscape of nonprofit board diversity by gaining insight into how organizational characteristics (i.e., its age, revenue level, or area of focus) might be linked to the diversity (i.e., the race, ethnicity, gender, and age) of its board members. This line of inquiry did deliver some insights—most notably that older organizations and organizations with higher revenues tend to have less-diverse boards holding other factors constant when compared to newer nonprofits and nonprofits with lower revenues, respectively.

At the same time, the study found that an organization's area of focus—its subsector within the nonprofit universe—is also related to board diversity. For example, nonprofits that focus on education tend to have higher percentages of African-American board members.

HOW DOES DIVERSITY RELATE TO ORGANIZATIONAL ACTION?

At the highest level, the question “How is board diversity related to organizational action?” can be answered quite simply: “In a lot of ways.” However, if we focus on specific measures of action— board member engagement, fundraising engagement, and advocacy engagement—we see that the answer is more complex.

BOARD MEMBER ENGAGEMENT

Only one organizational characteristic was associated with higher board member engagement: the age of the organization. Specifically, older organizations tend to have more involved boards. In particular, boards of organizations founded prior to 1900 were significantly more likely to be rated as highly involved by their CEOs.

Meanwhile, gender and age diversity do seem to play a role in board member engagement. For example, boards with higher percentages of women tend to be more engaged in overseeing and governance and have higher commitment and involvement, as do boards with higher percentages of members age 39 or younger.

FUNDRAISING ENGAGEMENT

We find that as older organizations tend to have higher board member engagement in governance, their boards are also more likely to have board members who are more involved in fundraising. In fact, the oldest organizations—especially those founded before 1900—had significantly higher percentages of board members who met with potential donors, asked others for money, and contributed themselves.

According to their CEOs' estimations, boards of arts and culture organizations were consistently more involved with fundraising.

To measure board engagement, we focused on three outcomes: board member engagement, fundraising engagement, and advocacy engagement. We categorized questions from the CEO survey into these three categories (see the full text of all questions in Appendix II), and our analysis explored a number of dependent variables:

- Board member engagement was measured by nonprofit organization CEOs' responses to questions such as whether board members participate in community building and outreach, whether they are engaged in oversight and governing of the organization, and whether they stay on the board for the maximum time allowed.
- Fundraising engagement was measured by CEOs' responses to questions such as whether board members meet with potential donors, whether they ask others for money, whether they personally contribute to the organization, and whether they attend the organization's fundraising events.
- Advocacy engagement was measured by CEOs' responses to questions such as whether board members engage with policymakers, whether they monitor the impact of government policy, and whether they educate policymakers.

Three demographic factors were significantly associated with fundraising efforts.

Gender: Boards with higher percentages of women more actively participated in fundraising and were graded higher by their CEOs for their fundraising performance.

Age: Boards with a higher percentage of members age 39 or younger were more likely to have board members who ask others for donations.

Ethnic and Racial: While there were no significant findings among boards with higher percentages of People of Color overall, boards that have a higher percentage of Asians were rated higher by their CEOs for their fundraising performance.

ADVOCACY ENGAGEMENT

In contrast to board member engagement and fundraising engagement, the study found only one organizational characteristic associated with advocacy engagement: the revenue of the organization. Boards of organizations with revenues of \$5 million and greater were significantly more likely to engage with policymakers, monitor the impact of government policy, and provide information on advocacy activities to policymakers.

Similarly, only one demographic factor was significantly associated with advocacy engagement: gender. Boards with higher percentages of women tended to be more engaged in advocacy activities.

In general, some of the factors that correlate with diversity or engagement, such as the age of an organization or its subsector, cannot be changed. However, as some of the case studies revealed, through focused effort it is possible to drive progress in terms of diversity and board engagement. As we also saw, the simple pursuit of diversity and board impact could result in other areas of growth and progress that deliver rewards in the short- and long-term.

KEY FINDINGS

1. Diversity on nonprofit boards falls short of reflecting the overall diversity of the United States.
2. Older organizations and organizations with higher revenues tend to have less diverse boards.
3. Older organizations tend to have board members who are more involved in overseeing and governance and have higher board member commitment and involvement.
4. Organizations with higher revenues tend to have boards that are more engaged with policymakers and advocacy.
5. Boards with higher percentages of women tend to have more board member engagement, higher fundraising engagement, and higher advocacy engagement.
6. The pursuit of board diversity delivers its own rewards.

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ABOUT THE INDIANA UNIVERSITY LILLY FAMILY SCHOOL OF PHILANTHROPY

The school resides at IUPUI as the largest, most comprehensive, leading academic research institution dedicated to understanding why and how people give. Recognized internationally as a leader in philanthropic education, training and research, the school is dedicated to improving philanthropy to improve the world by educating students and practitioners to be innovative leaders capable of creating positive, lasting change. The school offers a comprehensive approach to philanthropy through its academic and research programs and through The Fund Raising School, The Lake Institute on Faith & Giving, and Women's Philanthropy Institute.

The school's in-house research staff generates new knowledge that increases the understanding of philanthropy and

the nonprofit sector among researchers and scholars, practitioners, donors, and others interested in philanthropic trends. Through the creation and dissemination of scholarly and nationally renowned research, along with conducting privately contracted research, the school's credibility and methodological rigor set the standard for the field.

The school offers instruction on nonprofit best practices around the world and our research has been emulated in Europe and Asia. Organizations come to us for research because the school provides top-quality, rigorous research. Our work includes the Philanthropy Panel study, the largest and longest-running survey of household giving behavior conducted in partnership with the University of Michigan's Panel Study of Income Dynamics. Some of our featured research projects also include Giving USA: The Annual Report on Philanthropy, the Study of High Net Worth Philanthropy, and the Million Dollar List, among others. Recently, the school also has taken on two projects on global philanthropy: the Index of Philanthropic Freedom and the Index of Global Philanthropy and Remittances. The Index of Philanthropic Freedom seeks to measure the enabling environment for philanthropy within a country and across countries around the world. The Index of Global Philanthropy and Remittances aims to provide a comprehensive picture of the financial flows from U.S. and other developed countries, as well as emerging economies, to the developing world, including government aid, private philanthropy, remittances, and private capital flows.

The school has conducted highly specialized studies for leading global companies and organizations including American Express, Bank of America, U.S. Chamber of Commerce, National Collegiate Athletic Association, Eli Lilly and Company, Target, the National Football League, United Way Worldwide, and many others. Regional studies of state and citywide giving, such as Giving in Chicago and Georgia Gives, examine localized philanthropic environments. Our expertise includes knowledge of charitable giving, volunteering, corporate philanthropy, foundation grant making and impact investing, disaster philanthropy, nonprofit management, compensation in the nonprofit sector, and best practices in a variety of philanthropic fields. The school's research has received extensive media coverage with articles appearing, most notably, in the USA Today, Washington Post, Wall Street Journal, Bloomberg, and the Chronicle of Philanthropy.

Please visit our website for more information: <http://philanthropy.iupui.edu/>.

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ABOUT JOHNSON, GROSSNICKLE AND ASSOCIATES

Since 1994, Johnson, Grossnickle and Associates has taken an authentic, strategic approach to provide premier philanthropic consulting services to private colleges, seminaries, independent schools, and large cultural, community and health organizations. Our firm specializes in assisting larger nonprofit groups with capital campaigns, development audits, feasibility studies and general fundraising counsel.

JGA believes in strengthening the field of philanthropy through research and empowering nonprofits to make the world a better place. We know the field of philanthropy continues to evolve and we are part of that evolution. Our consultants are teachers, students, authors, and frequent speakers on the latest techniques and philosophies in the field. We invite you to learn more about our services on our website at www.jgacounsel.com, and we look forward to partnering with you on your philanthropic journey.

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ABOUT BOARDSOURCE

With nearly 30 years of hands-on experience working with nonprofit boards, BoardSource has become the go-to resource for nonprofit organizations. We engage and support a global network of nonprofit leaders and organizations, and offer a wide range of resources to strengthen and support board performance.