



# Inclusive Impact



CONCEPT PAPER

  


## Transforming the Social Sector:

THE OPPORTUNITY  
AND THE NEED FOR ACTION

**NEWPROFIT**





# Inclusive Impact

C O N C E P T P A P E R



As the American folklorist Zora Neale Hurston once said,

**“THERE ARE YEARS THAT ASK QUESTIONS AND YEARS THAT ANSWER.”**

When it comes to race and equity in America, we seem to remain in an endless asking period. With rising inequality, divisive politics, eroding trust, and changing demographics, the questions are more important now than ever, which is why we see more lively dialogue on these topics in media, business, politics, and entertainment.

The same is true in philanthropy, where barrels of ink and millions of conference panel minutes have been spent on diversity, equity, and inclusion (DEI) over the last few years, and for good reason. The social sector lacks diversity of leadership and talent like other sectors, but given that so much of philanthropy’s work to improve society is focused on helping people of color grab a piece of the American Dream, the need for change is even more critical. This pivotal time in the nation’s history provides a narrow window of opportunity for leveraging the diverse voices in our society to influence what a new era of social problem-solving could look like.

New Profit commissioned an independent analysis of the philanthropic capital market<sup>1</sup> in order to better understand the dynamics at play in the social sector around racial/ethnic diversity, particularly from the standpoint of leadership representation for Black and Latino/a/x people<sup>2</sup>.

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<sup>1</sup> Capitalizing Diverse Leaders and Organizations’ analysis was conducted in 2018 by Next Street, a mission-focused consulting firm. The strategic initiative was renamed Inclusive Impact in August 2019. Inclusive Impact is a comprehensive approach to advancing social and economic mobility for all by increasing capital and capacity building for Black, Indigenous, and Latino/a/x leaders.

<sup>2</sup> For the purposes of this research, New Profit focused on analyzing organizations led by Black and Latino/a/x individuals. While New Profit believes it is important to study all types of diversity within leadership, the focus on this type of racial and ethnic diversity enabled deeper analysis of this particular segment. We have since expanded the scope of New Profit’s Inclusive Impact initiative to focus on increasing the flow of capital and capacity building support to Black, Indigenous, and Latino/a/x leaders.

## HOW THE SOCIAL SECTOR OPERATES TODAY

The social sector is severely sub-optimized from an opportunity and impact perspective because we are not unlocking the full range of racially and ethnically diverse talent that exists in our country. As former President Obama said in his 2016 State of the Union, “we are stronger when we field a full team.”<sup>3</sup> If we continue on our current path, we will see the same results – our society will fail to benefit from some of our nation’s most promising innovators who are proximate to the communities we seek to serve, and subsequently, miss out on opportunities to solve some of humanity’s most pressing problems, effectively compete in the global economy, and mend the fraying fabric in so many communities.

The social sector – a complex system consisting of foundations, individual philanthropists, nonprofits, social enterprises, and policy and industry experts – largely operates in a way that concentrates power, agency, influence, and capital among existing leaders who are predominantly white. This dynamic has continued to limit the profound impact leaders of color have in social problem solving and society. **Even while working deeply in diverse communities, many in the social sector struggle with discussing and navigating the issue of racial and ethnic diversity with respect to the sector itself.** At best, some stakeholders across the sector have acknowledged the lack of diversity in leadership, but few have truly owned the problem and taken action.

Despite a number of efforts by organizations and coalitions whose missions include increasing diversity, equity, and inclusion in the sector, **negative DEI outcomes have persisted as a result of the tendency for those in positions of power in the sector to be least proximate to Black and Latino/a/x leaders and communities.**

Compounding the problem, the social sector lacks a built-in accountability mechanism, unlike the private sector. The private sector’s allocation of resources is based on accountability to the public will as expressed through consumer market, and therefore responds to pressure from within it. The behavior of consumers (or “end users”) drives shareholder value. As demographics change in the nation, businesses recognize the need to attract more diverse consumers, and therefore seek ways to understand and market to new communities, often through increasing talent diversity. If

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<sup>3</sup> *The transcript of President Obama’s final State of the Union: What he said, and what it meant.* The Washington Post, 2016.

these efforts are successful, sales go up, increasing shareholder value and reinforcing the approach, thus creating a “closed circuit.” For these reasons, the private sector carefully tracks a great deal of data, and analyzes both its own activity and the public’s response. DEI – in particular diversity – is therefore a closely studied and discussed topic in the private sector. Two-thirds of the 10,000 business leaders surveyed in Deloitte’s 2017 Global Human Capital Trends report cited diversity and inclusion as “important” or “very important” to business.<sup>4</sup>

In the social sector, philanthropy’s allocation of resources is driven by the principals: donors, foundation trustees, and others who determine what they believe is best for the public good. Those stakeholders who control how capital flows in the social sector have historically tended to be an elite, largely white group that does not reflect the diversity of the communities they ultimately aim to serve. The overwhelming majority of **individuals in positions of power are often least proximate to Black and Latino/a/x leaders and communities, and therefore, less familiar with the challenges they face.** Grantee organizations and practitioners are dependent on philanthropic giving, and thus are not able to reflect program or service recipients’ (end-users) views or needs if they are counter to the principals’ perspective. There is no negative impact (equivalent to decreased sales) if philanthropically-supported activity does not respond to the public will. Thus, an “open circuit” exists wherein no genuine feedback loop applies pressure to the allocation of resources in the sector.

**We now have an opportunity to address this disconnect by** committing to changing the way the sector reflects diversity.

## **THE PROBLEM: WHAT WE KNOW TODAY**

While there are a number of studies that demonstrate the contributions and benefits of Black and Latino/a/x leaders in the business arena, a robust data set about diversity in leadership does not exist in the social sector today. **The absence of robust data and research on Black and Latino/a/x leaders is in fact an indicator of the systemic challenges that leaders of color often navigate.** Systems measure what matters to them. The social sector has not typically placed a priority on ensuring diversity among its leaders, so it follows that collecting data and conducting

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<sup>4</sup> *Global Human Capital Trends*. Deloitte, 2017.

research on diversity of leadership largely has not occurred. Thus, the success of a systems change effort is contingent upon our collective commitment to prioritizing DEI, and collecting and tracking data that reveal where we are as a society and progress we make toward our goals.

However, based on the data that is currently available and our own analysis, Black and Latino/a/x leaders are significantly underrepresented at leadership levels of the social sector today:

- Black and Latino/a/x individuals comprise **30% of the United States population**,<sup>5</sup> but only **10% of nonprofit organizations' executive leadership**<sup>6</sup> and **6% of foundations' executive leadership**.<sup>7</sup>
- Additionally, these Black and Latino/a/x leaders are consistently under-invested in, which inhibits their ability to be effective in their roles. **Organizations led by Black and Latino/a/x leaders receive only an estimated 4% of total grants and contributions in the sector today**.<sup>8</sup>
- To capitalize Black and Latino/a/x leaders at levels commensurate with their representation in the sector (i.e., receive 10% of all grants and contributions), **an estimated \$22 billion in additional grants and contributions would be required**.
- We have also found that organizations led by Black and Latino/a/x leaders tend to receive a mix of small dollar, short-term and/or restricted funding allocations, as opposed to larger tranches of more flexible funds, creating **a perpetual disadvantage in their fundraising compared to peers, limiting their capital for growth or experimentation**.<sup>9</sup>

The systemic challenges faced by Black and Latino/a/x leaders have affected even our country's best innovators. Leaders in the social sector require not only financial capital, but also social capital to flourish. Yet stories of the social sector neglecting to provide the right support to high potential Black and Latino/a/x leaders with innovative ideas that are later shown to be effective are abundant. **Such challenges create a reality in which the margin between success and failure**

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<sup>5</sup> US Census. 2016.

<sup>6</sup> Informed by various sources including *Race to Lead: Confronting the Nonprofit Racial Leadership Gap*, *Building Movement Project and 2013 State of Work Report*, D5 Coalition.

<sup>7</sup> *2016 State of the Work*. D5 Coalition, 2016.

<sup>8</sup> *Public Charity Data*. National Center for Charitable Statistics, 2015. GuideStar Diversity Status Data, 2017. Next Street analysis.

<sup>9</sup> *'Capitalizing Diverse Leaders & Organizations'* Interviews & Capital Analysis

## **for Black and Latino/a/x leaders in the social sector is razor thin.**

Many Black and Latino/a/x leaders face multiple barriers when attempting to contribute their talents to transform American society. Becky Crowe, a thought leader previously with Bellwether Education Partners, has noticed a stark difference in the trajectory of organizations led by Black and Latino/a/x leaders and those led by white leaders in the education field. She attributes a large part of this to the limited access to capital that places people of color and women at a disadvantage. She has recounted an instance that highlights the barriers and disparity: “[I observed two grantees] who were both A+ all around – a white man and a woman of color. I saw an exchange where someone gave the man a seven-figure grant after one conversation and a two-page write up, whereas the woman of color had probably invested 60 hours into nurturing the same funding. There is a large opportunity cost for leaders of color to raise money.”<sup>10</sup> As a result, we miss out on identifying and supporting the Black and Latino/a/x leaders who generate the creative solutions to solve our nation’s most pressing issues.

There are many outstanding leaders of color in the social sector and America, and their desire to lead is palpable. In fact, Race to Lead’s 2017 study of 4,385 individuals in the nonprofit field found that people of color (50%) were more likely than white people (40%) to answer definitely or probably yes to the question, “Are you interested in becoming an executive director/CEO (or another top leadership role) of a nonprofit someday?” This same study found that the white respondents and the respondents of color had similar levels of education, training, and experience, confirming the idea that investing in identifying, advancing, and supporting leaders of color does not entail sacrificing quality in the candidate pool. Elevating a larger number of Black and Latino/a/x leaders would increase the visibility of many other social entrepreneurs like John Rice, the founder and CEO of Management Leadership for Tomorrow (MLT), reducing the sense that leaders like him are somehow a rare exception.

## **THE SOLUTION: A CALL TO ACTION**

On race and equity, the questions have been asked; now is the time for the answers. We need a concerted effort among existing leadership throughout the entire sector, leveraging significant

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<sup>10</sup> ‘Capitalizing Diverse Leaders & Organizations’ Interviews & Capital Analysis

resources to bring about change at a systemic scale. The root cause of our DEI challenges lies in a series of conditions, both structural and social, that have prevented us from progressing beyond the status quo. We must develop a new set of actions that brings people together, removes barriers to opportunity for Black and Latino/a/x leaders, and draw on the innovations and creativity of all members of our national community.

By targeting systemic barriers, we will transform the social sector in a way that empowers **Black and Latino/a/x leaders who see the multi-dimensional root causes of issues and respond to these issues with effective products and services that integrate different cultures and perspectives.**<sup>11, 12</sup> For example, the 2017 Unrealized Impact Report sponsored by NewSchools Venture Fund in partnership with others found that organizations in the education field with diverse leadership teams were almost twice as likely to include input from parents and students in their solution design than less-diverse leadership teams.<sup>13</sup> There is little additional quantitative data on the positive impact of Black and Latino/a/x leaders in the social sector, but a growing body of research concludes that private sector companies benefit greatly from diverse leadership; for example, a 2018 McKinsey study found that companies with the most ethnically/culturally diverse leadership teams are 33% more likely to outperform their peers on profitability.<sup>14</sup>

**The pervasive nature of our leadership diversity issue necessitates that players across the social sector collectively enact systems change.** We believe that systems change is possible, but it requires all of us to actively engage in concerted efforts to bring about the necessary change. Dr. Judith Rodin, the former President of the Rockefeller Foundation, shares her view on why we must act now:

*In the last century, philanthropy changed the world in ways many thought never possible. Our capacity to create transformative change has never been greater. We have more resources, more connections, more possibilities than ever before. And by leveraging the explosive capabilities of new technology, we have the power to ensure that diverse voices are included in solving the problems that*

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<sup>11</sup> *The Competitive Advantage of Racial Equity*, FSG & PolicyLink, 2017.

<sup>12</sup> *How Diversity Can Drive Innovation*, Harvard Business Review, 2013.

<sup>13</sup> *Unrealized Impact*, Xiomara Padamsee and Becky Crowe, 2017. Sponsored by NewSchools Venture Fund and the Chan Zuckerberg Initiative, Charles and Lynn Schusterman Family Foundation, Raikes Foundation, and the Walton Family Foundation

<sup>14</sup> *Delivering Through Diversity*, McKinsey, 2018.



*humanity will face over the next 100 years. This is our opportunity, our obligation, our moment, and I have every confidence that together we will rise to meet it.*<sup>15</sup>

Furthermore, consider our shared reality – by 2060, the U.S. will be a plural racial and ethnic society.<sup>16</sup> These demographic shifts are inevitable, and thus we must prepare now for our nation’s next generation of leaders, whose contributions are not only already shaping our collective well-being, but also those of our children and posterity.

## **SYSTEMS CHANGE: UNDERSTANDING THE CONDITIONS THAT HOLD THE PROBLEM IN PLACE**

### **New Profit’s Perspective**

New Profit’s perspective is rooted in a comprehensive independent review designed to help us understand the nature and root causes of the barriers to Black and Latino/a/x leadership and capital supply to those leaders. Building on our own experiences in the sector over the last twenty years, we gathered insights from over 50 social sector players, listened to (and acknowledged) the lived experiences of some of our nation’s most successful leaders of varying backgrounds in the social sector, and reviewed over 30 preexisting reports and publications by organizations deeply engaged in this work.

Our research confirms that **Black and Latino/a/x leaders are drivers of innovation and play a critical role in improving social outcomes.** Our findings also verify what many in the sector already know – Black and Latino/a/x leaders face systemic challenges, which result in pervasive disparities in these leaders receiving the resources they need to thrive in leadership roles – both in the social sector and throughout society. Stakeholders across the sector must partner to change the status quo. While a lack of sufficient data can be used as an excuse to do nothing about a problem or invalidate the lived experiences of people of color, we cannot allow this to remain an impediment. Instead, the current data gap must be a catalyst to change the way the sector operates. We have distilled the data and empirical evidence that exist across the field to inform this endeavor.

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<sup>15</sup> *‘I Never Changed.* Dr. Judith Rodin. Short-firm commissioned by the Rockefeller Foundation: <https://www.rockefellerfoundation.org/blog/world-changed-100-years-philanthropy/>

<sup>16</sup> *10 Demographic Trends Shaping the US and the World.* Pew Research Center, 2017.

## SEVEN BARRIERS HOLDING THIS PROBLEM IN PLACE

We have identified seven barriers that prevent Black and Latino/a/x leaders from fully or easily bringing their innovations and creative solutions to the forefront. These barriers are a result of deep-rooted, historical, and structural factors, much like the way our educational and employment systems have evolved to the detriment of communities of color. Some barriers are explicit and structural, such as processes, procedures, or policies (or the lack thereof), while other barriers are implicit and social, such as an individual's biases and beliefs and how people interact with each other.

### EXPLICIT AND STRUCTURAL BARRIERS

**1. Rigid Programmatic Structures – Most philanthropic institutions make funding decisions based on issue area or sector, with limited flexibility to fund cross-cutting topics.** Black and Latino/a/x leaders are often agents of systemic change, and as a result, create holistic solutions that cut across sectors. Because the work of these leaders does not always fit neatly within programmatic structures, these leaders often do not receive the philanthropic support needed to grow their organizations. A philanthropic leader described this challenge as Black and Latino/a/x leaders presenting square peg solutions, but funders only selecting grantees that fit round holes.

**2. Relationship-based Funding – Funders tend to source grantees through relationships and invite-only funding processes.** Many funders have closed application processes that do not accept unsolicited proposals, and/or develop a herd mentality by funding grantees that are recommended or supported by other funders in their network. Because Black and Latino/a/x leaders do not always have a robust network of funders or professionals who can introduce them to other funders, they often struggle to achieve the same level of familiarity as their peers who are in those networks already. In fact, a study found that 41% of leaders of color reported struggling to find access to funding sources relative to 33% of white leaders, and 31% of leaders of color reported struggling with access to relevant networks versus 21% of white leaders.<sup>17</sup> Consider the work of the Surge Institute, an education leadership accelerator with a mission to

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<sup>17</sup> *Confronting the Nonprofit Racial Leadership Gap*. Race to Lead, 2017.

develop and elevate leaders of color. Surge’s CEO and Founder, Carmita Semaan, made several unsuccessful attempts to secure discretionary funds from a large national foundation. But once a colleague, her former Broad Fellowship cohort member, connected her with the president of the foundation, she was able to be seriously considered, and within four months of the introduction received a significant amount of discretionary funds. Carmita’s experience revealed the barriers many Black and Latino/a/x leaders face in getting in front of key decision-makers, even when their solution is highly promising.<sup>18</sup>

**3. Relationship-based Hiring – Most new hires in the social sector are identified through personal networks rather than formal recruiting channels.** Similar to other fields, the philanthropic and nonprofit sectors struggle to attract and hire diverse talent because they tend to rely on relationship-based hiring approaches, rather than developing recruiting channels with a broader pool of talent. For example, a study of the sector found that over 80% nonprofit staff were found to leverage their own networks for recruiting, which creates a homogenous candidate pool.<sup>19</sup> Moreover, white people, who hold disproportionate leadership positions in the sector, have particularly non-diverse networks. A 2013 research study found that “fully three-quarters (75 percent) of whites have entirely white social networks without any minority presence.”<sup>20</sup> Since white people tend to hire people from their own networks, which are less diverse than others’, philanthropic organizations and nonprofits often fail to tap into Black and Latino/x/a talent. Similar to networks and relationships, wealth is another factor that tends to concentrate along racial/ethnic lines and has been shown to further restrict the pipeline for diverse talent in the social sector. Because social sector organizations tend not to pay as well as the private sector, Black and Latino/a/x leaders who already hold private sector jobs often view transitioning into the sector as a less viable career path compared to their white counterparts. In fact, Race to Lead’s 2017 report found that social/economic class more negatively impacted career advancement for people of color compared to white leaders (22% people of color vs. 8% whites) – among the over 4,000 survey respondents, 31% of people of color respondents identified as working/lower class, versus only 15% of white respondents,<sup>21</sup> a contrast that further exacerbates the relationship-based nature of the sector and hinders its diversity.

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<sup>18</sup> ‘Capitalizing Diverse Leaders & Organizations’ Interviews & Capital Analysis

<sup>19</sup> *The State of Diversity in Nonprofit and Foundation Leadership*. Battalia Winston, 2017.

<sup>20</sup> *The 2013 American Values Survey*. Public Religion Research Institute (PRRI), 2013.

<sup>21</sup> *Confronting the Nonprofit Racial Leadership Gap*. Race to Lead, 2017.

## IMPLICIT AND SOCIAL BARRIERS

**4. Reluctance to Discuss Race and Diversity – There are deep-rooted social norms of avoiding discussions about race, ethnicity, equity, and inclusion.** The social sector is not unique among the broader United States in being reluctant to talk about these issues. However, given the mission orientation of the social sector and its unique role in serving diverse communities, not confronting them has an outsized negative effect. A strong and effective social sector requires racially and economically diverse leadership and it is failing to support proximate Black and Latino/a/x leaders whose innovative solutions are rooted in an understanding of the multi-dimensional root causes of issues facing Black and Latino/a/x communities.

**5. Double Standards Based on Race – There are different funding, hiring, and other standards applied to Black and Latino/a/x leaders versus their white counterparts.** Race to Lead’s study, mentioned earlier, found that Black and Latino/a/x leaders were 2.5X as likely to be expected to represent the voice of and advocate for a specific community than white leaders.<sup>22</sup> There is also empirical evidence that majority-white philanthropic staff sometimes apply a double standard based on race when conducting due diligence on Black and Latino/a/x leaders and making funding decisions. Becky Crowe, an expert mentioned earlier in this paper, states that “When I see the level of diligence and the bets people are making on the number of entrepreneurs, it is very clear that there is a level of trust that is being conferred to white males that is not consistent.”<sup>23</sup>

**6. Sponsorship-Driven Advancement – Promotion and professional development opportunities in the social sector are influenced by the advocacy of sponsors.** Given the small number of Black and Latino/a/x leaders in senior positions in the sector, Black and Latino/a/x leaders often do not have a sufficient network to help them navigate career opportunities and advocate for their promotion. Yscaira Jimenez, the CEO of LaborX, a talent innovation company that improves the employability of underrepresented talent, states that, “as a result of systemic barriers, we do not have a ton of diverse and experienced people, so entry level positions are the typical entry point. Companies need to shift to a sponsorship model – we have to invest more resources, so we can champion people.”<sup>24</sup> Because of the lack of Black and Latino/a/x leadership in senior positions

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<sup>22</sup> *Confronting the Nonprofit Racial Leadership Gap*. Race to Lead, 2017.

<sup>23</sup> ‘*Capitalizing Diverse Leaders & Organizations*’ Interviews & Capital Analysis

<sup>24</sup> ‘*Capitalizing Diverse Leaders & Organizations*’ Interviews & Capital Analysis

and the tendency for people to sponsor those who look like them, Black and Latino/a/x leaders are hampered in their ability to advance within their organizations.

**7. Organizations Influenced by Dominant Cultures – The cultures of philanthropic and nonprofit organizations are often driven by the norms and practices of the dominant race/ethnicity.**

Organizations often have policies and/or longstanding ways of working that are dictated by a white dominant culture that can be unwelcoming to Black and Latino/a/x leaders, deeming them as “other.” That so much organizational culture is deemed to be based on white perspective and experience is no surprise – according to a number of surveys, more than 9 in 10 philanthropic organizations are led by a white person; similarly, 10% of nonprofit executive leadership and 18% of nonprofit employees are Black and Latino/a/x. Only 8% of nonprofit board members are people of color, and 30% of boards lack a single member of color. Finally, 63% of organizations say that diversity is a core value, but the percentage of people of color on nonprofit boards and CEO/ Executive Director roles has not changed significantly in at least 15 years.<sup>25</sup> In many instances, attempts to address these situations focus on the leaders, seeking to find ways to help them adapt to the culture. But this establishes a premise that the challenge is based on a deficit of the leader, rather than recognizing a need to make the organizational culture more inclusive. Aaron Walker, Founder and CEO of Camelback Ventures, which aims to address inequities in entrepreneurship by providing coaching, capital, and connections to underrepresented entrepreneurs, asserts that “racism is the groundwater, and we, the people of color are the fish. Interventions are created with the idea that it is a ‘fish problem’ – with the idea of ‘let’s fix entrepreneurs of color to make them stronger... when we’re still swimming in polluted waters.’ People must reconcile with how they are upholding white supremacy culture through their practices and beliefs.”<sup>26</sup>

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<sup>25</sup> *Confronting the Nonprofit Racial Leadership Gap*. Race to Lead, 2017.

<sup>26</sup> *Capitalizing Diverse Leaders & Organizations* Interviews & Capital Analysis with reflection on the The Groundwater Approach: Building a Practical Understanding of Structural Racism, Racial Equity Institute, 2019.

## WHAT BINDS THESE BARRIERS TOGETHER

**These barriers are exacerbated by a lack of consistent data collection or analysis around diversity, which limits transparency and accountability.** Some foundations and nonprofits have begun to publish their diversity data, but it is not yet a widespread practice. A growing number of organizations have also begun to undertake “diversity and inclusion audits” to review the current state of their organization against common diversity and inclusion metrics and practices. However, few organizations publish the results of these audits. Intermediaries such as GuideStar have tried to spearhead efforts to collect demographic data on nonprofit leaders with limited success. As of December 2017, fewer than 1% of all nonprofit organizations in the U.S. that participate in GuideStar reporting had fully submitted their demographic data. There are over two million nonprofit organizations across the country that have not submitted their race and ethnicity data for their senior staff;<sup>27</sup> the absence of such data illustrates the systemic nature of the problem yet also presents an opportunity to take ownership of the issue and measure what matters.

There is no analogous database with demographic data for the philanthropic sector. Perhaps most significant, there are no available data sources that link demographics to capital supply to understand the distribution of capital among leaders of different races and ethnicities. This lack of public, baseline data on diversity and equity reinforces the systemic issues and prevents private and social sector leaders from both holding organizations accountable and conducting analysis to gain a clear understanding of what solutions are most effective to increase diversity and inclusion and the ultimate impact those solutions have on beneficiaries.

Overcoming these barriers that perpetuate inequity will require a comprehensive, multi-faceted series of actions executed by the entire ecosystem – in short, a systems change approach.<sup>28</sup> **We must not allow discomfort or apprehension about the magnitude of the problem to prevent us from developing and testing solutions that are long overdue for the social sector and our society.**

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<sup>27</sup> GuideStar Diversity Status Data, 2017.

<sup>28</sup> *The Water of Systems Change*. FSG, 2018.

## A SYSTEMS CHANGE SOLUTION: INCLUSIVE IMPACT

New Profit has developed a vision for how the social sector can take action to shift the conditions holding this problem in place and ensure that more Black and Latino/a/x leaders can consistently bring their innovative ideas to the marketplace and scale their impact. Our approach, Inclusive Impact, puts forth a four-pronged solution to shift the dynamics of the sector in a way that more equitably distributes power, agency, influence, and capital. **The sector solution builds on existing efforts taken on by individual organizations and coalitions to create a collective effort toward a shared goal – to address the structural and social barriers that have, for too long, prevented America from benefiting from the talents and innovations of our Black and Latino/a/x leaders.**

We believe the social sector must employ four interconnected strategies, or levers that collectively will result in systems change.

- **Increase the flow of philanthropic capital and capacity building support to Black and Latino/a/x social entrepreneurs:** We need to significantly increase unrestricted, multi-year philanthropic capital for nonprofits led by Black and Latino/a/x leaders. The resource flow must be equitable, flexible, and sufficient to fund nonprofits' operational needs, and allow them to experiment and invest in growth opportunities. Such capital is especially critical for Black and Latino/a/x leaders who often lack the personal funds or access to friends and family funding to invest in launching an organization. A report commissioned by The Philadelphia African American Leadership Forum and funded by United Way surveyed 145 Executive Directors or CEOs of human service-oriented nonprofits in Philadelphia and found that 32% of Black-led organizations have four or more months of cash reserves compared to 57% of white-led organizations.<sup>29</sup> Camelback Ventures is one organization helping to support entrepreneurs of color in this way – Camelback's fellowship offers 'friends and family' stage funding and support. Fellows are encouraged to use this money in a variety of ways, including running a pilot program, hiring an app developer, and committing full-time to their venture – investments that can be difficult to make without sufficient flexible capital. Camelback also helps their fellows make connections with investors during and after the fellowship, further setting these leaders up for opportunities to receive capital to grow their organizations. There is also a

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<sup>29</sup> *How African American-Led Organizations Differ from White-Led Organizations*. Philadelphia African American Leadership Forum, 2016.

need for “build” or “growth” capital, sufficiently flexible and long-term to enable Black and Latino/a/x leaders to expand their enterprises and scale their impact. Leaders of color seem to be concentrated in smaller nonprofit organizations, and the barriers mentioned above are impediments to their breaking through and establishing institutions that serve communities and individuals in large numbers.

- **Develop philanthropic leaders of color:** We must also build leadership in the philanthropic sector that is more representative of, and proximate to the beneficiary populations the sector serves, and sufficiently diverse to ensure a wide range of ideas and solutions are surfaced. This must be done at leadership levels of nonprofit philanthropic institutions and through networks of individual donors. According to data from the Council on Foundations, in 2014 less than 6% of foundation CEOs/Presidents and fewer than 9% of executive staff are Black or Latino/a/x<sup>30</sup> – demonstrating the need to expand our pool of talent and do a better job of supporting Black and Latino/a/x leaders. Organizations like Management Leadership for Tomorrow (MLT), whose CEO John Rice was referenced earlier, are possible responses to this issue. Kevin Donahue, MLT’s Vice President of Capital Growth, states that many “organizations either focus on helping individuals progress through one specific career transition point or they help them transition into the social sector but then provide limited support after the transition – this does not help advance the pipeline.”<sup>31</sup> MLT provides coaching, training, and networking across several career transition points and ensures individuals are supported even after they reach their initial goals. Kevin also asserts that philanthropic organizations must cast a wider net in hiring people for more senior positions who have taken different paths but have the necessary skills for the position.
- **Build social sector diversity, equity, and inclusion (DEI) capacity:** The social sector must commit to creating organizational environments that are inclusive and supportive of Black and Latino/a/x leaders, enabling these leaders to thrive. An inclusive culture is one where all the participants have a high degree of familiarity, or understanding and comfort with, Black and Latino/a/x leaders – fostering an environment in which many different innovative ideas can come to fruition. Success in fostering such an environment takes intentional and sustained effort by many people working together. Teach For America saw the impact of these efforts

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<sup>30</sup> 2016 *State of the Work*. D5 Coalition, 2016.

<sup>31</sup> *Capitalizing Diverse Leaders & Organizations*’ Interviews & Capital Analysis.



in 2014 with 50 percent of the new corps identifying as a person of color. Elisa Villanueva Beard, the current CEO of Teach For America, notes that changes in recruitment, selection, programming, staff training and structures started several years earlier. TFA drew from this work to establish a national advisory board, consisting of TFA alumni of color from across the country who were responsible for influencing and shaping the direction of the DEI strategy given their shared commitment. TFA expects their staff, corps members, and alumni to “build authentic relationships across all lines of differences, enabling multiple pathways to success, and building a culture that celebrates unique contributions and unites people around shared values and common purpose.”<sup>32,33</sup> Efforts like these help expand our society’s definition of innovation, entrepreneurship, and leadership, and reduce the barriers that prevent many from viewing Black and Latino/a/x leaders as worthy investments.

- **Transform how DEI data are collected and analyzed:** We need comprehensive and consistent efforts around demographic data collection and analysis throughout the social sector in order to understand the current state of diversity in the sector and identify the effectiveness of interventions aimed at improving diversity and inclusion capacity. Data collection and analysis may take a variety of forms, both through sector-wide efforts like GuideStar’s existing mechanism and within individual organizations. The DEI Expert Hub by Catalyst:Ed is one valuable mechanism being used to support foundations, nonprofits, and other organization types in the education field to become more diverse, equitable, and inclusive through a range of projects. Their activities for assisting funder organizations include analysis of DEI data to evaluate progress, validation of practices that correlate with desired outcomes, and sharing best practices with others to understand impact on the entire social sector.<sup>34</sup>

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<sup>32</sup> *Capitalizing Diverse Leaders & Organizations’ Interviews & Capital Analysis.*

<sup>33</sup> *Diversity, Equity, and Inclusiveness at the Center of our Mission.* Teach for America website, 2017.

<sup>34</sup> *Project Categories for Foundations.* DEI Expert Hub website, 2018.

## OUR NATION'S MOST IMPORTANT WORK

Our country is at a critical juncture. We must seize the opportunity to field a full team of leaders with diverse experiences and perspectives, whose innovative mindsets and unique skills can ensure the well-being of all members of our society and increase our global competitive edge. A number of longstanding barriers, both explicit and implicit, have prevented us from leveraging the talents of Black and Latino/a/x leaders and applying them to our nation's most pressing problems. **The best way to move the sector forward is to enact a systems change solution that addresses both the systemic and structural barriers and the implicit and social ones that prevent Black and Latino/a/x leaders from contributing their full talents and insights for the benefit of our society.**

New Profit's vision – Inclusive Impact – includes four interrelated components:

- 1. Increase the flow of capital and capacity building support to Black, Indigenous, and Latino/a/x leaders;**
- 2. Develop philanthropic leaders of color to leverage their capabilities and insights;**
- 3. Build capacity of organizations and sector networks to be more diverse, equitable, and inclusive;**
- 4. Expand diversity, equity, inclusion (DEI)-related data collection and analysis**

This vision builds on the work that others have been doing for years, but the time to act and go further is now. We must invest significantly more resources, galvanize existing leaders and engage new ones, expand the emerging capabilities and knowledge, and commit to developing the data and research capabilities required to track our collective progress. Through this systemic shift in the social sector, new and better ideas will be brought to bear on the most enduring and challenging problems faced by communities, increasing prosperity and forging a brighter reality for all.





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