



# **DEI BUSINESS CASE**

Nonprofit Leadership Lab

## HISTORY

Scott Paley and Joan Garry joined forces in the summer of 2012 with a shared commitment to do what they could to build thriving nonprofits. Paley's firm focused on digital marketing to enhance the ability of entities in the social sector to introduce more people to the work through smart digital marketing and website design. Garry was a nonprofit CEO coach and consultant and while looking to grow her consulting practice, had a mission to do what she could to fuel the leadership of the sector.

It was clear from the outset that Scott and Joan's values were aligned. They each believed deeply in the power and importance of the nonprofit sector, that it's like a compass that points us to a more fair, just, inclusive and beautiful world.

The more they learned about the sector, the more they saw 'haves' and 'have nots' - those who could afford coaching and consulting and those who could not. With ⅔ of all nonprofit budgets under \$1mm, Joan and Scott launched *The Nonprofit Leadership Lab* to help level that playing field, scaling expertise at a modest subscription price.

### The Five Year Mark

*The Nonprofit Leadership Lab* has become a successful enterprise. We have illustrated proof of concept that there was an audience and a need and that our content and community have had a tangible impact on members. While we would by any metric be seen as a start up, we are at a place where we are planning for the future growth and sustainability of this business. We see it as a critical time to be strategic and intentional about the kind of impact we strive to have on the sector.

At the five year mark, we are...

- Clearer today about the challenges facing the sector

- Cognizant of the scale of Joan's profile across all her platforms and the leadership mantle that comes with that.
- Recognizing that the Lab's goal of being in a leadership role in the sector comes with both power and responsibility
- Better resourced - human and financial - to think more expansively about the impact we want to have in the world.

## THE CHALLENGES FACING THE SECTOR

*The Nonprofit Leadership Lab* fills two critical gaps for board and staff leaders of nonprofits.

1. Trusted source of resources, expertise and professional development
2. Connection and Peer Support

As we look at these two gaps and as our understanding of the sector has deepened, some deep systemic challenges have become increasingly clear and troubling. In our work, these challenges are impossible for us to ignore.

We understand that *systemic racism* is deeply rooted and has continued to slow down the change in leadership at all levels in the nonprofit sector and that leadership does not accurately reflect the communities they represent.

According to a 2020 survey by Race To Lead<sup>1</sup>, for the third year in a row, 75% of respondents report that their organization's leadership team is majority White.

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<sup>1</sup> *Obstacles and opportunities in addressing the nonprofit racial ...* (n.d.). Retrieved September 8, 2022, from [https://buildingmovement.org/wp-content/uploads/2020/07/RTL\\_Revisited\\_National-Report\\_Final.pdf](https://buildingmovement.org/wp-content/uploads/2020/07/RTL_Revisited_National-Report_Final.pdf)

This lack of representation trend continues across all intersectionalities of identity. 10% of executive directors and 6% of board chairs identify as LGBTQ+, and 9% of executive directors and 6% of board chairs have a disclosed disability, while the average nonprofit board in 2021 is only between 10- 20 percent people of color.<sup>2</sup>

Compare this to the US population as a whole. According to the 2020 Census<sup>3</sup>, only 61.6% of US residents identify as White alone. A 2020 Gallup poll reports that 7.1% of US adults identify as lesbian, gay, bisexual, transgender, or something other than heterosexual. This number increases to roughly 21% if limited to Gen Z, or those born between 1997 and 2003, which means the sector needs to be increasingly prepared to create a sense of inclusion and belonging across gender identities and sexual orientations. Lastly, the Census Bureau also reports that 12.7% of the population have a disability as defined by the Americans with Disabilities Act.

	<b>Nonprofit Sector</b>	<b>US Population</b>
% of non-White representation on boards	10 - 20%	38.4%
% of executive directors who are non-White	21%	38.4%
% of LGBTQ+ executive directors	10%	7.1% (21% of Gen Z)
% of LGBTQ+ board chairs	6%	7.1% (21% of Gen Z)

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<sup>2</sup> Faulk, Lewis, Mirae Kim, Teresa Derrick-Mills, Elizabeth Boris, Laura Tomasko, Nora Hakizimana, Tianyu Chen, Minjung Kim, and Layla Nath. "Nonprofit Trends and Impacts 2021: National Findings on Donation Trends from 2015 through 2020, Diversity and Representation, and First-Year Impacts of the COVID-19 Pandemic." October 2021. Urban Institute. <https://www.urban.org/research/publication/nonprofit-trends-and-impacts-2021>.

<sup>3</sup> [Decennial Census P.L. 94-171 Redistricting Data Summary Files](#)

% of executive directors with disclosed disability	9%	12.7%
% of board chairs with disclosed disability	6%	12.7%

To deliver on our mission to strengthen the nonprofit sector, we must not ignore the huge disparities that the sector has created for diverse leaders and the need to provide them with support. White-run organizations widely experience a “White advantage”: White-run organizations are more likely to have large organizational budgets than those led by Black, Indigenous, People of Color (BIPOC). White-led organizations are more likely to receive foundation funding, more likely to receive corporate grants, more likely to receive unrestricted grants, and more likely to have assets that generate investment income than POC-led organizations. They are also more likely to have applied for a PPP loan in 2020, and more likely to have had it approved.<sup>4</sup>

A 2021 survey of our members indicates that the Nonprofit Leadership Lab's culture is perceived to be dominated by White Female-identifying members and the sense of belonging was high for White Women members and lower for BIPOC and men (regardless of racial identity). These are statistics we cannot ignore. We must provide a safer space for historically marginalized individuals to feel a high sense of belonging while gaining the professional development they seek.

And this is especially true given our mission of connection and peer support. If we don't create an intentional place of belonging and inclusion that elevates and supports

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<sup>4</sup> “Deep Disparities Persist in Finances of Nonprofits Led by White People and People of Color,” Dan Parks, *Chronicle of Philanthropy*, June 8, 2022. Accessed October 30, 2022. URL: <https://www.philanthropy.com/article/deep-disparities-persist-in-finances-of-nonprofits-led-by-white-people-and-people-of-color>

historically marginalized individuals, the Lab will continue to reinforce the disparities in the sector.

## THE UNIQUENESS OF THIS MOMENT

It is impossible to ignore the uniqueness of the times we live in. Today, we are moving from pandemic to endemic. Over 1 million people have been lost to COVID in the U.S. alone<sup>5</sup>. Historically marginalized communities bore the brunt of the tragedy and the nonprofit sector was called upon to make the impossible possible. Our belief is that it was access to smartphones and our lives online that drove a racial awakening and a polarized society that has driven people to expect organizations and enterprises to reflect on their own policies and values and demonstrate that they are willing to do what it takes to walk the walk. Lastly, there is a new generation entering the workforce that has little evidence that institutions are to be trusted<sup>6</sup>, and unfortunately, we believe many institutions are merely paying lip service to diversity, equity, and inclusion (DEI) initiatives, and are not following through.

For example, the Josh Bersin report told a cautionary tale of Coca-Cola, “[Coca-Cola] spent years addressing the issues of racial disparities in leadership and pay (driven by a class action lawsuit for almost \$200 million in 2000) and made major progress pushing diversity,” according to the report. “But despite the commitment from the CEO, the company’s culture

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<https://www.google.com/url?q=https://covid19.who.int/&sa=D&source=docs&ust=1664543604783809&usg=AOvVaw2Jn5DhPypcpUEngmN4wbiN>

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<https://associationsnow.com/2021/07/young-people-dont-trust-institutions-heres-how-your-association-can-break-through-the-trust-barrier/>

did not change, and today Coca-Cola is revisiting its entire 20-year effort to focus on inclusion and behavior change.”<sup>7</sup>

## **Our Motivation Is Clear and Unwavering**

Simply put, our business mission is to help the helpers and fuel their leadership, and thus it demands that we model the leadership we hope to build in them. It will drive the success of the business and enhance our power and influence. It is imperative that we turn that power and influence into meaningful action. It will enable us to build and retain the best team, to care and support leaders from historically marginalized groups, and lead to a more equitable nonprofit sector in which we see a greater number of diverse leaders whose organizations have invested deeply in their success.

A more equitable nonprofit sector will help to ensure that all communities — regardless of their socioeconomic status, cultural background, or other intersectional identities — have equal access to essential services and support. By offering accessible leadership development for all leaders with a passion to help make the world a better place, the Nonprofit Leadership Lab can help to break down the systemic barriers that may be standing in their way.

As a result of this we are wildly clear that a commitment to DEI aligns with our values and will be key to financial performance and we are striving to make the Lab a model for this type of commitment.

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<https://www.hrdiver.com/news/just-going-through-the-motions-employers-fail-to-make-dei-a-business-fun/595293/>

## THE NONPROFIT LEADERSHIP LAB AS A BUSINESS

The data is plentiful and compelling. In their executive summary, McKinsey & Company's May 2020 report, *Diversity Wins, How Inclusion Matters*, states that diverse companies outperform industry peers on profitability and this has increased over time, while the penalties are getting steeper for those lacking diversity.<sup>8</sup> In fact, the study showed that organizations with a commitment to diversity are 25% more likely to be more profitable than their peers and this trend has only strengthened over time.<sup>9</sup>

The profitability of *The Nonprofit Leadership Lab* is largely a function of three key factors:

1. Member Acquisition
2. Member Retention
3. Staff Recruitment and Retention

Looking at DEI efforts through a purely "business" lens, we believe that these efforts can enhance all three of these factors.

### Member Acquisition

A December 2022 survey of 895 active Lab members has shown that 15% identify as non-White (not including those who preferred not to say). While this is more comparable to

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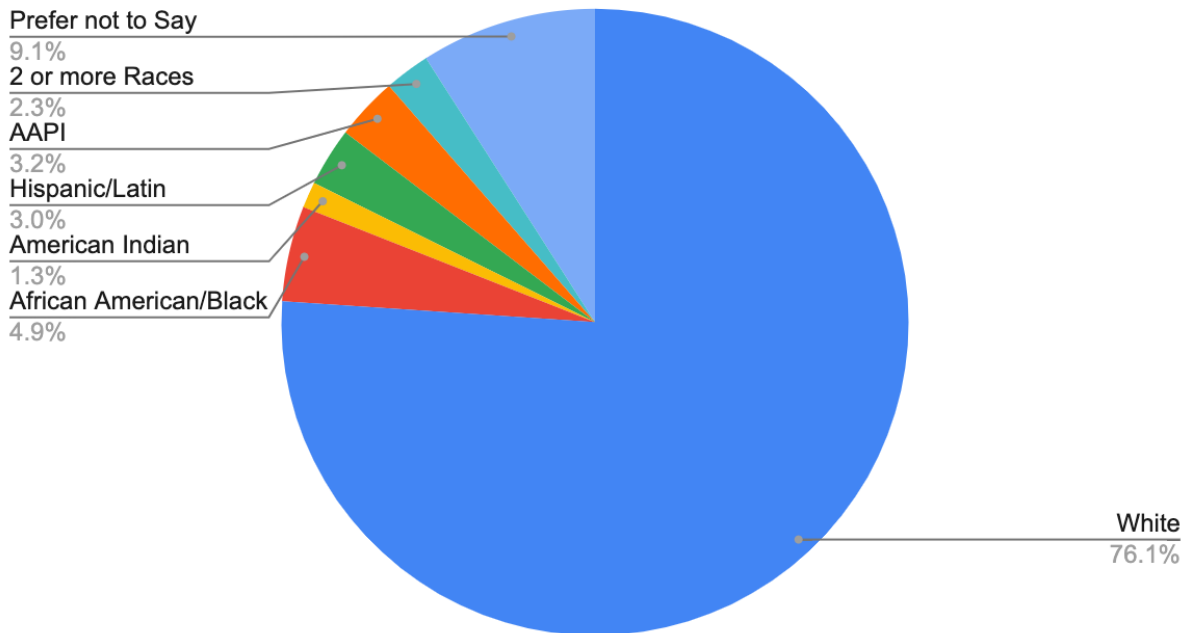
<https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Diversity%20and%20Inclusion/Diversity%20wins%20How%20inclusion%20matters/Diversity-wins-How-inclusion-matters-vF.pdf>

<sup>9</sup>Dixon-Fyle, Sundiatu, et al. "Diversity Wins: How Inclusion Matters." *McKinsey & Company*, McKinsey & Company, 6 Apr. 2022, <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters>



the diversity of the nonprofit sector as a whole, it is significantly less racially diverse than the US population as a whole. We, the Lab and the sector, have a ways to go.

### Lab Membership - Dec 2022



Our society's demographics are shifting dramatically and that shift will continue.

What will our country look like by 2030? The Hispanic population is projected to grow from 18.7% to 21.1% of the population. The proportion of people who identify as Black / African-American, Asian, or multi-racial will also grow, such that White Americans will represent 55.9% of the country by 2030, and are projected to represent under 50% by 2045<sup>10</sup>. Multiracial families make up the fastest growing demographic in the United States.

<sup>10</sup>

<https://www.pbs.org/newshour/nation/3-ways-that-the-u-s-population-will-change-over-the-next-decade>

Approximately 9% of the U.S. population is multiracial, and it is estimated that the numbers will climb to 21% by 2050<sup>11</sup>.

By mid-century, there will be two billion elderly and two billion young people in the world, living and/or working on the same planet—representing one of five races, seven generations, 63 genders, 4,200 religions, over 5,000 cultural ethnicities, and nearly 6,000 languages.<sup>12</sup> As such, in today's and tomorrow's highly intersectional workplace and marketplace, inclusive leadership with a global perspective is non-negotiable.

Nobody in the sector, as far as we can tell, is doing this particularly well. This provides a real long term opportunity for growth over the next decade. If the Lab can become *the* organization that does nonprofit professional development well with a DEI lens, this is a market differentiator that will appeal to a wider and wider audience as time goes on.

The real opportunity for growth for the Lab in this next decade rests here - in our ability to invest in diversifying the prospect pool for new members and to convert a greater number of diverse prospects into members.

## **Member Retention**

In addition to changing our marketing strategy to diversify member prospects and developing successful strategies to convert them to membership, we also need to build an intentionally inclusive community where everyone feels a strong sense of belonging.

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<sup>11</sup> [A New Multicultural Population: Creating Effective Partnerships With Multiracial Families - Monica R. Brown, 2009 \(sagepub.com\)](#)

<sup>12</sup>

<https://www.shrm.org/executive/resources/people-strategy-journal/winter2020/Pages/corley-feature.aspx>

This is especially important as we attract a more intersectionally diverse group of new members and can only be achieved with intentionality and a recognition that some of our members face structural challenges to their success as leaders. We must act and engage accordingly, even if that means that some of our members in more privileged groups feel the change. The challenge will be in working to provide a high sense of belonging to *all* of our members, regardless of race, ethnicity, gender identity, sexual preferences, abilities, age, and more.

We believe that a stronger sense of inclusion and belonging will result in a higher overall retention rate, increasing the profitability of the company in the long term.

This will be achieved in the following five ways:

1. Our commitment will be visible and communicated to all members
2. Every member must see themselves in their fellow members
3. Content must address the unique needs of the broad range of a diverse membership and not assume a single “norm”
4. Our team of community managers, content creators, and coaches must reflect the increasingly diverse community we serve
5. Our content must be inclusive and accessible

## **Staff Recruitment and Retention**

None of our goals for membership acquisition or retention will be possible without staff who are culturally intelligent, representative of our members, and able to understand members’ interests and needs.

Those who fall into the category of Millennials and Gen Z make up the largest percentage of individuals entering the workforce today.<sup>13</sup> We can fully expect the majority of our future staff to be made up of these individuals, especially as time goes on. This younger generation of employees have vastly different expectations of their workplaces. In fact, 47% of millennials are specifically and actively looking for diversity in the workplace when sizing up potential employers.<sup>14</sup>

And, with a more diverse workforce, we can only be a “workplace of choice” if our organizational culture is infused with DEI from end to end.

Our business is online and relies on an ever changing technology landscape. Because our business demands that we hire and sustain a younger workforce, diversity must be a key part of our organization’s culture. This will make the Lab a more attractive place to work, be a recruiting advantage for the best talent, and a strong reason for that best talent to want to stay for a long time.

In addition, we want to keep our employees. For one thing, we like them. But studies also show that employee turnover affects the company profitability. Employee turnover is a leading workforce management challenge for many organizations, compromising their growth and profit. One estimate places the cost to replace an employee — including

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<sup>13</sup>

<https://www.computerworld.com/article/3661170/what-gen-z-and-millennials-want-from-employers.html>

<sup>14</sup> <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/genzmillennialsurvey.html>

recruiting, hiring and training a new worker — as high as 50% to 60% of the lost worker's salary. Company culture, employee satisfaction and other soft costs add up, too.<sup>15</sup>

## **BUSINESS RISKS**

It is clear to us throughout this document that there are overwhelmingly compelling reasons to make DEI an integral part of our Lab culture - both internally and externally. Simply put, it benefits the business AND the leaders of the nonprofit sector by empowering them with the tools they need to build a more diverse and equitable society.

There are also risks to the business if we do not pursue these goals, including:

- Less growth potential
- Members will not feel like they belong, which would hurt retention
- The Lab would not be seen as an employer of choice
- The Lab would lose credibility as a result of not practicing what we preach.

We can continue on with our head in the sand and attract and educate predominantly white female leaders. Or we can look to the future, increasingly diverse, population mix and do what we can to make the Lab a place where all of these leaders will be welcome. We choose the latter.

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<sup>15</sup> [10 Benefits of Employee Retention for Businesses | NetSuite](#)