

# The Chronicle of Philanthropy

## A Key to Diversity in Nonprofit Boardrooms: Mobilize Donors to Force Change

By [Carolyn T. Adams](#) and [Vicki W. Kramer](#)

MAY 5, 2021

News about the record [\\$1.1 billion settlement](#) University of Southern California is paying to patients of the campus gynecologist accused of sexually abusing hundreds of female students beginning in early 1990s probably caused shudders for many nonprofit leaders. The pattern of abuse and coverups should alarm anyone responsible for a large institution.

But it also should shine a light on the problems with the institution's governance. USC, like many other large nonprofit institutions, has had a board dominated by men.

Audry Nafziger, a lawyer and survivor of the abuse at USC, made that clear in an interview she did with the *PBS NewsHour*. The anchor, Judy Woodruff, asked how the USC situation could have happened. Nafziger blamed “the [people that were making the bad decisions](#). ... There weren't women. There weren't stakeholders. There wasn't diversity. There wasn't a voice.” She concluded that “they're going to have to diversify their board. And the makeup of the people that make the most important decisions.”

Along with colleges and universities, hospitals and health systems are the largest and most powerful nonprofits. Unlike many smaller nonprofits, their boards are largely white and male. Women of color are the most underrepresented group. That's because college and hospital boards are typically made up of big donors, and others who can pull in significant sums – and they haven't done nearly enough to recognize that wealth often resides in the hands of more diverse people. What's more, they haven't recognized the other important values women, people of color, and other marginalized people can bring.

Donors themselves could reverse this trend: They are the ones who often recommend trustees, and they could use their clout to transform the boards of the institutions they support. They just need to be encouraged to act more like institutional investors, which have successfully pushed companies to diversify their boards.

We base these observations on a national study in which we explored [\*Increasing Gender Diversity on the Boards of Nonprofit Eds and Meds: Why and How to Do It\*](#). Our study reports on in-depth confidential interviews with 59 racially diverse women board members and men and women board chairs and chief executives in every region of the country.

We learned that USC's alumna Audry Nafziger is right: Board diversity matters. The people we interviewed said women make particular contributions about issues involving people, improved governance, board culture, and the way decisions are made. We heard that female college trustees are more likely than their male counterparts to focus on campus life issues like safety, health (including mental health) and student services. Women trustees of hospitals often call attention to patients, employees, and health and safety issues. An overwhelming majority of the people we interviewed said board diversity improves decision making and can increase the institution's effectiveness in serving consumers.

Male trustees tend to go right to the numbers, worrying more about finances and cost than about people, said our survey respondents. Women are more often concerned with mitigating risk and more likely than male colleagues to ask for additional information and scan the environment as they make up their minds. Attention to risk – and to patients, students, and other consumers — may, in the end, save an institution considerable money.

## **Self-Perpetuating Boards**

[Corporate America](#) has had to pay attention to [boardroom diversity](#) because of [scrutiny](#) by activist groups, substantial published research about the value to businesses of diversity, some government action, organized efforts by individual investors and – perhaps most effective – institutional investors. Coalitions of pension funds, mutual funds, and state treasurers have used their power as major shareholders who vote annually on board slates to press for change.

The nonprofit world has not experienced such scrutiny and pressure, and most people don't know the makeup of college and hospital boards. Nonprofits have no shareholders. Most nonprofit boards are self-perpetuating: their members vote on new members.

Nonprofits do have a lot of people counting on them to succeed, however. These include consumers (students and patients), employees (including faculty and medical

professionals), and in the case of colleges, alumni bodies. They also include individual donors (who are often alumni) and foundations.

And it is the role of those donors that needs to change because today money plays a significant role in limiting gender and racial diversity in ways unique to nonprofits. In the corporate world, companies pay board members to serve. In the nonprofit world, board members are rarely paid; instead, they are generally expected to donate to the institution and to raise money. That has an impact on how recruitment occurs and who is recruited. One person we interviewed said: “Boards are using seats as currency. They’re buying the support (usually financial) of backers by offering board seats.”

Only one of the colleges and six of the hospitals in our sample considered financial contributions unimportant; almost 20 percent expected high minimum donations and 23 percent of the boards had high expectations but were willing to make some exceptions. Development offices often play a large role in producing lists of prospective board candidates, predominantly white males. Current board members usually add names from their “good ol’ boy” networks, composed largely of people like them. The process helps perpetuate beliefs that women either can’t afford or are reluctant to make significant donations. Seven respondents said women are assumed to control less wealth than men. One hospital CEO remarked, “It’s the perception of who’s writing the check.” Interviewees of color commented on similar stereotypes based on race.

Research at Indiana University’s [Lilly Family School of Philanthropy](#) has challenged stereotypes about female donors, but they continue to exist. Two of our female interviewees reported their husbands were approached as potential board candidates and advised the recruiters that their wives would be more appropriate. A couple of those we interviewed mentioned that women’s organizations had managed to find wealthy female trustees. But, as one interviewee said, men think “what I don’t know doesn’t exist.”

## **Overlooking Mission**

Besides perpetuating the recruitment of high-net-worth white males, an emphasis on giving potential has other negative effects on governance. To include significant numbers of major donors, college and hospital boards usually are far larger than for-profit boards, which generally average nine to 11 members. Only seven boards in our sample had fewer than 15 members, and 25 had more than 31, some with 60 or more. Large boards tend to be governed, in practice, by a smaller executive committee

where women and people of color may not be well represented. And on the whole board, it is challenging, if not impossible, to create an inclusive, participatory environment in a boardroom where people don't get to know and work with each other and where real discussion is rare.

Overemphasizing monetary contributions can undermine good governance in another way, suggested by one woman hospital and university board member: "There is a conflict between caring about governance and mission and the need to raise money, which influences who gets listened to."

As one hospital CEO put it, "Large donors tend to dominate decision making, and that's not healthy." Giving extra weight to the views of major donors is potentially dangerous, he thought, because it removes consideration of the big-donor trustee's actual skills. Assigning extra influence to that donor — influence unwarranted on the merits of the ideas — can disempower other trustees.

Another person interviewed described "a sliding scale on which those with greater wealth don't need the same experience or skills as those with lesser wealth."

Slightly more than half of our hospital boards had solved the conflict between fundraising and governance by creating separate foundations or fundraising boards, something only one educational institution had done.

A male former CEO and board chair of a major statewide health system with a small governing board highlighted the liberating effect of the system's bifurcated board structure and said giving capacity was never considered in appointing new governing board members. As he said, "Oversight of this large, complicated organization requires a board selected for its sophistication and experience, not for personal wealth."

Assigning fundraising to a separate board is preferable to reducing financial requirements for trustees who are women and people of color. That practice may perpetuate stereotypes about who does and does not have significant economic resources and put women and people of color in a board-member category with different expectations from white males.

An additional benefit of taking money out of board recruitment would be enabling a kind of diversity few of our respondents mentioned when speaking of valuing diversity of gender, race, skills, experience, age, geography, and points of view.

Mention of the need for economic diversity was almost entirely absent. Yet income and class divisions are increasingly stark in a society that segregates neighborhoods by economic capacity and makes it less likely that upper-income board members can understand the perspectives, needs, and preferences of those who are middle- or lower-income patients and students.

## **Changing Attitudes**

So who cares about diversity of the board? Few of those in our study thought individual donors cared about or ever mentioned board diversity. Some said donors typically care more about whether the institution is well run. A number believe grant makers may be more likely than individual donors to care about board diversity, although only a few said that foundations considering grant proposals had asked about board composition. These board members believe foundations have enough leverage to pressure institutional leaders to pay more attention to board diversity.

As the murder of George Floyd and Breonna Taylor have made colleges, hospitals, and other institutions more focused than ever on racial justice, it's time to spark activism in the board rooms that govern these organizations. Let's seek out ways to rally foundations, major donors, college alumni, and others to scrutinize the diversity of boards and call out their institutions until they have seen meaningful change. If these forces began to organize, they could make colleges and hospitals truly responsive to the needs of their students, patients, and others. These institutions are too important to equity across the nation to continue governing themselves with trustees who mostly all look and think alike.

[Carolyn T. Adams](#) is former dean of the College of Liberal Arts and professor emeritus at Temple University. [Vicki W. Kramer](#) is a consultant to nonprofits.