Senior Management Team Diversity in Social Ventures and its Impact on Performance

by

Clorens Andre

cgandre@usfca.edu

Capstone Research Report Submitted in Partial Fulfillment of the Requirements for the Master of Nonprofit Administration Degree in the School of Management

San Francisco, California
Summer 2017
Abstract
This study examined the correlation between diversity among senior management teams of social ventures and meeting performance goals. Specifically, we examined trends within the composition of senior management teams with respect to satisfying social impact and financial commitments. We analyzed 12 surveys completed by senior management team members of social ventures. Responders identified the demographic makeup of their senior management teams and responded to their level of satisfaction with the organization’s social impact and financial performances. With this small sampling, the findings suggest diverse team compositions positively impact performance goals. Through a comprehensive literature review and data analysis, composed of a survey and expert interviews, we found that demographic diversity, such as gender and race and ethnicity contributes to diversity of thought, skills and experiences which benefits social ventures’ triple bottom-line. The examination of these trends could inform social ventures about why and how they should consider and implement diversification within their teams to yield better performance outcomes.

Keywords: Diversity, Inclusion, Social entrepreneurship, Social ventures, Senior management team, Social impact performance, Financial performance
Acknowledgments

I would like to thank Eve, Valerie and Gerard Andre for your all you love and support. Thank you to faculty and classmates who helped me grow.
# Table of Contents

Tables of Contents .............................................................................................................. ii
List of Tables & Figures ....................................................................................................... iii
Section 1. Introduction ........................................................................................................ 1
Section 2: Literature Review .............................................................................................. 6
Section 3: Methods and Approaches .................................................................................. 10
Section 4. Data Analysis ..................................................................................................... 12
Section 5: Implications and Recommendations ............................................................... 24
Section 6: Conclusions ....................................................................................................... 25
List of References ................................................................................................................ 26
Author’s Bio .......................................................................................................................... 31
List of Tables & Figures

Table 1. The Social Enterprise Spectrum ................................................................. 4
Table 2. SMT Members Gender Distribution (Raw Numbers) ................................. 13
Table 3. SMT Members Gender Distribution (Blau Diversity Index) ...................... 14
Table 4. SMT Members Race/Ethnicity Distribution (Raw Numbers) ................... 16
Table 5. SMT Members Race/Ethnicity Distribution (Blau Diversity Index) .......... 16
Table 6. Comparative Analysis .............................................................................. 23
Figure 1. Co-Constructing Inclusion Questions (Adopted from Ferdman) .......... 26
Figure 2. Diversity & Inclusion Scorecard ............................................................. 27


**Introduction**

The past few decades have garnered significant interest and academic study on social entrepreneurship. Social entrepreneurship is an interesting subject because the practice straddles the nonprofit and for profit worlds. In traditional entrepreneurship, entrepreneurs create, innovate and/or invent for economic gains. Social entrepreneurship adds another layer to traditional entrepreneurship by incorporating the advancement of social impact. To varying degrees, social entrepreneurs commit to making money and making a positive impact on communities and/or the environment. Coined by “a dean of the corporate responsibility and the sustainable development movement” (“John Elkington SustainAbility,” n.d.) John Elkington, called this combination the triple bottom line or TBL framework. The TBL framework broadens the scope of performance measurement for social entrepreneurial organizations also known as social ventures. Social ventures measure financial performance and their social or environmental value or contributions. The emphasis placed on either social impact or economic gains varies by organization.

There is a lot of intrigue around the efficacy of social ventures’ social impact and financial performances. Standing research on demographic diversity as a contributing factor to the efficacy of performances in nonprofit and for profit organizations is pretty extensive. However, our research uncovered a scarcity of studies on demographic
diversity’s affect on the social impact and financial performances of social ventures. The study of demographic diversity in social ventures is important for a myriad of reasons, including the changing demographics of the U.S. workforce, servicing diverse beneficiary populations, different perspectives on problem-solving and making a case for where limited funding dollars should go. To the first point, “projected demographic changes predict that the majority of the U.S. workforce will be composed of nonwhite, race-based minorities, including Hispanics, African-Americans, and Asians, by 2039.” Treuhaft (as cited in Buse et al. 2014) The changing demographics of the U.S. workforce will inevitably change the demographics of social entrepreneurial teams. To the second point, social ventures with diverse teams will reflect similar changing demographic trends in the U.S.’s general population which has the potential to put them at an advantage when addressing diverse beneficiaries and their diverse problems. Thirdly, demographically diverse teams of social ventures inherently pull together diverse lived experiences, nuances, cultural awareness, knowledge, and capacities to tackle diverse issues. Lastly, conclusive evidence of the impact demographically diverse teams has on social ventures could inform funding allocations.

Standing research gives team diversity in nonprofit and for-profit organizations mixed reviews. Different scholarly research has found positive, negative, neutral and insignificant affects of demographically diverse team compositions on organization performance. Sethi et al., (as cited in Chowdbury, 2004) argue that “improved
creativity” and “innovativeness” are among the benefits of heterogeneous teams. “On the other hand, heterogeneity might also produce conflicts and emotions among members of the entrepreneurial team resulting in poor performance.” (Chowdbury, 2004) Kochan et al. (as cited in Buse et al. 2014) “found racial and gender diversity to have neither a positive nor a negative effect on performance or group processes.” Joshi and Roh’s (as cited in Buse et al. 2014) argued that the majority of studies investigating the relationship between diversity and group outcomes yielded “non-significant, direct relationships between team diversity and performance.” “Research on demographic diversity on team effectiveness remains inconclusive due to contradictory findings.” (Chowdbury, 2004) Based on a comprehensive literature review, survey data collected from 12 senior management team members of social ventures and 3 expert interviews we hypothesize that diversity, supported by systemic and intentional inclusion, positively impacts the social impact and financial performances of social ventures. We structure the rest of this paper as follows. First, we defined key terminology. We then explained the methods and approaches we used to analyze collected data to arrive at our findings. We contextualized our findings through a comprehensive literature review. Next, we performed a data analysis. Then we explained the implications for our findings and offer recommendations. We conclude with a summary of our findings and explain limitations and contributions of this research.
Defining the Terms.

Researchers have not come to a consensus on a universal definition for social entrepreneurship. Pioneer Professor J. Gregory Dees, credited with developing social entrepreneurship as an academic field of study and creating the most widely used definition of social entrepreneurship, posited that social entrepreneurial organizations fall “along a continuum of enterprises ranging from purely philanthropic to purely commercial” (Office of Faith, Work, and Economics & Danielson, 2015) (see Table 1). However most agree that social entrepreneurship is the “creation of organizations attempting to impact positive social change.” (Office of Faith, Work, and Economics & Danielson, 2015)

<table>
<thead>
<tr>
<th>The Social Enterprise Spectrum (Adapted from Dees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motives, Methods, Goals</td>
</tr>
<tr>
<td>Appeal to Goodwill; Mission-Driven Social Value</td>
</tr>
<tr>
<td>Key Stakeholders</td>
</tr>
<tr>
<td>Beneficiaries</td>
</tr>
<tr>
<td>Capital</td>
</tr>
<tr>
<td>Workforce</td>
</tr>
<tr>
<td>---------------------------------</td>
</tr>
<tr>
<td>Suppliers</td>
</tr>
</tbody>
</table>

**Table 1** (Dees, 1998, Jan. & Feb.)

Ferdman & Deane defined *diversity* as the representation of multiple identity groups and their cultures in a particular organization or workgroup. Buse et al. defined *inclusion* as individual’s or subgroup’s sense of efficacy, belonging, and value in a work system. *Social ventures* are “businesses created to further a social purpose in a financially sustainable way. They can be both non-profit and for-profit in form.” (“Defining Social Enterprise,” n.d.) A *senior management team* is a collection of “individuals that are responsible for making the primary decisions within an organization. They carry a degree of responsibility greater than lower level personnel.” (“Upper Management,” 2010) *Social impact performance* “includes the processes of analyzing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions.” (“Social Impact
Assessment,” n.d.) “Financial Performance, in broader sense, refers to the degree to which financial objectives are being or has been accomplished.” (Verma, E., 2017)

**Literature Review**

The literatures most cited in this literature review analyzed diversity and inclusion within varying types of organizations. Given the hybrid nature of social ventures, team composition lessons can be learned from traditional nonprofits, traditional for-profit companies, governmental agencies and other organizational constructs. This literature review cites findings derived from nonsocial venture entities to glean lessons that can be applied to social ventures.

Demographic diversity can be thought of in term of “identities, cultures, and the varied meaning and ways of thinking about and approaching situations that these represent” Ferdman, 1992; D. A. Thomas & Ely, 1996 (as cited by Ferdman & Deane, 2014). Despite findings of discord among diverse teams, researchers have discovered that diverse team compositions forces team members to work harder to solve problems. In other words, working with people of different backgrounds can create discomfort but it also fosters creativity and innovation.

Katherine W. Phillips, Senior Vice Dean and Paul Calello Professor of Leadership and Ethics at Columbia Business School, identified three rationales to support the argument that the benefits of diversity eclipse the challenges diverse teams face.
Phillips’ first rationale posits that akin to informational diversity where team members represent diverse disciplinary backgrounds, teams of demographically diverse members each “bring unique information and experiences” which bodes well for problem solving. “A male and a female engineer might have perspectives as different from one another as an engineer and a physicist -- and that is a good thing.” (Phillips, 2014) Phillips bases this argument on studies that have found positive financial performance outcomes within organizations of higher gender and racial diversity. Phillips cited her own and other researchers’ findings to support her second argument which is that “diversity provokes thoughts” which yields “innovation” and “new ideas.” The findings supporting this premise show that collaborating with people of diverse demographic backgrounds “jolts us into cognitive action in ways that homogeneity simply does not.” (Phillips, 2014) Thirdly, Phillips argues that demographic diversity “makes people believe that differences of perspective might exist among them and that belief makes people change their behavior.” (Phillips, 2014)

“Members of a homogeneous group rest somewhat assured that they will agree with one another; that they will understand one another’s perspectives and beliefs; that they will be able to easily come to a consensus. But when members of a group notice that they are socially different from one another, they change their expectations. They anticipate differences of opinion and perspective. They assume they will need to work harder to come to a consensus. This logic helps to explain both the upside and the downside of social diversity: people work harder in diverse environments both cognitively and socially. They might not like it, but the hard work can lead to better outcomes.” (Phillips, 2014, 43-47)
However, merely having diversity within a team is not enough. In many organizations, diversity simply means representation however, diversity has to be managed and supported in order for an organization to reap its benefits. “Research and practice suggest that diversity...by itself may not necessarily result in positive benefits without the presence of additional conditions.” (Ferdman & Deane, 2014)

Ely and Thomas proposed that there are three diversity management perspectives “in order to seek its benefits.” (Bernstein & Bilimoria, 2013)

(1) The discrimination-and-fairness perspective attempts to “treat all employees equally” (Bernstein & Bilimoria, 2013) while ignoring “culturally based differences to benefit the organization and often creates cross-cultural tension.” (Bernstein & Bilimoria, 2013)

(2) The access-and-legitimacy perspective accepts and celebrates differences but only to appeal to diverse customers. This perspective does not value diverse team members for “their potential contributions in a range of functions.” (Bernstein & Bilimoria, 2013)

(3) The integration-and-learning perspective promote equal opportunity and acknowledge and recognize cultural differences in order that “cultural identity shapes how people experience, see, and know the world” enabling cultural differences to be a “source of insight and skill.” Ely and Thomas, 2001, p. 241 (as cited by Bernstein & Bilimoria, 2013)
Increasingly, studies are illuminating the benefits of diversity coupled with the practice of inclusion. Inclusion as a concept is an amorphous term. Inclusion in practice will vary from organization to organization. The general idea of inclusion is not merely having a seat at the table, but also having a valued voice, having contributions valued and having all aspects of one’s humanity, including identities, respected in an organization.

“This experience of inclusion is facilitated and made possible by the behavior of those in contact with the individual (such as coworkers and supervisors), by the individual’s own attitudes and behavior, and by the values, norms, practices, and processes that operate in the individual’s organizational and societal context. Thus inclusion can involve each and all of the following: an individual or group experience; a set of behaviors; an approach to leadership; a set of collective norms and practices; or a personal, group, organizational, or social value.” (Ferdman & Deane, 2014, p. 4)

Inclusion supports diversity within organizations through a structured system in any given organization. The system serves as the bedrock for bringing forth the benefits of diversity. “Miller and Katz’s 2002 book, The Inclusion Breakthrough: Unleashing the Real Power of Diversity, highlighted ways of being inclusive through systemic change in organizations, including new competencies on the part of leaders and members, and policies and practices to encourage, enable, and support these behaviors.” (Ferdman & Deane, 2014) More succinctly, in a survey administered to human resources officer, they defined inclusion as “the way an organization configures its systems and structures to value and leverage the potential, and to limit the disadvantages, of differences”
Roberson 2006 (as cited by Ferdman, 2014). The findings suggest that a commitment to diversity supported by systemic and intentional inclusion will surface the benefits of diversity. For social ventures, this means the best ideas and solutions will surface to move the organization’s performance in a positive direction.

**Methods and Approaches**

To begin, a literature review was conducted to analyze secondary data about demographic diversity’s impact on performance within different types of organizations. Based on the secondary data analysis we hypothesized a positive correlation between demographic diversity and social impact and financial performances of social ventures. Then we identified the need to conduct applied research specifically examining demographic diversity within social ventures. We determined that data gathered from a correlational study could inform future social entrepreneurial team demographic trends and help funders make funding decisions. We identified approximately 70 organizations holding active memberships with the Social Venture Network based in San Francisco, CA. We reviewed the websites of the approximately 70 organizations to determine their sizes, areas of work and identify senior management level team members. To test our hypothesis that there are positive correlations between team demographic diversity and social impact and financial performances we emailed the approximately 70 organizations and included a link to our survey hosted on Survey Monkey. Of the approximately 70 organizations 12 responded. Respondents answered the surveys 8
required questions. Each respondent quantified the gender and race/ethnicity distributions of their organization’s senior management team. Each respondent quantified how many members were on their organization’s senior management team. Each respondent answered 1 dichotomous (yes-no) question about diversity and inclusion policies, procedures and practices. Each respondent answered 3 Likert scale questions about work interactions between senior management team members from diverse backgrounds, social impact performance and financial performance.

We conducted 4 expert interviews to contextualize and provide a deeper understanding of the quantitative data collected. We interviewed Joanna Levitt Cea, “Director of Buen Vivir Fund at Thousand Currents, an organization that funds grassroots groups led by women, youth, and indigenous peoples in the global south. Cea is also a Visiting Scholar at Stanford University Global Projects Center.” (Cea, 2017) Cea shared details about her most recent research project which looked at the “impact value of diversity” by involving beneficiaries throughout the process of creating and implementing interventions. We interviewed Shannon Farley, “Co-Founder and Executive Director of Fast Forward, a technology accelerator for software nonprofits.” (Farley, 2017) Farley detailed Fast Forward’s selection process and the role team composition play in the process. We interviewed Nicholas Almeida, “Co-Founder of Sidecar Social Finance (SSF), a social impact agency providing impact-investing advisory and capital services to individuals, institutions, and social enterprises.” (Almeida, 2017)
Almeida detailed the role diversity and inclusion plays in funding social ventures. We also interviewed social entrepreneur Kate Williams, CEO of One Percent for the Planet, “a global organization that inspires people to support environmental organizations through annual membership and everyday actions.” (Williams, 2017) Williams detailed One Percent for the Planet’s policies and procedures on diversity and inclusion.

To analyze the quantitative demographic data, we used the Blau diversity index formula. The Blau Index is calculated by:

\[ 1 - \sum p_i^2 \]

“The diversity index typically used in social science and policy analysis is known as the Blau Index, which measures the probability of two individuals chosen at random from the population being of different race or ethnicity.” (Rushton, 2008) We converted the social impact and financial performance raw scores from the survey into percentages. We plotted the Blau diversity index scores and the social impact and financial performance score on a chart to observe correlational trends in the scores.

**Data Analysis**

**Gender**

Of the 12 social ventures represented in this analysis, respondents identified 58% of senior management team members as female and 42% as male. The Blau diversity index
provides a number from 0 to a number close to 1 which represents diversity within a given category. A 0 score represents homogeneity, whereby there is no diversity in a given category. A score closer to 1 represents more heterogeneity in a given category. Of the social ventures represented here, 25% lacked gender diversity, 41% had an even distribution of representation between females and males, and 33% had an uneven distribution of representation between females and males.

Table 2 SMT Members Gender Distribution (Raw Numbers)

<table>
<thead>
<tr>
<th>Organizations</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization 1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Organization 2</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Organization 3</td>
<td>4</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Organization 4</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Organization 5</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Organization 6</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Organization 7</td>
<td>12</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>Organization 8</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Organization 9</td>
<td>5</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Organization 10</td>
<td>3</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Organization 11</td>
<td>3</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Organization 12</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40</strong></td>
<td><strong>29</strong></td>
<td><strong>69</strong></td>
</tr>
</tbody>
</table>
### Table 3 SMT Members Gender Distribution (Blau Diversity Index)

<table>
<thead>
<tr>
<th>Organizations</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
<th>Blau Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization 1</td>
<td>0.5</td>
<td>0.5</td>
<td>2</td>
<td>0.5</td>
</tr>
<tr>
<td>Organization 2</td>
<td>0.67</td>
<td>0.33</td>
<td>3</td>
<td>0.4422</td>
</tr>
<tr>
<td>Organization 3</td>
<td>0.67</td>
<td>0.33</td>
<td>6</td>
<td>0.4422</td>
</tr>
<tr>
<td>Organization 4</td>
<td>0.5</td>
<td>0.5</td>
<td>4</td>
<td>0.5</td>
</tr>
<tr>
<td>Organization 5</td>
<td>0.1</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Organization 6</td>
<td>0.67</td>
<td>0.33</td>
<td>3</td>
<td>0.4422</td>
</tr>
<tr>
<td>Organization 7</td>
<td>0.5</td>
<td>0.5</td>
<td>24</td>
<td>0.5</td>
</tr>
<tr>
<td>Organization 8</td>
<td>0.1</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Organization 9</td>
<td>0.1</td>
<td>0</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Organization 10</td>
<td>0.5</td>
<td>0.5</td>
<td>6</td>
<td>0.5</td>
</tr>
<tr>
<td>Organization 11</td>
<td>0.375</td>
<td>0.625</td>
<td>8</td>
<td>0.46875</td>
</tr>
<tr>
<td>Organization 12</td>
<td>0.5</td>
<td>0.5</td>
<td>4</td>
<td>0.5</td>
</tr>
</tbody>
</table>

**Race/Ethnicity**

Of the 12 social ventures represented in this analysis, respondents identified 64% of senior management team members as white, 19% as Asian, 7% as Middle Eastern & North African (MENA), 6% as Hispanic or Latino, 3% as two or more races, 1% as black, 0% as American Indian or Alaska Native and 0% as Native Hawaiian or Other Pacific
Islander. The Blau diversity index provides a number from 0 to a number close to 1 which represents diversity within a given category. A 0 score represents homogeneity, whereby there is no diversity in a given category. A score closer to 1 represents more heterogeneity in a given category. Of the social ventures represented here, 25% lacked race/ethnicity diversity, 33% were half or more than half diverse and 41% were between 37-49% diverse.

Table 4 SMT Members Race/Ethnicity Distribution (Raw Numbers)

<table>
<thead>
<tr>
<th>Organizations</th>
<th>American Indian or Alaska Native</th>
<th>Asian</th>
<th>Black or African American</th>
<th>Hispanic or Latino</th>
<th>Middle Eastern &amp; North African (MENA)</th>
<th>Native Hawaiian or Other Pacific Islander</th>
<th>Two or More Races</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization 1</td>
<td></td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organization 2</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Organization 3</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Organization 4</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Organization 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Organization 6</td>
<td></td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Organization 7</td>
<td></td>
<td>5</td>
<td></td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>16</td>
</tr>
<tr>
<td>Organization 8</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Organization 9</td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Organization 10</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Organization 11</td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizations</td>
<td>American Indian or Alaska Native</td>
<td>Asian</td>
<td>Black or African American</td>
<td>Hispanic or Latino</td>
<td>Middle Eastern &amp; North African (MENA)</td>
<td>Native Hawaiian or Other Pacific Islander</td>
<td>Two or More Races</td>
<td>White</td>
</tr>
<tr>
<td>----------------</td>
<td>---------------------------------</td>
<td>-------</td>
<td>---------------------------</td>
<td>--------------------</td>
<td>---------------------------------------</td>
<td>-------------------------------------------</td>
<td>------------------</td>
<td>-------</td>
</tr>
<tr>
<td>Organization 1</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organization 2</td>
<td></td>
<td></td>
<td></td>
<td>0.33</td>
<td></td>
<td></td>
<td>0.67</td>
<td>0.4422</td>
</tr>
<tr>
<td>Organization 3</td>
<td>0.17</td>
<td>0.17</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.67</td>
<td>0.4933</td>
</tr>
<tr>
<td>Organization 4</td>
<td>0.25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.75</td>
<td>0.375</td>
</tr>
<tr>
<td>Organization 5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Organization 6</td>
<td>0.67</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.33</td>
<td>0.4422</td>
</tr>
<tr>
<td>Organization 7</td>
<td>0.2083</td>
<td></td>
<td></td>
<td>0.125</td>
<td></td>
<td></td>
<td>0.67</td>
<td>0.49208611</td>
</tr>
<tr>
<td>Organization 8</td>
<td></td>
<td></td>
<td></td>
<td>0.5</td>
<td></td>
<td></td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Organization 9</td>
<td>0.2</td>
<td>0.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.6</td>
<td>0.56</td>
</tr>
<tr>
<td>Organization 10</td>
<td>0.17</td>
<td></td>
<td></td>
<td></td>
<td>0.33</td>
<td></td>
<td>0.5</td>
<td>0.6122</td>
</tr>
<tr>
<td>Organization 11</td>
<td>0.125</td>
<td>0.125</td>
<td>0.125</td>
<td></td>
<td></td>
<td></td>
<td>0.625</td>
<td>0.5625</td>
</tr>
<tr>
<td>Organization 12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.1</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 5 SMT Members Race/Ethnicity Distribution (Blau Diversity Index)
Diversity Policies and Practices

8% of respondents answered “yes” to all 6 of the following questions about their organization’s diversity policies and practices. 33% of respondents answered “yes” to 5 of the following 6 questions about their organization’s diversity policies and practices. 42% of respondents answered “yes” to 4 of the following 6 questions about their organization’s diversity policies and practices. 17% of respondents answered “yes” to 3 of the following 6 questions about their organization’s diversity policies and practices.

(1) Has your organization’s senior management team done the following, yes(y) or no (n)?

(a.) Incorporated diversity into the organization’s core values?

(b.) Modified organizational policies and procedures to be more inclusive?

(c.) Conducted diversity training for the senior management team?

(d.) Developed a detailed plan of action for the organization to become inclusive?

(e.) Evaluated and modified recruitment efforts to hire team members with diverse backgrounds?

(f.) Discussed the values and benefits of expanding the diversity of the senior management team?
Inclusion Behaviors

On a Likert scale, respondents rated the extent to which their senior management team members from diverse backgrounds worked together and interacted with one another. (1=Not at All, 2 = Very Little Extent, 3 = Moderately, 4= Some Extent and 5= Great Extent) The maximum possible points are 20.

Answering the following questions, 75% of respondents rated their team’s inclusive behaviors 20 out of 20, 8% gave a rating of 17 out 20, 8% gave a rating of 18 out of 20 and 8% gave a rating of 19 out of 20.

(a.) Senior management team members value the contributions of diverse members of the team.

(b.) Diverse members participate in developing the organization’s most important policies.

(c.) Diverse members make contributions to the teams’ critical tasks.

(d.) Diverse team members share their personal ideas, feelings, and hopes with other team members.

Social Impact Performance
On a Likert scale, respondents rated their senior management team's performance on their organization’s social impact goal. (1=Fail, 2 = Needs Improvement, 3 = Satisfactorily, 4= Good and 5= Excellent) The maximum possible points are 15.

In the following areas, 83% of respondents rated their team’s inclusive behaviors 15 out of 15, 8% gave a rating of 14 out 15, and 8% gave a rating of 12 out of 15.

(a.) Commitment to the organization's social impact goal(s)

(b.) Strategic planning and thinking to address social or environmental problem

(c.) Meeting social impact performance goals

Financial Performance

On a Likert scale, respondents rated their senior management team's performance on their organization’s financial goals. (1=Fail, 2 = Needs Improvement, 3 = Satisfactorily, 4= Good and 5= Excellent) The maximum possible points are 15.

In the following areas, 33% of respondents rated their team’s inclusive behaviors 15 out of 15, 17% gave a rating of 14 out 15, 17% gave a rating of 13 out of 15, 17% gave a rating of 12 out of 15, 8% gave a rating of 11 out of 15 and 8% gave a rating of 9 out of 15.

(a.) Commitment to the organization's financial goal(s)
(b.) Strategic planning and thinking to meet financial goals

(c.) Meeting financial performance goals

Comparative Analysis (Gender)

Group A (Scored the highest on gender Blau diversity index)

42% of the organizations received the highest gender Blau diversity score of 0.5. In response to having diversity policies and practices they averaged 70%. In response to having inclusion behaviors they averaged 97%. In response to their senior management team’s performance on social impact goals they averaged 100%. In response to their senior management team’s performance on financial goals they averaged 88%.

Group B (Scored in the middle on gender Blau diversity index)

33% of the organizations received an average .45 gender Blau diversity score. In response to having diversity policies and practices they averaged 75%. In response to having inclusion behaviors they averaged 96.25%. In response to their senior management team’s performance on social impact goals they averaged 93.25%. In response to their senior management team’s performance on financial goals they averaged 86.5%. 
Group C (*Scored the lowest on gender Blau diversity index*)

25% of the organizations received the lowest gender Blau diversity score of 0. In response to having diversity policies and practices they averaged 72%. In response to having inclusion behaviors they averaged 100%. In response to their senior management team’s performance on social impact goals they averaged 100%. In response to their senior management team’s performance on financial goals they averaged 89%.

**Observations**

We observed that the gender heterogeneous organizations, Group A, averaged a higher percentage of having diversity policies and practices than the gender homogeneous organizations in Group C. Group C averaged a higher percentage of having inclusion behaviors than Group A. Both groups averaged 100% on social impact performance ratings. Group C averaged slightly higher than Group A on financial performance ratings. Group B averaged higher than Group A & C on having diversity policies and practices. Group B averaged lower than Group A & C on having diversity inclusion behaviors. Group B averaged lower than both Group A & C on social impact and financial performance ratings. Supported by the literature, diversity alone isn’t enough. Diverse teams need to be supported by strong policies and inclusive practices in order for organizations to reap the benefits of diversity.

**Comparative Analysis (Race/Ethnicity)**
**Group A (Averaged the highest score on race/ethnicity Blau diversity index)**

33% of the organizations received the highest race/ethnicity Blau diversity scores which averaged to .56. In response to having diversity policies and practices they averaged 79.25%. In response to having inclusion behaviors they averaged 98.75%. In response to their senior management team’s performance on social impact goals they averaged 100%. In response to their senior management team’s performance on financial goals they averaged 88.5%.

**Group B (Average score fell in the middle on race/ethnicity Blau diversity index)**

42% of the organizations received an average .45 race/ethnicity Blau diversity score. In response to having diversity policies and practices they averaged 66.8%. In response to having inclusion behaviors they averaged 97%. In response to their senior management team’s performance on social impact goals they averaged 94.6%. In response to their senior management team’s performance on financial goals they averaged 81.2%.

**Group C (Scored the lowest on race/ethnicity Blau diversity index)**

25% of the organizations received the lowest race/ethnicity Blau diversity score of 0. In response to having diversity policies and practices they averaged 72%. In response to having inclusion behaviors they averaged 97%. In response to their senior management team’s performance on social impact goals they averaged 100%. In response to their senior management team’s performance on financial goals they averaged 97%.
**Observations**

We observed that the race and ethnically heterogeneous organizations, Group A, averaged a higher percentage of having diversity policies and practices than the race and ethnically homogeneous organizations, Group C. Group A averaged a higher percentage of having inclusion behaviors than Group C. Both groups averaged 100% on social impact performance ratings. Group C averaged higher that Group A on financial performance ratings. Group B averaged lower than Group A & C on having diversity policies and practices. Group B averaged the same 97% score Group C averaged on having diversity inclusion behaviors. Group B averaged lower than both Group A & C on social impact and financial performance ratings. Although Group A averaged higher than Group C on having diversity policies, practices and inclusive behavior, Group C averaged higher than Group A on financial performances. This finding stood out because it didn’t reflect what we found in the literature and our findings in the comparative analysis for gender diversity. We propose further study on whether specific demographic categories have a better influence on social impact and financial performances.

|---------------|---------------------------|-------------------|-------------------------------------|-------------------------|---------------------------|----------------------|
Implications and Recommendations

Based on our literature review, data analysis and expert interviews the implications of our findings reveal a correlation between demographic diversity and systemic and intentional inclusion and their positive impact on social and financial performances of social ventures. As Cea explained “poor outcomes can emerge from
nondiverse groups as well as diverse groups that are poorly managed and not supported to work effectively across differences. In other words, heterogeneity leads to better outcomes only when it is thoughtfully engaged.” Our findings illuminate diversity and inclusion must be embedded in the organization in order to see the benefits of diversity. Willaims explained that One Percent for Planet has an antidiscrimination policy but realized that a more robust and inclusive policy and practices would benefit her organization. Farley explained that diversity and inclusion must be a commitment for social ventures they consider for Fast Forward. Almeida echoed this sentiment and added that “many variables contribute to how impactful or financially viable ventures become but I believe you can get a happier, potentially more committed employee when you fully embrace impact from within. As ventures grow, internal culture becomes critical. As such, fair and meaningful policies can improve the odds of hiring and retaining the employees that you want to stay. This happier and more committed employee can result in better service, product, and impact.”

We recommend social ventures adopt diversity and inclusion policies and practices. Ferdman & Deane’s “co-constructing inclusion question is a great start for organization seeking to incorporate diversity and inclusion.
Co-Constructing Inclusion Questions (Adopted from Ferdman)

Questions to Generate and Co-Construct Descriptions of Inclusive Behavior and Inclusive Organizational Practices

• What behaviors—from yourself and from others—help you experience more inclusion?

• What behaviors help others around you experience more inclusion? Imagine that you’ve waved a magic wand and now everyone in the world behaves inclusively, in a way that brings inclusion to life in every encounter with others. What inclusive behaviors do you see around you?

• Imagine the most inclusive organization in the world, one in which everyone’s talents, beliefs, backgrounds, capabilities, and ways of living—their uniqueness—is engaged, valued, and leveraged. What are one or two vital inclusive organizational policies and practices in that organization?

Figure 1 (Ferdman & Deane, 2014)

We also recommend funder use a scorecard to rate organization’s diversity and inclusion practice and observe trends on social and financial impact to make better funding decisions.
Figure 2: Diversity and Inclusion Scorecard

Conclusions

This important topic deserves further exploration, including wider samples of organization and deeper connection with social venture leaders. Our limitation with time constraints and limited contact with organizations limited our research however our contributions can lead to conscientious around diversity and inclusion to better performance of social ventures which will improve lives.
List of References


Cea, J. (2017, August 1). Expert Interview


Williams, K. (2017, August 7). Expert Intervie
Author’s Bio

Clorens Andre, MNA is a leader in the social sector whose interests include social entrepreneurship, diversity and inclusion.