



# Data Collection is an Important Tool for Building a More Vibrant Nonprofit Sector

by Arturo Vargas

Funders have widely agreed that the philanthropy field and its grantmaking are not sufficiently diverse and that more resources can and should be directed to diverse communities, including communities of color. In fact, many foundation leaders point to voluntary actions as the correct alternative to legislative mandates for diversity-related data collection.

We should support the laudable actions and initiatives organized philanthropy is taking to increase its diversity. However, one of the key challenges for such voluntary efforts is how to measure progress. Absent data collection, it will be impossible to demonstrate that the field has become more diverse over time; that grantmaking is reaching more diverse communities than before, and, most important, that such increase in diversity actually is contributing to greater effectiveness.

## Data Can Help Point the Way

The Council of Foundations, in launching its diversity initiative, noted that only 5 percent of the leadership of the country's foundations is people of color. Even this figure is misleading because it is based on the voluntary reporting of council members, not on an actual census. Were the data collection comprehensive, the real figure would probably be much lower.

The primary purpose of data reporting on diversity measures, which many foundations already require of their grantees, has been to provide the tools to measure effectiveness in achieving greater diversity. Some in the

nonprofit sector have suggested that data reporting is onerous, burdensome and administratively expensive; nonetheless, many foundations and charities collect data because they recognize the fundamental importance of being able to assess the current situation, diagnose appropriate remedies and measure progress. Nonprofits cannot achieve this without the collection and analysis of data. At a minimum, required data reporting could shed

light on the actual extent of the challenge of achieving a more diverse field and craft.

Many foundations, recognizing the value of data reporting in the

public arena, supported the defeat of Proposition 54 in California several years ago. This ballot measure would have outlawed the use of race and ethnicity as factors in the operation of key public functions such as education, contracting and employment. Foundations appropriately recognized that the use of such data is necessary in order to hold government accountable for ensuring that the public's resources are being distributed in a fair, equitable and efficient manner.

It is thus ironic that foundations would not hold themselves to a similar standard. Indeed, some in the nonprofit sector have suggested that requiring the reporting of racial and ethnic data would place on undue burden on individuals of mixed heritage who would have to choose among their parental lineage or to disclose information that they consider private. Every 10 years, however, this is precisely the information that the federal government requires of every U.S. resident as part of the decennial census. Such

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data collection is necessary for the enforcement of our most basic civil rights laws; for some in the nonprofit sector to suggest that gathering these data is inappropriate undermines our most fundamental values of social justice.

### **Strengthen the Civil Sector**

While directing more grantmaking to minority-led organizations does not automatically increase racial justice grantmaking, it is an important element in achieving that goal and strengthening the civil sector.

The funding of minority-led organizations is not synonymous with serving underserved communities, but the two are closely related. (Minority-led groups have executive leadership of color, a board majority of color and an orientation of serving a community of color.) Often, minority-led organizations have superior competency and expertise to execute program delivery to communities targeted by philanthropic goals. Unfortunately, these organizations are under-resourced as compared to mainstream organizations, and their underinvestment by philanthropy can undermine the goals of foundations.

For example, after the Katrina and Rita hurricane disasters, foundations appropriately responded with haste to fund recovery and relief efforts. Many grants targeted organizations such as the Red Cross with a solid history of such activities. However, in this specific instance, the Red Cross did not have the cultural competency or capacity to reach and serve people who did not speak English and were recent

immigrants. In contrast, the organizations in the region who did serve these communities had

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to struggle with vastly limited resources. Had foundations funded these smaller nonprofits, key vulnerable populations could have received relief more swiftly and efficiently. Indeed, had foundations invested in these organizations over time, they would have been better positioned to meet the crisis.

The funding of mainstream think tanks to study the needs of communities of color provides another example.

Foundations support these researchers because of their record of producing quality research products. Yet the research groups may lack the in-house expertise about these communities. Often these think tanks resort to reaching out to minority-led organizations to provide the background and expertise to understand the target populations. Funders ask the organizations not to conduct the research themselves, but to provide this service without funding or compensation. If philanthropy were to invest more in the research and policy analysis capacity of minority-led organizations, the information sought by foundations could be more efficiently produced.

### **Diverse Nonprofit Leadership Needed**

In addition, the leadership of the nonprofit sector overall is not well represented by people of color. For instance, I have served as a member of Independent Sector Board of Directors on two occasions. Identifying minority-led organizations to join the organization and people of color to become board members has been a struggle. Often, the under-resourced situation of key organizations has precluded the groups from joining this national organization and from allowing their leadership to engage in activities and events that would introduce them to the national network of nonprofits.

If foundation grantmaking were more diverse, and minority-led organizations received a more equitable share of resources, the goals of foundations to serve communities of need could be more efficiently achieved and the sector could become stronger and more vibrant. Most foundations act as the stewards of private resources for the public good, and receive a public benefit in tax relief to do so. Accordingly, this benefit should come with a greater willingness to demonstrate accountability.

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