Stanford SOCIAL INNOVATION Review

Editor's Note

Money For Mission

By Eric Nee

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A growing number of nonprofit organizations that rely on gifts and grants are looking for ways to supplement or even replace those charitable contributions with earned income. It's a tempting opportunity, but one that organizations should approach cautiously to avoid veering away from their mission or being distracted from their core offerings.

This issue of *Stanford Social Innovation Review* features an article that examines the promises and pitfalls of adopting an earned income business model. The article, "The Many Roads to Revenue Generation," was written by Marya Besharov from Cornell University in Ithaca, United States; Jean-Baptiste Litrico from Queen's University in Kingston, Canada; and Susanna Kislenko from IESE Business School in Barcelona, Spain.

Earned income is a topic that I am quite familiar with. From the beginning, *SSIR* has relied on revenues for a substantial portion of its budget. When we started in 2003, we could have given away the magazine, but instead we charged a subscription fee. One of the beauties of doing this was that as *SSIR* became more popular and respected, we were able to increase the number of subscribers and raise the price of a subscription. Our conferences followed a similar trajectory. We held our first conference in 2006, and since then we have increased the number of conferences we offer, the number of people who attend, and the price of admission. The same is true with our webinars, reprints, advertising, licensing fees, sponsorships, and other revenue streams.

Today, revenue from all of our products and services accounts for about 90 percent of our total budget, with the rest coming from gifts and grants. An earned income business model isn't just another way to obtain funds; it actually offers benefits. It can be a more reliable income stream than grants or gifts. As long as your organization continues to provide products and services that your customers are willing to pay for, you can generate income. You don't have to worry about whether a funder is still enamored with what you are doing.

Earned income is also a good feedback loop—a way to make sure that you are providing products and services that your customers want. If you offer something and no one buys it, that is a good indication that you aren't meeting the needs of your customer. If you give your goods away, it's harder to tell. One of the drawbacks of the charitable model is that there is often no feedback loop, no link between the person receiving the service (a child from a low-income family attending an after-school program, for example) and the person paying for the service (a wealthy donor). If the child's family can't afford to pay for the service, they are in effect a captive customer.

But it's important to remember that money is a means to an end, not an end in itself. One of the biggest challenges that nonprofits with an earned income model face is the temptation to go after revenue opportunities that don't match their mission. At *SSIR* there are many organizations that will pay to reach our audience, and we must make sure that what they want to say or promote matches the needs of our audience and our mission. **—ERIC NEE**

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