

StanfordSOCIAL INNOVATION^{Review}

Editor's Note
Money For Mission
By Eric Nee

Stanford Social Innovation Review
Fall 2019

Copyright © 2019 by Leland Stanford Jr. University
All Rights Reserved

EDITOR'S NOTE

Money for Mission

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

Stanford SOCIAL INNOVATION Review

ERIC NEE
EDITOR-IN-CHIEF

JOHANNA MAIR
ACADEMIC EDITOR

MICHAEL GORDON VOSS
PUBLISHER

DEPUTY EDITOR, PRINT **David V. Johnson**
DEPUTY EDITOR, DIGITAL **M. Amedeo Tumolillo**
EDITOR **Marcie Bianco**
CONTRIBUTING EDITOR **Jenifer Morgan**
ART DIRECTION **David Herbeck Design**
COPY EDITORS **Elissa Rabellino, Annie Tucker**
PROOFREADER **Dominik Sklarzyk**

PUBLISHING AND MARKETING MANAGER **Brian Karo**
PUBLISHING AND MARKETING ASSOCIATE **Shayani Bose**
ADVERTISING **Jeremy Davenport, Involved Media**
SPONSORSHIP **Cynthia Lapporte, Oak Media**
WEBSITE DESIGNERS **Arsenal, Hop Studios**
INTERNS **Joshua Goodwin**

SSIR ACADEMIC ADVISORY COUNCIL

Paola Perez-Aleman, *McGill University*; Josh Cohen, *Stanford University*; Alnoor Ebrahim, *Tufts University*; Marshall Ganz, *Harvard University*; Chip Heath, *Stanford University*; Andrew Hoffman, *University of Michigan*; Dean Karlan, *Yale University*; Anita McGahan, *University of Toronto*; Lynn Meskill, *Stanford University*; Len Ortolano, *Stanford University*; Francie Ostrower, *University of Texas*; Anne Claire Pache, *ESSEC Business School*; Woody Powell, *Stanford University*; Rob Reich, *Stanford University*

STANFORD CENTER ON PHILANTHROPY AND CIVIL SOCIETY

FACULTY CODIRECTORS **Woody Powell, Rob Reich, Robb Willer**
EXECUTIVE DIRECTOR **Kim Meredith**
PACS TEAM **Christina Alfonso, Erinn Andrews, Lucy Bernholz, Valerie Dao, Eloise Duvillier, Davey Kim, Lisa Kohara, Nathaniel Persily, Heather Robinson, Laura Seaman, Christian Seelos, Priya Shanker**

STANFORD CENTER ON PHILANTHROPY AND CIVIL SOCIETY ADVISORY BOARD

CHAIRMAN **Laura Arrillaga-Andreessen**
MEMBERS **Herbert A. Allen III, Ted Janus, Karla Jurvetson, Xin Liu, Carter McClelland, Jeff Raikes (ex officio), David Siegel, Liz Simons, Darren Walker**

Stanford Social Innovation Review (ISSN 1542-7099) is published quarterly by the Stanford Center on Philanthropy and Civil Society, a program of the Institute for Research in the Social Sciences at Stanford University's School of Humanities and Sciences: 559 Nathan Abbott Way, Stanford, CA 94305-6042. Phone: (650) 724-3309, Fax: (650) 725-9316.

Subscription Prices (One Year) Personal, \$54.95 U.S./Canada and \$69.95 international for print and digital, \$39.95 for digital only. Institutional, starting at \$300.

Subscriber Services *Stanford Social Innovation Review*, PO Box 426, Congers, NY 10920-0306. Call 888-488-6596 (toll free) or 845-450-5202 (outside U.S.). info@ssir.org

Article proposals, advertising, and reprints go to www.ssir.org

Postmaster Send address changes to *Stanford Social Innovation Review*, Member Services, PO Box 426, Congers, NY 10920-0306. Volume 17, Number 4, Fall 2019. *Stanford Social Innovation Review* and the Stanford Center on Philanthropy and Civil Society are part of Stanford University's tax-exempt status as a Section 501(c)(3) "public charity." Confirming documentation is available upon request.

Stanford Social Innovation Review was established in 2003 by the Center for Social Innovation at the Stanford Graduate School of Business. The founding publisher is Perla Ni. The former academic editors are Stephen R. Barley, James A. Phillips Jr., Robert Scott, David Brady, and Chip Heath.

