

The logo for Ethical Republic, featuring the word "Ethical" in a white script font and "Republic" in a white sans-serif font, both inside a dark teal circle.

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The Revenue Ecosystem Unpacked

THE SIX WAYS NOT-FOR-
PROFIT ORGANISATIONS
CAN MAKE MONEY

2022



The Revenue Ecosystem Unpacked:

The Six Ways Not-For-Profit Organisations Can Make Money

For not-for-profit (NFP) organisations, including Indigenous corporations with NFP or charitable status, there's more than one way to make money. Even though at Ethical Republic we specialise in the development of cultural and nature-based enterprises, I want to talk about the full "revenue ecosystem" and the role mixed income streams can play.

Here's why I think it's important not to have all your eggs in one basket.

- 1) Just like an investment portfolio, it's a sensible strategy to diversify your funding sources. It helps spread risk so if something affects income in one area, you are more likely to be able to ride the wave with continued income in another area
- 2) If you have multiple streams of income, it means you have cultivated meaningful relationships with lots of other organisations and partners (since nothing much happens in a vacuum). The more connections you currently have, the more connections you can potentially make through new introductions. You never know what opportunity a new connection might bring to the table. Your network is the most powerful asset you have.
- 3) Pursuing just one source of revenue because it seems inherently more desirable than others may not deliver the best results. For example, it's not uncommon for Indigenous corporations to want to escape the government grants treadmill by pursuing on-Country enterprises. I get that - it's one of the reasons Ethical Republic exists. But it can take a long time to set up reliable alternative revenue streams. The reasons why are many – it could be due to long lead times to secure investment, work through cultural governance protocols, get infrastructure built in remote areas, attract and train the right staff, etc. Instead, it may be more practical to dial the emphasis on one or another revenue stream up or down without turning any of them off completely.

So, what do I mean by the “Revenue Ecosystem”? Broadly, there are two ways of making money that NFP organisations can tap into – raising funds and earning funds.

Raising funds is the domain of grants, philanthropy, sponsorship and paid memberships. Earning funds, on the other hand, is more about trading products and services on a commercial basis.

The common denominator in all these categories is, of course, value. That is, cash (or another resource) is provided in exchange for something of value to be delivered.

What I’ve noticed is some organisations almost consider raising funds (especially though grants) to be somehow lesser than earned funds. I’m not denying there is a certain power that comes with building a business and making sales. It feels good to have control, be independent and not constantly jumping through arbitrary hoops and dealing with red tape.

But the truth is no matter which approach you take to making money, you always rely on packaging, selling, and delivering value. Even in business. ESPECIALLY in business! The feeling of control and independence is partially false – a business only exists so long as you have customers who are willing to buy what you have to sell. And the world of business has its own hoops and red tape to content with.

My point is, despite being a fan of, and advocate for, cultural and nature-based enterprises as a way of creating sustainable livelihoods and earning income to support conservation work, it can be a trap to think earning money is inherently better (or easier) than raising money.

The reality is all the different approaches can play a role. They all require hard work. Being successful at any one of them requires skill and professionalism. Regardless of the mix of revenue strategies you choose, adopting a business mindset and an entrepreneurial toolkit can increase your results

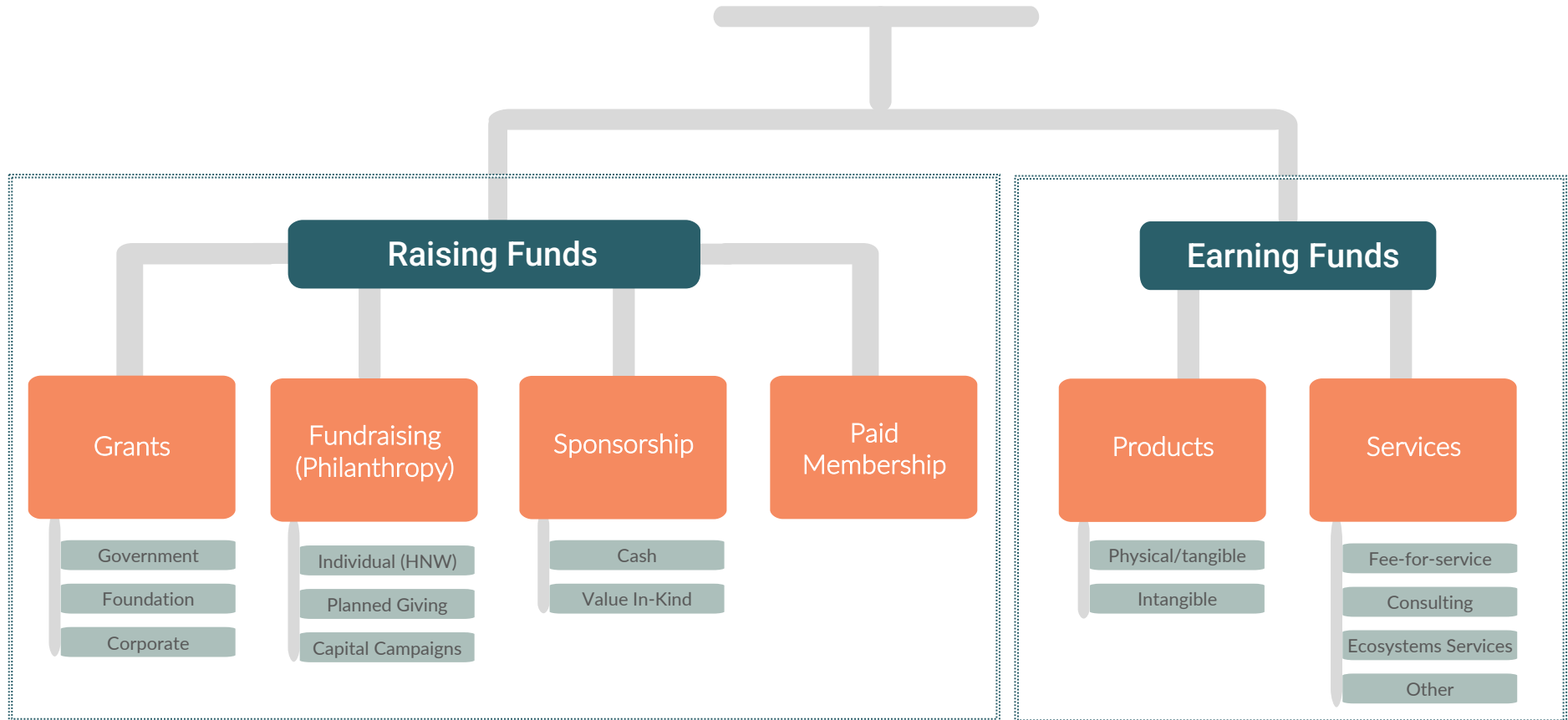
No matter whether you’re applying for a grant, looking for sponsorship, selling your carbon credits, or conducting cultural tours with visitors – you need to articulate the value you have to offer and then “sell” that value to someone. If you can excel at marketing value, it will put you in the driver’s seat on the road to success with generating revenue to help you achieve your goals, which is the main objective.

Notes:

* In this article, I’m not talking about raising capital, which is why impact investment is not listed (as it generally needs to be repaid). I’m talking about the things that produce cash flow that can be used directly or can be used to repay investors.

** Philanthropy (or fundraising) is usually only possible if an organisation has not-for-profit or charitable status. There’s a process to go through, but it’s recently been made more streamlined and accessible for Indigenous corporations thanks to a [partnership between ORIC and ACNC](#).

The Revenue Ecosystem



GLOSSARY OF TERMS

Raising Funds

Grants – A grant is funding provided by an entity (usually a government agency, foundation, or corporation) for a specific outcome. Usually requires preparing an application or proposal in response to a call for applications or similar process. There are sometimes opportunities to proactively co-design a project with a funder, which is then funded via a grant.

Fundraising (Philanthropy) – Philanthropy is often associated with large, one-off donations from high net worth (HNW) individuals. But there are many forms of fundraising targeting individuals and family foundations, including monthly giving programs, workplace giving, planned giving (bequests of property or cash through a person's will), capital campaigns (to fund endowments or large capital projects), and coordinated major gifts programs (the ongoing stewardship of major donors).

Sponsorship – Sponsorship can be through the provision of cash or value in-kind (products or services provided free or at reduced cost). Sponsorship is less about giving and more about marketing. That is, generally a sponsor is seeking a return on investment for their sponsorship, usually in the form of access to a particular target market (whether through advertising, engaging your members or subscribers with special offers, product placement, etc).

Paid Membership – This is not about charging fees to members who make up your organisation from a constitutional point of view (although you can do that). Think of it more like a "club" that people pay to join because of a strong shared interest or passion in the mission of an organisation. In return, members in a paid membership program will usually get a deeper level of engagement, access to exclusive content or opportunities, the chance to get involved, or some other form of value. A paid membership program has close ties to monthly giving programs and can also overlap with an organisation's major gifts program.

Earning Funds

Products – This can be tangible products, as in a physical item that is produced and sold (including natural or agricultural products that may be grown or harvested and that may or may not be further processed before sale). It can also be intangible products, like intellectual property, digital products, or even 'products' like carbon credits. Products are traded on a commercial basis through sales revenue.

Services – Services can be those provided on a fee-for-service basis (such as weed management, fencing, cultural heritage surveys, or similar). Paid consulting is another type of service where specialist advice or implementation support related to a particular area of skill or knowledge is provided. Payments for ecosystem services is a broad area where payment is provided in exchange for things like restoration of natural capital, improvement of biodiversity, protection of cultural values, or similar. The funding of ranger groups to care for Country is an example of payment for ecosystem services. Services can also include tourism-related services, like tours, workshops, accommodation, and on-Country experiences.

Want To Work With Us?

Get in touch to learn how we can help with mission-aligned revenue generating strategies to help secure your organisation's financial future.

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