

From Government Funds to Income Diversity: A Map For The Quest

Is it time to expand your income horizons?

By Karen Eber Davis

Is your organization dependent on government funding? If so, it's likely that you're trying to move to a more diversified funding portfolio. And that's a good thing. The more diverse funding sources you have, the better.

But moving from government funding to diverse income is no walk in the park. While most primarily government-funded nonprofits hope to make the journey, few know how to minimize the hurdles they'll face. This article will help you gear up for this challenging but definitely do-able adventure.

Why Diversify?

Here are five reasons why it makes sense to become more diversified:

Government funds are shrinking (kedconsult.com/articles-resources/reason-for-hope-government-funding/).

You can be more innovative if you have funds that aren't limited by government restrictions.

With diverse income streams, you can intensify your community engagement so that when you face major cuts, your local friends rally round you and your work survives.

The more diverse your income, the more revenue you'll bring in for your organization.

If you have a variety of income streams, you won't need to panic if one source dries up.

What Makes the Journey So Challenging?

Why is the move from government funding to diversity so difficult? For one thing, the skills needed to gain government funding are entirely different from what's needed when searching out other income streams. Successful government funding helps you excel at working well with government personnel. It teaches political sensitivity and flexibility with changing electoral needs. You master precise guidelines, such as "Sign page four in blue ink." Expertise in government funding teaches this process to gain income:

1. Identify opportunities.
2. Complete paperwork.
3. Submit.
4. Wait on the outcome.
5. Do the program.
6. Repeat.

This process is unique unto itself. It won't help you be successful in generating the six other income streams:

- corporate funding
- in-kind gifts
- earned mission-related income
- donations from individuals
- foundation grants
- unrelated business income.

(To understand which of these streams will work best for you, take a look at previous articles in *Nonprofit World*; begin with "Add More Income Streams" on page 15.)

To be diverse, you need to create relationships that inspire donors and loyal customers. To gain these customers and donors, you must discover why they bring you money. You must know what they hope to achieve. You must ensure they fulfill those aspirations.

Besides shifting your focus and gaining skills, you'll find the journey to diversity challenging because it brings unpredictable returns. You'll experience more trial and error.

Success will look different – at least at first. Motivating 100 new donors to donate \$20 is a high-five accomplishment worthy of a celebration. Yet the resulting \$2,000 income stream is paltry compared to most government awards. (Part of your reorientation includes shifting from considering the value of the money to the value of the new donors over years – and repeating the process that inspired the new donations.)

Despite these and other challenges, most government-funded nonprofits seek – and need – greater income diversity. It's the way to achieve greater stability, sustainability, and self-determination.

Your Packing List for the Journey to Income Diversity

If you're determined to make this quest, what should you pack? Start with these mindsets.

“It's a challenging but definitely do-able adventure.”

MINDSETS: MORE THAN GOOD INTENTIONS

Like good hiking boots, these mindsets protect you from snakes, rocks, and the uneven terrain you may encounter in the territory you cross:

Appreciate the Feat

Ingenious nonprofits anticipate a long-term process. They look for realistic success. For most, it's reasonable to grow non-government income by 10% over three to five years. (Almost always growth to the *next* 10-15% is easier.) The time and the results depend on where you start. If you've dabbled successfully in income diversity for years, this will be too modest a goal. If you've done nothing, set your goals even lower, such as earning 1% over 18 months. In any case, gird yourself for a journey. Expect effort.

Why is this important? You seek income. As you work, you must believe that the results will come from your effort but at an unknown point. As you wait for results, you never stop working with prospects. That's very different from waiting for the pre-established deadline about your government proposal.

Resist Temptations

Sometime during your journey, maybe more than once, you'll encounter a humongous, glorious government opportunity. It will provide you with amazing revenue. Whether you pursue it or not, resist the temptation to quit your income diversity work. At some point, that new government stream will be exhausted. You'll face the diversity challenge again. Starting from a full stop is harder. Avoid having to repeat the first day of a long hike.

PRACTICAL ITEMS

Along with mindsets, what else do ingenious nonprofits pack? These practical items:

Money

You must invest money to gain new skills and support new relationships. You might need new personnel. You certainly need learning tools. Invest to keep your supporters' and workers' spirits high. Invest in help when you're stuck.

Obtaining the money you need might be one of your first challenges. Where might you find it? Begin by asking for help from community foundations, board members, and supporters who "get it."

Time

You need time today. You need time tomorrow – and every day, from here on out. You must invest time when you don't feel like it, when you don't know what to do, and even when other priorities scream for attention.

In my workshops (kedconsult.com/services/workshops), I challenge participants not to check social media more than

once per day. Instead I urge them to commit to investing the time (every day) to diversify their income.

You control at least some of your time. You can find it. Read the booklet "Time Management for Nonprofit Organizations" (kedconsult.com/store/booklets) for more.

Map-Making Tools

Compared to your new streams, government funding offers a much clearer roadmap. For the other streams, the maps are more sketchy. So you have to fill in the blanks and details. To do so, map out which income stream or streams to pursue. That's like your destination city. Map out a strategy to obtain those streams, like selecting the interstates you'll take. Plan how and when you'll make the trip, such as, "Starting next Monday, we'll drive from Miami to New York on I-95."

Use your map-making tools to break your magnificent quest into today's next steps. Base your map on your strengths and what you learn and experience. Your map shows you where to go and what to do. Your map allows you to track progress.

En route, your organization will change. Your life will be enriched. When you get to diversity, you'll be glad you made the trip. Through-hikers never regret the trek or the results. Commit to the journey. 



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Add More Income Streams

In addition to the resources noted in this article, many previous *Nonprofit World* articles (NonprofitWorld.org) will help you decide which income streams to pursue, and how to do so. Begin with these:

Cracking The Diverse-Income Code (Vol. 35, No. 1)

Do You Want to Change the World? Will People Pay for That? (Vol. 34, No. 1)

The Risk of Not Risking (Vol. 35, No. 2)

Finding Value and Income Where You Least Expect It (Vol. 33, No. 1)

Create Extraordinary Impact: Fund Your Most Difficult Challenge (Vol. 32, No. 4)

Not a "Someday" Dream: The Steps to Sustainable Income (Vol. 34, No. 2)

Find Your Aces: How to Turn Your Handicaps into Opportunities (Vol. 35, No. 3)