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GLOBAL OIL PRICES DEMONSTRATE THE NEED TO DIVERSIFY REVENUE

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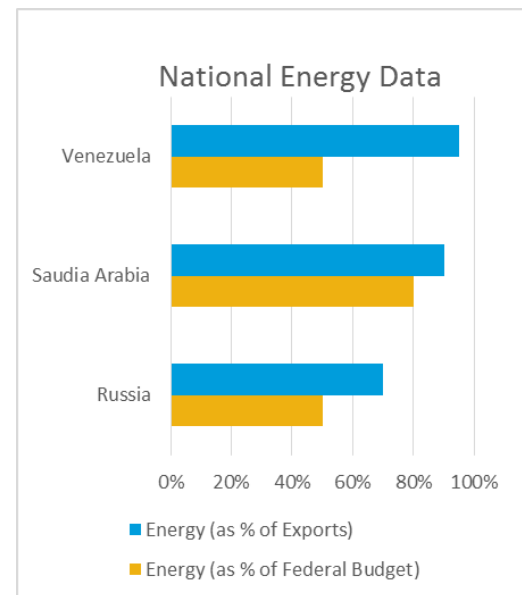
In January, Russia's finance minister announced a budget deficit of \$38.6 billion due to low oil and natural gas prices. Saudi Arabia announced an \$87 billion deficit for the coming year, and Venezuela currently runs a deficit of 20% of GDP.

Before the recent fall in oil prices, Russian oil accounted for almost 70% of exports and over 50% of its federal budget. Oil made up almost 73% of Saudi revenue. Venezuelan oil exports comprised almost 95% of total exports.

With crude oil prices hovering around \$30.00 per barrel, national accounts around the world are reeling. While each of these states' macroeconomic indicators and stressors vary, the question of revenue diversification is seemingly not a matter of if, but when and how. Currently some nations are considering necessary economic restructuring measures. For example, Saudi Arabia's Deputy Crown Prince Mohammed bin Salman recently announced plans for a \$2 trillion sovereign wealth fund to support the kingdom's transition.

The need to diversify revenue streams and buttress budgetary income is not a problem unique to national governments. If your organization's revenue stream is heavily dependent on one type of revenue or a small number of donors, your ability to serve the constituents who depend on your services may be at significant risk.

From multilateral NGOs to local nonprofit organizations, executive leadership teams often consider diversifying revenue streams. These considerations are often informed by the experiences of the organization, but generally, solutions include a more clearly targeted direct mail campaign, a reinvigorated capital or endowment campaign, a vigorous appeal for foundation or corporate support, pursuit of government contracts, or increased membership fees.



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For social-impact leaders broaching these initiatives, consider that ever-increasing diversification of revenue is not always a simple or clear model. There is no **right** answer. However, by using a strategic and analytic approach there is a **right** mix for your organization.

This approach should include four key aspects: a firm understanding of your stakeholders' priorities, a phased and planned approach, partnerships, and a focus on the future. Before the commencement of a new revenue initiative, understanding the priorities and interests of stakeholders is crucial. Without buy-in from leaders, there will be a loss of opportunity. And like political capital, there is only so much opportunity to go around. Second, leadership must consider a phased and planned approach built on

data, not desire. Development or advancement initiatives must remain flexible, allowing the organization to respond to crises in a thoughtful manner. Third, developing partnerships is essential to successful outcomes. The power of collaboration cannot be overstated for social-impact leaders. Often top-down, heavy handed approaches often flounder because they have failed to build a community around development campaigns. The fourth, and arguably most valuable insight is an awareness of the future. How can the added revenue stream enhance future operations? How can your advancement office or development staff use this new initiative for career development?

4 Strategic Pillars of Revenue Diversification

Understand Your Stakeholders

- Analyze and understand the position of past and potential funders
- Determine the feasibility and cost to a potential diversification opportunity
- Conduct personal outreach to gather feedback from key stakeholders



Phased Approach

- Agility and realignment at every point in the process
- Flexibility in methodology and approach encourages stakeholder buy-in
- Phased approach that builds momentum and sustainable engagement



Power of Partnership

- Commitment to working together as peers
- Stakeholder belief and buy-in for initiative
- Leverage relationships and communicate strategically



Focus on the Future

- Strengthen internal capacity to position the development office for success beyond the campaign
- Establish and manage broad targets that reach beyond financial goals



For more information on Changing Our World and how we can partner to advance your mission, please contact:

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