Concept Note:

Purpose-Driven Income Strategy

A Framework for Sustainable Income Generation was developed by Stefán Stefánsson for Atlantic Fellows for Health Equity in March 2025.

I. Introduction & Overview

Social entrepreneurs and impact-driven organizations often face the challenge of securing sustainable income while staying true to their mission. The Purpose-Driven Income Strategy is a structured framework designed to help such entities develop revenue streams that align with their social impact objectives, ensuring financial sustainability without compromising their core mission.

This six-step process guides organizations through defining their mission, identifying required resources, exploring suitable funding mechanisms, mitigating mission-drift risks, developing an optimized income strategy, and implementing a sustainable financial model.

This document outlines the framework, highlights key guiding questions, and supports its adoption across diverse contexts. It has been prepared by Stefan Stefansson for the Atlantic Fellows for Health Equity as a pre-read for the upcoming session in Addis Ababa on 24 April.

The six steps are:

- **Step 1:** Defining Mission and Impact Measurement
- **Step 2:** Determining the Means Needed to Achieve Mission and Impact
- **Step 3:** Identifying and Mitigating Risks (Mission Drift and Financial Risks)
- **Step 4:** Identifying and Securing Sustainable Funding Streams
- **Step 5:** Designing a Coherent, Mission-Aligned Income Strategy
- **Step 6:** Implementing the Strategy and Monitoring Progress

More details are provided below, including references and background ratings. Different parts will be relevant depending on the context and specific use case.

II. The Six-Step Framework

Step 1: Defining Mission and Impact Measurement

A strong foundation for any social enterprise or impact-driven organization begins with a clearly defined mission and a robust mechanism to measure impact. Without a clear understanding of the social or environmental change being pursued, organizations risk drifting toward income-generation strategies that dilute their purpose.

- What is the mission of the organization?
- What specific social or environmental problem is being addressed?
- How is impact defined and measured? (e.g., qualitative vs. quantitative indicators)
- Can the impact be externally verified by a third party?
- Do you have a clear Theory Of Change?
- How are questions of attribution and contribution addressed in your impact measurements?

How to Create a Strong Theory of Change: A Theory of Change (ToC) is not just a diagram—it's your strategic compass (although it is often very good to summarize it in a diagram). It articulates *how* and *why* your work will lead to meaningful outcomes, offering clarity to your team, your partners, and your funders. Here's a quick guide to crafting one that's both clear and compelling:

A. Start With the End in Mind: Define your long-term impact. What ultimate change are you trying to create? Be bold, but stay grounded in what's plausible and measurable.

- All children with disabilities have access to assistive technology
- Rural women increase their income through sustainable enterprise

B. Map the Pathways of Change: Identify the intermediate outcomes—the stepping stones between your activities and your impact. Ask:

- What needs to happen first?
- What assumptions must hold true?
- Where are the leverage points?

C. Define Inputs and Activities: Lay out the resources and interventions you'll deploy. This includes funding, training, technology, partnerships, etc. Be specific enough to show what you're investing in and why it matters.

- Training programs for local entrepreneurs
- Deployment of low-cost diagnostic tools in schools

D. Add Indicators to Track Progress: Each outcome should have **indicators**—signals that you're moving in the right direction. Blend quantitative and qualitative data, and define who collects it and when. ***Think:*** *measurable, meaningful, and manageable.*

E. Visualize It Clearly: A well-designed Theory of Change is instantly readable. Use horizontal or vertical flowcharts to show the logic. Visual tips:

- Use 3–5 tiers: Inputs → Activities → Outputs → Outcomes → Impact
- Use color to group components
- Keep text brief—no essays in boxes!
- Add arrows to show direction and interdependencies

F. Make It a Living Document: Revisit your ToC regularly. It should evolve with your strategy—not gather dust in a forgotten annex. Use it as a tool for reflection, communication, and course correction.

> *Tip:* If your team can't explain your Theory of Change in under 2 minutes—it's too complex.

Step 2: Determining the Means Needed to Achieve Mission and Impact

Once the mission is articulated, the next step is to assess the financial and operational requirements necessary to achieve it. This includes identifying:

- The funding, talent, infrastructure, and strategic partnerships required.
- The cost structure and resource allocation needed to deliver impact.
- The definition of success—what milestones and outcomes indicate the mission is being achieved?
- Do the organization's activities generate income, or do they require external funding?
- How can scalability be built into the model?
- What role do partnerships and networks play in resource mobilization?
- How much funding is needed to achieve the impact goals?
- Is funding the key restraints or other issues more urgent to solve?

Step 3: Identifying and Mitigating Risks

Mission drift and associated risks are highly context-specific, varying considerably based on an organization's type, size, maturity, and the industry in which it operates. This variability underscores a fundamental tension: on one side, the risk of leaning too far toward financial imperatives, potentially compromising core mission values; on the other, the threat of insolvency if funding is insufficient to sustain mission-driven activities. Balancing these competing pressures is crucial for maintaining organizational integrity and impact.

- **Mission Drift:** Funding pressures can tempt organizations to adjust programs or messaging to align with donor interests, risking deviation from their core mission. Over time, this undermines impact and stakeholder trust. To prevent this, organizations should use mission-aligned funding criteria to screen opportunities. Embedding a “mission integrity checkpoint” into strategic decisions helps keep efforts on track. Periodic reviews of programs against the Theory of Change ensure continued alignment with the intended impact.
- **Over-Reliance on a Single Funding Source:** Heavy dependence on a single funder leaves an organization vulnerable to shifts in donor priorities or sudden funding cuts. Mitigating this involves building a diversified income mix—from individual giving to earned revenue and institutional support. The 80/20 rule can guide limits on exposure. Regular dependency audits help identify risks early.
- **Unpredictable Revenue Streams:** Volatile income from events or entrepreneurial activities can cause budgeting headaches and instability. Organizations can counter this by establishing reserves and seeking multi-year funding where possible. Agile budgeting and rolling forecasts enable quicker adaptation to financial shifts.
- **Operational and Compliance Risks:** Weak financial systems or compliance gaps can result in reputational damage and funding loss. Strong internal controls, regular audits, and compliance frameworks are essential. Investing in financial management capacity ensures teams can meet evolving standards and expectations.
- **Ethical Fundraising and Cost Risks:** Aggressive or inefficient fundraising can harm an organization’s credibility and divert funds from impact. Adopting ethical fundraising policies, monitoring cost-to-income ratios, and focusing on mission-aligned donor engagement strategies help protect both values and value for money.
- **Data Protection, Privacy, and Accountability Risks:** Poor handling of sensitive data can lead to breaches, legal issues, and loss of trust. Robust data protection policies, aligned with standards like GDPR, are vital. Informed consent, data minimization, and transparent reporting strengthen accountability and build confidence with stakeholders.
- **Misalignment Between Income and Impact Centers:** When income-generating activities lose sight of the mission, financial goals can overtake social objectives. Clear articulation of the relationship between the financial and impact arms helps preserve purpose. Regular reviews and transparent cross-subsidization models ensure business activities serve the mission, not divert from it.

- **Stakeholder Expectation Risks:** Misaligned expectations between donors, staff, and communities can lead to tension or reputational risk. Active communication, expectation management plans, and feedback mechanisms ensure alignment, foster collaboration, and support adaptive learning.

Step 4: Identifying and Securing Sustainable Funding Streams

Financing social impact is deeply context-specific. The appropriate model depends on a wide range of factors, including geography, sector, organizational maturity, and the specific type of impact being pursued. There is no universal approach—rather, a wide spectrum of strategies has emerged to meet different needs. A useful way to understand this landscape is to group financing models into three broad categories.

The first is based on the promise of impact. This includes philanthropic funding and catalytic capital, where donors or funders provide resources based on a compelling vision, strong theory of change, or anticipated future outcomes. The second category focuses on the delivery of impact, where financing is contingent on results. These models include outcome-based financing, such as results-based grants or social impact bonds, where resources are tied to measurable, verifiable impact. The third category involves loans and financing, where the primary mechanism is financial—resources are provided with the expectation of repayment, often with interest, regardless of the social impact achieved. This includes instruments like concessional loans, revenue-based financing, or investment capital with defined return expectations.

Many real-world approaches blend elements from across these categories. These hybrid models allow funders and organizations to balance risk, return, and impact in ways that match their specific context and ambition.

Promise of Impact	Delivery of Impact	Financial Return	Hybrid Models
Grants and Philanthropy.	Outcome-based financing such as social impact bonds and specialized instruments like carbon credits.	Loans, debt financing, and equity stakes.	Repayable grants, Social Impact Incentives (SIINCs), and impact-indexed financing.

- Which funding model aligns best with the mission?
- What level of financial return is acceptable without compromising impact?
- How can revenue streams be diversified to mitigate dependency on a single source?

- What stage of growth are we in, and what type of capital do we need right now?
- Is our impact primarily promise-driven, results-driven, or revenue-generating?
- What are our risk and repayment capacities?
- How measurable is our impact?
- How aligned are our values with those of potential funders or investors?

Grants and Philanthropy: Foundations, NGOs, and government agencies provide grants that require accountability but often have limited sustainability. Private sector fundraising encompasses a range of donor types, from major corporates to individual contributors. Each category is driven by distinct motivations, communication needs, and stewardship strategies. Understanding these drivers is essential for building long-term, high-value partnerships and achieving sustainable impact.

Corporate partners are primarily driven by shared value creation, brand association, and reputation management. These relationships often take the form of strategic partnerships, sponsorships, cause-marketing campaigns, or broader CSR initiatives. Companies seek to enhance their brand image and consumer trust by associating with credible causes, often tied to their ESG commitments—especially when navigating reputational risks from negative externalities.

To engage effectively, organizations should offer co-branded impact stories that resonate with corporate goals. Identifying a shared purpose that aligns business objectives with social outcomes is key. Using measurable impact metrics—especially those that feed into ESG reporting or brand campaigns—strengthens the case. It's also important to recognize internal corporate motivators such as employee engagement, regulatory pressure, or positioning within competitive sectors.

Major donors are typically motivated by personal values, legacy aspirations, and emotional connections to a cause. Giving can range from individual donations to contributions from family foundations, and often occurs through informal or lightly institutionalized structures.

These relationships thrive on trust and empathy. Fundraisers should seek to understand the donor’s life experiences, defining values, and motivations. Tailored storytelling and personalized engagement go a long way. Opportunities to leave a lasting legacy—through named initiatives or long-term outcomes—can be powerful motivators. Stewardship should be light-touch and deeply respectful of the donor’s preferences, especially when it comes to visibility and privacy.

Institutional funders operate with a focus on strategic philanthropy, often guided by formal frameworks, impact logic models, and long-term planning. These foundations, staffed by professional grant-makers, are driven by data, evidence, and clearly defined criteria.

To resonate with them, it's important to map your work to their strategic priorities. Be solution-oriented and present your proposal in a format that fits their logic and language. Providing clear theories of change, measurable impact pathways, and evaluation strategies is essential. Building relationships with program officers and technical teams helps embed your work within their long-term vision.

Mass giving is fueled by emotion, urgency, and empathy. This includes one-time donations, recurring gifts, and both digital and face-to-face campaigns. It operates on the classic "itch and scratch" model: presenting a compelling problem and offering a clear way to solve it.

Effective strategies rely on emotional storytelling and urgent calls to action. High conversion tactics—like street fundraising or emergency appeals—often come with high attrition, so retention is key. Donor journeys should include onboarding, regular stewardship, upgrade opportunities, and re-engagement of lapsed donors. Whether through social media, email, or television, each touchpoint should move the donor toward deeper, ongoing commitment.

Cross-Cutting Considerations: Not all donors are equal in value or cost. Retention is almost always cheaper than acquisition. Aggressive tactics can boost short-term conversion but often lead to higher dropout rates. Passive or digital donors convert more slowly but tend to stick around longer. In contrast, face-to-face or emergency appeal donors may give quickly and disappear just as fast.

Understanding and balancing lifetime value with acquisition costs is essential. Each channel—whether corporate, major donor, foundation, or mass public—requires a distinct tone, strategy, and stewardship model. The key is to tailor your approach to the underlying motivations: brand-building, personal legacy, strategic alignment, or emotional response. When the approach aligns with donor values, it sets the stage for longer-term, impact-driven relationships.

Earned Revenue & Sales: A social business is an organization that uses commercial strategies to achieve a social or environmental mission. Unlike traditional profit-driven enterprises, a social business prioritizes impact over shareholder value. However, it also differs from charities in that it generates income through the sale of goods or services rather than relying solely on donations or grants.

Trading Not-for-Profit: In this model, the organization operates a business that generates revenue through the sale of products or services, but all profits are reinvested to advance its social mission rather than distributed to owners or shareholders.

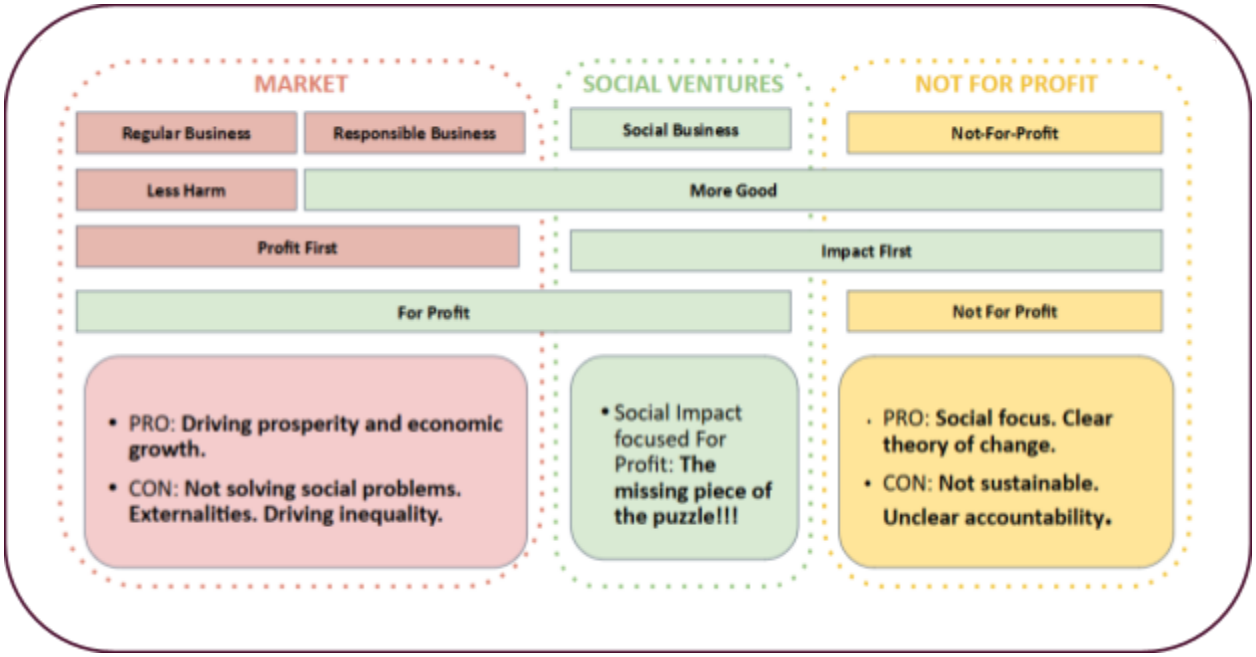
Cross-Subsidisation: This involves using profits from one part of the organization—often a more commercially successful product or service—to subsidize

socially focused programs that may not be financially self-sustaining. It allows the business to maintain impact while remaining financially viable.

Overlap between Profit and Impact: Some social businesses are designed so that the more successful they are commercially, the greater their impact. For example, a company that sells solar lanterns to off-grid communities both generates revenue and expands energy access with every sale. In such models, profit and impact are not just aligned—they are mutually reinforcing.

Social businesses can take many structural forms, depending on their mission, legal environment, and funding needs. Some operate as cooperatives, mutuals, or trusts, where ownership and governance are shared among members or beneficiaries. These models often prioritize democratic decision-making and reinvest profits for the collective good. Others are structured as impact-driven enterprises, legally for-profit but purpose-led, where social impact is embedded into the business model and often verified through external standards like B Corp certification.

Some social businesses are not-for-profit in legal form but generate income through trading activities, using commercial ventures such as cafés, retail outlets, or training programs to support their mission. Increasingly, we also see hybrid organizations, which blend nonprofit and for-profit structures—such as a charity that owns a revenue-generating subsidiary. These hybrid models offer flexibility in attracting capital and scaling impact while ensuring that purpose remains at the core.



Financing mechanisms—unlike grants or donations—are fundamentally payback-based. They rely on the assumption that the organization or individual receiving capital has, or will develop, a steady income stream capable of repaying or rewarding the investment. These models require a

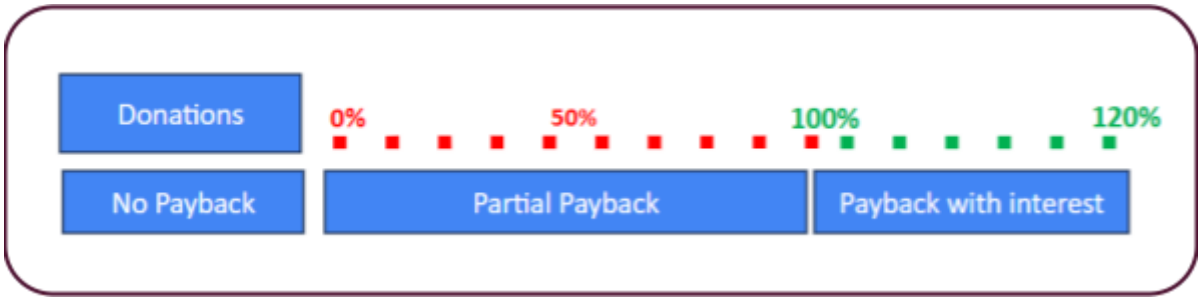
viable income-generating activity at their core, and without such a model, financing becomes unsustainable. Within this approach, financing can generally be split into two main types: debt-based models, where capital is borrowed and repaid over time with interest; and equity-based models, where investors buy shares or ownership stakes in an enterprise in exchange for future returns.

While there are a wide range of innovative and complex financial tools—from convertible notes to revenue-based financing—the common thread is the expectation of financial return. Even within impact investing, where social or environmental goals are central, the profit motive remains a core component. Once a strong income model is in place, organizations can explore a variety of financing paths. These generally fall into three broad categories:

Traditional Financing: Includes bank loans, lines of credit, and other forms of debt where repayment is fixed and based on future income.

Impact Investing: Capital from investors who seek both financial return and measurable social or environmental impact. This can include debt or equity.

Venture Capital & Equity Raising: Involves selling shares, equity, or options in an enterprise to raise capital. Investors become part-owners and seek value through growth, dividends, or eventual sale.



Hybrid Financing Models are designed to sit at the intersection of social impact and financial sustainability. They are only viable when both a meaningful impact proposition and a credible income model are in place. These mechanisms blend philanthropic and investment capital, allowing for tailored risk-sharing, incentivized outcomes, and flexible repayment structures. Their purpose is often to unlock capital for high-impact initiatives that traditional financing or pure grantmaking may not support alone.

Catalytic or Concessional Capital: This includes instruments like first-loss capital or guarantees, where an investor takes on disproportionate risk to attract other funders. These are used to de-risk transactions and mobilize additional capital toward a shared social goal.

Convertible Instruments: These include convertible loans, grants, or equity structures, where repayment terms can shift based on performance. For example, a loan may be

partially converted into a grant if impact indicators are met, or equity may be redeemed under favorable social outcomes. These tools provide flexibility while maintaining accountability.

Step 5: Designing a Coherent, Mission-Aligned Income Strategy

Developing an income strategy is a practical process of aligning funding choices with the organization's overall goals and operations. It starts by clarifying the intended impact, defining how it will be measured, and understanding what resources are needed to achieve it. Building on the steps outlined above—such as assessing risk, identifying income types, and mapping stakeholder motivations—the goal is to choose and prioritize income streams that are realistic, balanced, and aligned with the organization's capacity. A good income strategy fits with the rest of the organization: it supports the mission, reflects operational realities, and can be communicated clearly to different audiences. The key is to make informed choices that bring coherence and help direct limited resources effectively.

Organizational Readiness: **Are You Prepared to Implement?**

Before executing a purpose-driven income strategy, organizations should assess their internal readiness. Successful implementation depends on leadership, systems, and culture.

Key Reflection Questions:

- **Leadership & Culture**
  Do we have leadership buy-in for hybrid models or earned income strategies? Is our team equipped to navigate mission-profit tensions?
- **Financial Management**
  Do we have systems for tracking costs, income, and impact? Can we manage donor restrictions or investor reporting?
- **Impact Data**
  Are our impact metrics strong and verifiable? Do we have the data to support results-based or outcome-linked financing?
- **Communications Capacity**
  Can we tailor messaging for different funders or partners? Is our value proposition clear?
- **Flexibility & Adaptation**
  Are we prepared to test, learn, and pivot income strategies as conditions change?

Step 6: Implementing the Strategy and Monitoring Progress

Once the income strategy has been developed, implementation becomes absolutely critical. A well-crafted strategy is only as effective as its execution—and bringing it to life requires a clear roadmap, a practical action plan, and disciplined follow-through. This final stage is where focus, coordination, and consistency make the difference between good intentions and real results. To succeed, the organization must translate strategic choices into actionable steps, with a commitment to scale, impact, and learning.

> **Audience-Centric Approach:** Once income channels are selected, tailored communication materials must be developed, with messaging carefully aligned to the motivations and expectations of each audience. Whether engaging donors, investors, or customers, a compelling value proposition—clearly articulated and contextually relevant—is key to gaining traction and building trust.

Channels and Route to Market: This means being clear about where and how you will reach funders or customers—whether through partnerships, digital platforms, networks, or direct outreach—and ensuring these channels are well-matched to your offering and audience behavior.

Prospecting and Pipeline Development: This involves identifying potential funders or customers, tracking their progress through a clearly defined engagement funnel, and nurturing each relationship from first contact to conversion. Treating this as a structured process—whether fundraising or sales—adds rigor and accountability to your outreach efforts.

Stewardship and Retention: The donors or customers you already have are significantly more valuable—and more cost-effective—than constantly acquiring new ones. Strong stewardship builds loyalty, deepens trust, and opens the door to future support. Retention, when done well, becomes a cornerstone of sustainable income.

III. Closing

The Purpose-Driven Income Strategy aims to offer a clear, practical framework for social entrepreneurs and mission-driven organizations to generate sustainable income while preserving their core values. It is intended as a starting point for strategic conversations and as a toolkit for designing, refining, and implementing income models that scale both impact and sustainability.

V. References & Background

Step 1: Defining Mission and Impact Measurement

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