

2021

## Diversifying Funding Streams for a Nonprofit Behavioral Health Organization

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# Walden University

College of Social and Behavioral Sciences

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Danielle Hurt

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Walden University  
2021

Abstract

Diversifying Funding Streams for a Nonprofit Behavioral Health Organization

by

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MS, Walden University, 2011

BS, Northern Kentucky University, 2005

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Psychology in Behavioral Health Leadership

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May 2021

## Abstract

Business sustainability is essential for any nonprofit organization. Revenue diversification can play a key role in business sustainability. In this case study, the revenue diversification practices and challenges of an international, behavioral health, nonprofit organization based out of the western United States were examined. The organization provides training, support, and resources in an experiential modality of behavioral health treatment for clients worldwide. Data collection processes consisted of a review of current revenue diversification literature, semistructured interviews with three senior-level leaders in the organization, and a review of select organizational documents. The Baldrige Excellence Framework for Healthcare provided a proven framework and an integrated, systems-based approach for assessing Nonprofit Behavioral Health Organization's (NBHO) organizational components of leadership, strategy, and operations. Major themes related to revenue diversification decision-making were found to include the importance of organizational culture, brand awareness, weighing the pros and cons of revenue diversification, and leadership/board involvement. These major themes informed five overall recommendations to help NBHO address potential gaps in their current revenue diversification strategies and increase long-term sustainability. This study contributes to positive social change by highlighting decision-making challenges and best practices related to nonprofit revenue diversification decision-making. These findings may inform business sustainability practices and ensure the continued provision of nonprofit behavioral health services.

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## Section 1a: The Behavioral Health Organization

In the field of behavioral health, there are many organizations and modalities of treatment available, some of which are experiential in nature (Russell et al., 2017). The organization that is the focus of this case study will be referred to as Nonprofit Behavioral Health Organization (NBHO). According to their website, NBHO provides standards and training as well as ensures quality in a very specific experiential modality of treatment. It is an international, nonprofit organization, based in the western United States, founded in 2000, and currently known for setting and maintaining a global standard for this specific modality of mental and behavioral health treatment. NBHO has nearly 500 programs of certified professionals in over 40 countries around the globe. The organization values and strives to create a positive impact on society by focusing on standards of quality; ensuring integrity; and creating a community of collaboration and commitment to learning, innovation, and improvement in behavioral health treatment. NBHO also conducts research to evaluate the specific treatment's potential as an evidence-based modality.

### **Practice Problem**

Sustainability is an important consideration for any organization to be successful in its mission to create positive social change and achieve a balance between revenue and risk (Denison et al., 2019). Innovation and creativity in the diversification of funding streams are important for continued sustainability and organizations must strategically evaluate challenges in revenue diversification throughout the organization's lifetime (Prentice, 2016). Factors playing a role in how an organization addresses these challenges

include types of funding secured and how and when funding is used (Rottkamp & Bahazhesvska, 2016). For this case study, a revenue source was defined as “a discrete income source with its own characteristics and requirements. It can be earned income or unearned income” (U.S. Department of Health and Human Services, 2010, p. 5). The identified problem for NBHO in this study was limited revenue and funding diversification that places the organization at-risk for financial distress.

In the world of nonprofit organizations, survival is dependent upon an organization’s ability to maintain a diversified stream of revenue (Hung & Hager, 2019). Organizational, long-term sustainability requires multiple revenue streams that may include as many as 15 different types of revenue sources (U.S. Department of Health and Human Services, 2010). Table 1 depicts the various revenue sources that may impact NBHO and help to provide long-term sustainability.

**Table 1**

*Revenue Streams*

Earned Income	Grants/Contracts	Charitable Donations/Gifts
Programs/trainings	State	In-kind
Membership dues/fees	Local	Donations
Cause-related marketing/resources	Federal	Benefit events
Supporting organizations		

*Note.* From “Building multiple revenue sources. Strengthening nonprofits: A capacity builder’s resource library,” by U.S. Department of Health and Human Services, 2010. ([http://www.acf.hhs.gov/sites/default/files/ocs/revenue\\_sources/pdf](http://www.acf.hhs.gov/sites/default/files/ocs/revenue_sources/pdf)).

Funding instability can negatively impact an organization and its stakeholders (Burde, 2018). Funding instability arises from an organization relying predominantly on one major funding stream and/or a limited number of funding streams to support the organization. Hung and Hager (2019) found that revenue diversification can offer

strategic value and should be a considered component of the strategic planning process of organizations looking for revenue optimization. The authors concluded that more research is required to fill the gaps found in current portfolio theory regarding the full impact that revenue diversification can have on an organization's financial health. The NBHO CEO stated that due to a very limited funding stream, NBHO leaders have identified revenue diversification as a potential organizational concern.

According to their website, NBHO is a large, international, nonprofit organization that offers certification, training, support, and resources related to a specific, therapeutic, behavioral health intervention. There are nearly 500 programs in countries around the world, with assigned directors on all major continents and NBHO certified professionals providing direct care to populations at-risk for behavioral health problems using NBHO's therapeutic intervention model. Current limited revenue and funding diversification may threaten NBHO's long-term sustainability.

### **Purpose**

The purpose of this study was to understand NBHO's current revenue/funding streams as well as identify diversification best practices in the literature and potential opportunities for improving the organization's current approach to diversification. The goal was to provide NBHO with funding diversification recommendations and potential future directions based on their current diversification strategy and best practices from the literature. The Baldrige Excellence Framework acted as an integral guide for this doctoral study, specifically the organizational profile and strategy sections. The Baldrige Excellence Framework and its Criteria for Performance Excellence is a proven

framework for organizational improvement and innovation (National Institutes of Standards and Technology [NIST], 2017). It is an integrated, systems-based approach that was utilized to explore the following key management and leadership areas: leadership, strategy, and operations. Understanding these components of the Baldrige framework and the organization's competitive position and business strategy will help the organization identify ways to diversify their funding streams.

### **Significance**

This study focused on NBHO's leadership, organizational profile, and business strategy. NBHO will gain value from this study through an improved understanding of its current funding diversification strategy and potential best practices to improve this strategy. Hung and Hager (2019) conducted a systematic review of the literature on the relationship between revenue diversification and nonprofit financial health. They reviewed 40 original studies and concluded that not only is there a clinically significant link between revenue diversification and organizational financial health, but there is also a strong argument for the importance of revenue diversification as an organizational strategic consideration. An improved understanding of the organization's current funding diversification and potential best practices provides NBHO with an opportunity to improve sustainability and continue to support the numerous programs worldwide that depend upon the organization for training, resources, and support. According to the NBHO website, each of the organization's programs provide professional training on valuable and life-changing mental health services to at-risk populations around the world. More broadly, with this case study, I provided a model for similar behavioral health

training organizations regarding the importance of revenue diversification and current best practices from the literature.

This study will potentially contribute to positive social change by helping NBHO coordinate funding streams to pursue their mission to set standards, provide support, and educate professionals who rely on NBHO's training and support to provide essential behavioral health services. The financial health and long-term sustainability of this organization impacts not only NBHO but also the 500 programs around the world providing NBHO model services. On their website, NBHO reported that these services are provided to individuals suffering from various mental health needs in over 40 countries worldwide, which creates a significant potential for positive social change. Kim (2017) confirmed that organizational finances are linked to program outcomes, suggesting that by diversifying the funding streams of NBHO, the lives of individuals at risk for behavioral health problems around the world will be positively impacted.

### **Summary and Transition**

Revenue diversification is vital to the long-term sustainability and success of NBHO. To continue its mission, NBHO must consider revenue optimization in its strategic process. This will require the organization to evaluate the impact of both revenue growth and risk (Denison et al., 2019). Learning how to evaluate and manage this delicate balance can help NBHO achieve financial growth through the diversification of sustainable revenue streams (see Denison et al., 2019). Not only will NBHO's decision to diversify revenue streams impact the organization, but it will also impact the 500 programs worldwide that utilize NBHO's model of services. In Section 1b, I will present

the organizational profile, identify key factors, and provide organizational context as it applies to the problem statement. These components are important for NBHO to thoroughly understand because, although much of the literature supports the benefits of revenue diversification for nonprofit organizations, several factors require consideration when deciding whether revenue diversification is beneficial for a particular organization.



## Section 1b: Organizational Profile

The NBHO CEO stated that the organization has identified revenue diversification as a major concern for its continued sustainability. This case study addressed this identified concern by evaluating NBHO's current revenue/funding streams and identifying diversification best practices in the literature for NBHO's leadership to consider. In this section, I discuss the organizational profile, key factors, background, and organizational context as it applies to the problem statement so the reader can understand the impact and scope of the problem statement. This information will provide a snapshot of the organizational structure, key influences, operations, and competitive environment (NIST, 2017).

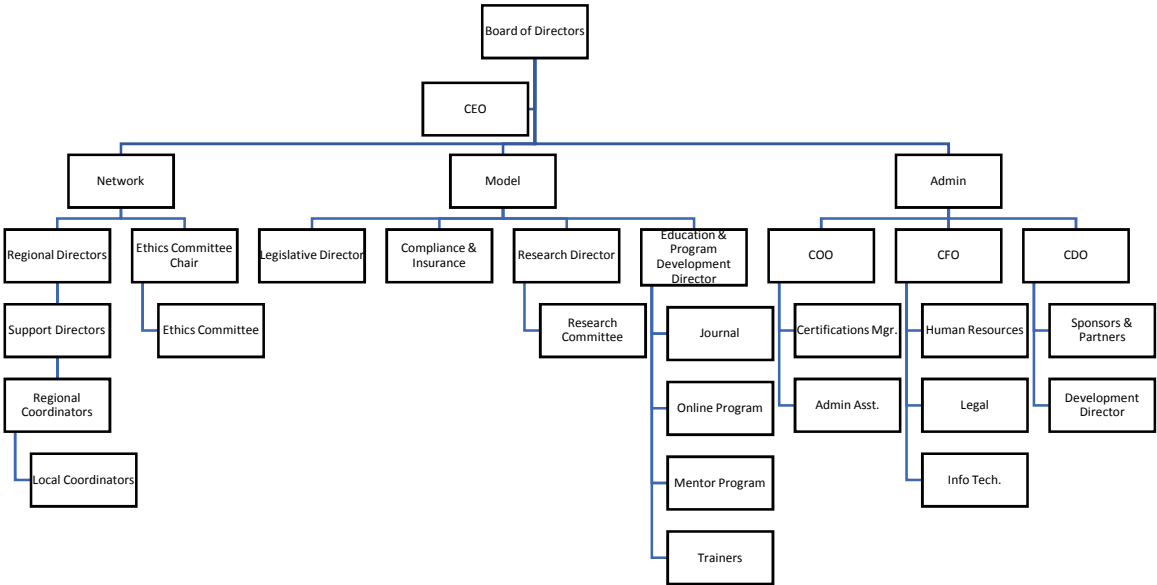
### **Organizational Profile and Key Factors**

Understanding how an organization is organized and how the key components interact and relate to one another is critical (McNamara, 2006). Many organizations begin their life cycle with a functional structure or some variation thereof, which act as "building blocks" as the organization grows (McNamara, 2006, p. 124). NBHO began in the western United States 20 years ago and has since grown into an international organization. Per the NBHO website, their mission is to set standards, provide support, and educate professionals on a specific modality of behavioral health treatment. They value and strive to create positive social change, with a strong focus on standards of quality and integrity and a community of collaboration and commitment to learning, innovation, and growth. The NBHO CEO expressed that these values are embraced and

demonstrated throughout all levels of NBHO, from the CEO down to individual members.

The organizational structure of NBHO is complex and demonstrates the interconnected relationships among various departments (see Figure 3). These relationships depict the layers of leadership from the Board of Directors down to the major departments of the organization and show the strategic importance that each has on the organization’s success. The potential impact of addressing the practice problem must be considered through the lens of this organizational structure and the leadership’s perspective.

**Figure 1**  
*NBHO Organizational Chart*



NBHO is a nontraditional type of mental health organization, providing certification and support for a specific model of treatment. According to the NBHO website, several services are offered through four major departments designed to provide support to members: education, research, legislative, and compliance and insurance. The education department provides training, mentorship, and all educational resources for the specific treatment modality used. It is important to note that the education department is the primary revenue source for NBHO. The research department encourages and supports members to add to the pool of research for this specific treatment modality, with the goal of having the treatment becoming an evidence-based model. The legislative department provides support for the therapeutic model through advocacy at local, state, and federal levels. The compliance and insurance department provides members with support in complying with regulations and requirements for billing as well as following state and federal guidelines for providing mental health services. This department also answers and addresses any ethical concerns raised by members.

NBHO stakeholders are a key component in the success of the organization. As it pertains to this study, the term “stakeholders” is an umbrella term that includes staff, members, suppliers, funders, community partners, and sponsors. NBHO certifies behavioral health professionals in the provision of a specific therapeutic treatment modality. In turn, these professionals provide treatment to clients using this therapeutic modality. Therefore, professionals that rely on NBHO’s services are key stakeholders for the organization, and the clients these professionals care for are indirect stakeholders. Other stakeholder groups include the many sponsors and partners of NBHO, which are

vital in helping to fund and support the organization. Material vendors that support the development of training manuals and other educational resources used by NBHO are another stakeholder group. These manuals and resources are then sold by NBHO for a profit. According to NBHO's website, they are currently partnering with and/or being sponsored by at least 10 organizations from various fields that include other therapeutic organizations and retail companies.

According to the CEO, NBHO has a unique market position and competitive environment for a mental health organization. A review of comparable behavioral health organizations on the internet revealed that many organizations around the world provide therapeutic training services like NBHO. However, not all these organizations would be considered NBHO's direct competitors based on the type of training and therapeutic modality offered. This case study included a cursory review of this list of potential competitors to determine the top direct competitors in NBHO's market and the best options for benchmarking.

### **Organization Background and Context**

According to NBHO CEO, there are two major revenue streams for the organization: training and membership fees. NBHO leaders have expressed concern regarding the limited diversification in revenue sources, reporting that funding was primarily dependent upon these two streams. Limited revenue streams place NBHO at higher financial vulnerability and create the possibility for funding instability, threatening long-term sustainability (see Burde, 2018). Mayer et al. (2014) investigated the relationship between revenue diversification and business risk by exploring different

types of diversification and the importance of balance between expected revenue and replacing investment income. They found that by increasing revenue diversification, volatility decreased and expected revenue increased. According to Rottkamp and Bahazhevska (2016), reliance on limited primary revenue sources is a key risk factor that can negatively impact financial sustainability. Providing NBHO with recommendations and insights on best practices for revenue diversification could significantly decrease this risk factor and ensure organizational sustainability.

According to their website, NBHO must follow very specific regulatory requirements to operate as a 501c(3) nonprofit organization, uphold standards and requirements to participate and access specific federal grants (these include following Health Insurance Portability and Accountability Act regulations in some cases), and operate as an international organization. Each of these standards and regulatory requirements must be considered at all levels of the organization. NBHO strives to set the global standard for its modality of treatment and ensure that all services are offered at the highest level of integrity and quality. Ensuring that regulatory standards are met or exceeded is critical to this effort. The organization's ability to meet regulatory standards is important to the practice problem of revenue diversification because new revenue sources come with potentially new regulations to follow. Having an effective compliance system in place ensures that NBHO is prepared to manage new sources of income that may bring new regulatory standards to be followed.

The CEO explained that maintaining high training standards requires NBHO to work with other governing bodies to ensure that NBHO-certified providers uphold the

ethics and standards required by respective licensing boards. NBHO provides certified mental health practitioners with continuing education units for trainings, which means that NBHO must ensure that they meet the regulatory requirements of these governing bodies. These governing bodies include boards for licensed clinical social workers, licensed professional clinical counselors, licensed marriage and family therapists, and licensed psychologists in various states and countries around the world. Each board is different and has different regulatory requirements for NBHO trainings to address and qualify for continuing education unit credit. Per the NBHO website, outside of the governing boards for the mental health providers certified in the NBHO modality of treatment, NBHO has a large research department that adds to the literature and knowledge base of this particular treatment modality. NBHO also commits resources to advocacy for the model and treatment modality on a federal level.

According to their website, NBHO has more recently begun to add to their list of partnerships and sponsors, adding several large international companies. These partnerships are vital components in the discussion of revenue diversification because they provide NBHO with additional avenues to revenue resources. They also open the possibility of unique opportunities to network across various fields and extend the reach and audience of NBHO overall. Partnerships can also play a key role in the inclusion of grants because many state and federal grants are looking for organizations that have multiple revenue sources and are not solely dependent upon the grant for sustainability (Gitlin et al., 1996).

### **Summary and Transition**

According to the CEO, NBHO has identified revenue diversification as an area of concern for its continued financial sustainability, and although they have been successful in adding additional partnerships and sponsors in the past year, NBHO continues to rely heavily on a limited number of revenue sources. I conducted a review of academic and professional literature to explore best practices for nonprofit revenue diversification and provide vital information on potential revenue diversification strategies for the continued growth and success of NBHO. In this review, I also considered additional organizational factors, such as leadership strategy, that may be closely related to the practice problem. Developing an understanding of various organizational factors and their potential relationship with revenue diversification, combined with best practices from the literature review, will provide NBHO with the information necessary to make an informed decision on whether revenue diversification is the right choice for them.

## Section 2: Background and Approach—Leadership Strategy and Assessment

NBHO currently has a limited number of revenue streams, which may impact its long-term financial sustainability. The purpose of this qualitative study was to evaluate the current revenue streams of NBHO, review best practices on revenue diversification in the literature, and provide recommendations to NBHO on the possible benefits and risks associated with implementing revenue diversification strategies. Additionally, a review of NBHO documents pertaining to revenue sources and interviews with key members of leadership was completed.

Although the financial challenges that nonprofit organizations face are well studied, the impact of revenue diversification on financial vulnerability is a relatively new focus area in the literature (Despard et al., 2017). Current literature supports the theory that revenue diversification can have a positive impact on long-term sustainability. The literature also indicates, however, that this is an area that requires additional inquiry, and there is some debate on whether revenue diversification is always the best option for an organization (Scaristan Lopez de los Mozos et al., 2016). Therefore, I conducted a comprehensive review of the literature, evaluation of how NBHO leadership views may impact revenue diversification strategies and implementation, and a review of pertinent NBHO internal documents to help inform study recommendations.

### **Supporting Literature**

Although revenue diversification has been widely studied and discussed in the literature, information specific to nonprofit organizations has been less studied and/or has offered inconclusive findings. I used the Thoreau search engine and Academic Search



Complete database to search the academic literature on the topic of revenue diversification, with the latter database identifying most of the potential sources. Table 2 provides a list of search terms used for both tools. Search parameters were set to include only peer-reviewed sources published within the past 5 years (i.e., 2015–2020). This approach ensured that high-quality sources were identified and that literature to be reviewed pertained to the current culture and climate of revenue diversification.

I tried searching several key terms before finding articles that pertained to the practice problem of this study. The following key terms yielded no literature results: *revenue diversification AND mental health*, *revenue diversification AND mental health organizations*, and *revenue diversification AND behavioral health*. The following key terms were then used and yielded relevant sources: *revenue diversification* and *revenue diversification AND nonprofit or non-profit or not for profit*.

**Table 2**

*Thoreau Search Engine Academic Search Complete Database*

Search term	# of Results yielded
revenue diversification AND mental health	0
revenue diversification AND mental health organizations	0
revenue diversification AND behavioral health	0
revenue diversification	38
revenue diversification AND nonprofit or non-profit or not for profit	16

Many studies support revenue diversification and discuss the important role that it plays in long-term financial sustainability for an organization (Zhu et al., 2018). It is important to understand the impact of revenue diversification on an organization's financial health and sustainability (Rottkamp & Bahazhesvska, 2016). While there is a

wide range of revenue diversification topics in the literature, few topics have been studied in depth. Common topics identified included the impact of leadership and environmental factors (i.e., challenges), utilization of measurement and analysis systems, balancing risk and revenue, and revenue diversification versus revenue concentration. For this study and ease of review, I organized articles into four major categories on revenue diversification: general background and value, challenges and key considerations, financial concentration, and best practices.

### **General Background and Value**

Diversifying revenue streams can provide a nonprofit organization with flexibility and increased stability, helping to build long-term sustainability to navigate difficult financial times (Hung & Hager, 2018). Nonprofit organizations have multiple potential revenue options, such as various types of contributions, grants, earned revenue, and investments, that may help them meet and execute their missions and help to decrease volatility (Berrett & Holliday, 2018). Revenue diversification has also been linked to a higher level of positive organizational outcomes and the ability to build capacity in programming while minimizing possible disruptions. Diversifying funding streams also helps to decrease dependency on any one specific source and can increase “the probability of an organization’s survival” (Mikolajczak, 2018, p. 773).

Berrett and Holliday (2018) utilized the resource-dependent theory framework in a study to confirm the value of revenue diversification, finding that organizational outputs are increased as revenue streams are diversified because diversification is “associated with a decrease in uncertainty, instability, and dependence” (p. 1198).

Despard et al. (2017) found that an increase in revenue sources had a positive correlation with lower financial vulnerability and suggested that “NGOs may need to reach a critical threshold of revenue diversification” to have the resources necessary to fill potential funding gaps (p. 2138). Tevel et al. (2015) also found value in the argument for revenue diversification, with findings similar to Despard et al.’s, noting that in certain instances the practice can be beneficial. Overall, the literature shows revenue diversification to be a process that can yield positive results for organizations. Although these findings support the value of revenue diversification as a path toward organizational sustainability, the literature also includes notable challenges and considerations related to diversification.

### **Challenges and Key Considerations**

According to Despard et al. (2017), research to date presents a mixed review on the impact of revenue diversification and whether it *always* provides increased stability to nonprofit organizations. Findings from their study suggested that revenue diversification should not merely be an automatic response to financial challenges that an organization may face, and it can lead to a decrease in the efficiency of fundraising. Sancristan Lopez de los Mozos et al. (2016) utilized random effect regression and Arellano-Bond models to explore the impact of revenue diversification on fundraising efficiency, finding a negative correlation. They also noted the importance of funding sources aligning with the organization’s mission and being conducive to the organizational structure and skill set (Sancristan Lopez de los Mozos et al., 2016). Likewise, Prentice (2016a) found that consideration of mission drift and potential new revenue streams being in alignment with

the mission of the organization must be considered when deciding if revenue diversification is right for an organization.

Rottkamp and Bahazhevskaja (2016) discussed and identified several challenges that an organization may face in trying to diversify revenue streams and how these funding difficulties may impact operations. Rottkamp and Bahazhevskaja reported that inadequate funding, poor board oversight, and organizational culture were the challenges that had the largest impacts to operations. Tevel et al. (2015) also concluded that there are both pros and cons to revenue diversification, stating, “The degree of diversification appears to be a critically important predictor of expected revenue” (p. 2512). In discussing the possible pros to revenue diversification, Tevel et al. suggested that decreasing dependence on any one revenue stream, increases stability. The authors also reported that increasing the number of revenue streams may also increase an organization’s ability to create a more effective strategic plan. Although revenue diversification has many pros, Tevel et al. reported their findings to be “quite inconclusive” and reported that revenue diversification may also be viewed as a liability given the potential cost related to the management of multiple revenue streams (p. 2512).

Although the need for services and programs in the behavioral health field continues to grow, the financial and economic climate continues to be highly competitive for nonprofit organizations to obtain funding (Rottkamp & Bahazhevskaja, 2016). Government and state funding sources often experience budget cuts or inconsistent levels of funding, resulting in a significant decrease in available monies, even though the number of nonprofit organizations continues to rise.

The balance between the financial goals of growth and stability is also important to consider when discussing revenue diversification. Dension et al. (2019) examined the importance of major revenue sources for nonprofit organizations and the ability of an organization to balance risk and revenue. It is important to understand the delicate balance between risk and revenue, and essential to monitor the continuity of existing revenue streams (Mayer et al., 2014). According to Mayer et al., there are three main sources of revenue for any nonprofit: donations, earned income, and investment income. If there is not a balance between these revenue sources and an organization relies too heavily on one area, this may make the organization more vulnerable in difficult financial times. Therefore, understanding the balance between expected revenue and replacing investment income is an important part of the revenue diversification discussion.

Prentice (2016a) explored the importance of attention to revenue and assets, reporting that revenue diversification only has a positive impact if organizational assets are also increased. Prentice also found that, for human service organizations specifically, a mere focus on and increase in revenue diversification and commercialization does not necessarily have a positive correlation on financial health, and “Rather, human services organizations should pursue revenue streams consistent with their mission-related activities and avoid the transaction costs or possible mission-drift associated with revenue diversification and commercialization” (p. 903).

Although much of the literature seems to support the concept of revenue diversification and the positive impacts that it can have on an organization, whether to diversify revenue must be a strategic decision based upon a variety of factors specific to

each organization (Hung & Hager, 2019). Hung and Hager identified the following forces as potential, important considerations in the revenue diversification discussion:

organizational autonomy and connection to the community, mission drift, flexibility, risk-tolerance, and potential costs associated with the additional time and resources necessary to accomplish revenue diversification. Potential pros and cons of revenue diversification can be found in Table 3.

**Table 3**

*Revenue Diversification Pros and Cons*

Pros	Cons
Flexibility	Increased complexity and risk
Autonomy	Increased administrative costs
Income and growth potential	Crowd out of private donations
Community connection and embeddedness	Mission drift

*Note.* Adapted from “The Impact of Revenue Diversification on Nonprofit Financial Health: A Meta-Analysis,” by C. Hung, & M. A. Hager, 2019, *Nonprofit and Voluntary Sector Quarterly*, 48(1), pp. 5-27. (<https://doi.org/10.1177/08997644018807080>)

**Financial Concentration**

As with the literature for revenue diversification, findings related to the value of financial concentration are generally positive, but only when strategically evaluated according to each organization’s unique business situation. Financial concentration can be described as strengthening a few chosen revenue sources in order to increase the efficiency of the organization (Lu et al., 2019). For some organizations, this can be an economical choice because it can reduce the costs associated with the management of multiple revenue streams.

Kim (2017) suggested that the literature on nonprofit financial health has placed too much focus on revenue diversification and that nonprofits should also concentrate on

strengthening their primary revenue sources. Lu et al. (2019) explored financial vulnerability and capacity by analyzing and qualitatively synthesizing 23 current empirical studies on the subject, stating about revenue diversification that, “our combination of existing empirical evidence reveals that it has an almost null effect on financial stability and vulnerability” (p. 604). The findings of their study demonstrated a possible lack in empirical evidence, restated the variability of current literature, and suggested the possibility that the positive impacts of revenue diversification have been overstated (Lu et al., 2019). Lu et al. concluded by stating, “More broadly, revenue diversification has been used extensively as an explanatory variable to study a wide range of nonprofit financial and non-financial behaviors, but comparatively fewer studies have been devoted to empirically examining the real effectiveness of revenue diversification” (p. 604).

Berrett and Holliday (2018) evaluated the impact of revenue diversification versus concentration on organizational outcomes, concluding that diversification, not concentration is associated with higher organizational outcomes. Von Schnurbein and Fitz (2017) evaluated key factors that impacted the need for diversification or concentration to help inform an organization’s decision, dividing these factors into nature and nurture. Von Schnurbein and Fritz stated, “Revenue concentration is positively influenced both by an organization’s geographical range of activity and dependence on its primary revenue source, and negatively influenced by board size and diversity” p. 922). Mikolaiczak (2018) added to this discussion by introducing the new category of commercialization for consideration and the impact of funding sources on

commercialization and internal financing sources for nonprofit organizations. The findings of this study showed that the commercialization of nonprofit organizations is favorable when making business decisions and supports a more entrepreneurial way of being (Mikolaiczak, 2018).

### **Diversification Best Practices**

Although every study on revenue diversification and its impact on an organization's long-term sustainability has a specific focus, most studies have common suggestions informing the following best practices: involvement of organizational leadership and the board, balancing stability and capacity, organizational culture, the importance of measurement and analysis, and the importance of revenue strategy. Zhu et al. (2018) explored the volatility and limitations of several revenue sources and factors, as well as the impact of organizational leadership. These authors found that organizational accountability to stakeholders, high board involvement, and the amount of competition are key components in the success of revenue diversification. Zhu et al. stated, "Our study confirmed that this comprehensive measure of accountability is a strong predictor of organizational revenue diversification" (p. 1184).

The importance of board involvement and the role that organizational culture plays in financial sustainability is also discussed in an article by Rottkamp and Bahazhevska (2016). An organization with strong board involvement allows board members to have a clear understanding of the financial health of the organization and the various revenue sources available (Rottkamp & Bahazhevska, 2016). Strong board oversight also helps to create an organizational culture of accountability and



empowerment, allowing for a stronger focus on long-term strategic goals (Rottkamp & Bahazhevska, 2016). In turn, these goals inform the need and value of potential diversification.

The impact that leadership can have on sustainability within an organization is also a key consideration and was a specific focus of a study by Slappy (2019). Utilizing transformational leadership as a conceptual framework, Slappy concluded that leaders of nonprofit organizations need an improved understanding of their financial environment and how to implement successful revenue strategies to ensure organizational sustainability. In the discussion of leadership by von Schnurbein and Fritz (2017), these factors are placed into “nature” and “nurture,” referring to factors that are actively influenced (nurture) and not easily influenced (nature) by organizational leadership and/or leadership interventions. von Schnurbein and Fritz also discussed the importance of balance between stability and capacity, reporting that when the focus is placed primarily on stability with little focus on capacity, an organization can “actively refuse to grow” (p. 938).

Although studies mention organizational challenges to revenue diversification, as discussed in previous sections, increasingly studies are attempting to find specific measurement and analysis systems/tools to apply to the question of whether an organization should diversify or concentrate revenue streams (Kim, 2017; Prentice, 2016b). Prentice and Kim both discussed the importance of an organization utilizing empirical base measures to evaluate organizational capacity, financial health, and performance. Prentice found three possible interpretations of the data in his study: (a)

data has not caught up to current theory, (b) classification of data for nonprofits may be difficult to explain through financial measures, and (c) the constructs of financial health for nonprofits are multidimensional. Prentice concluded that the third interpretation was the most likely because the study failed to link dimension reduction techniques to organized constructs, suggesting that this was due to the multidimensional nature of the constructs.

### **Supporting Literature Summary**

The Prentice (2016a, 2016b) and Kim (2017) studies, along with others discussed above, offer a wide range of views and evidence on the possible impacts of revenue diversification, bringing to light the complexity of this subject and the many considerations that an organization should take into account before deciding whether or not to diversify funding sources. The information found in these studies, along with the information provided by NBHO on their current financial situation, will provide valuable insight into addressing the organization's practice problem. Synthesizing these resources and their findings, collecting key documents from NBHO, and completing leadership interviews will allow for triangulation of data for the study.

### **Sources of Evidence**

The qualitative data that will be collected will consist of three behavioral health leader (BHL) interviews: Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Chief Operating Officer (COO). Each interview will be 45-60 minutes in length and will be semistructured. Individuals being interviewed will have signed consent forms on file and will be provided interview questions before the scheduled interview. Various

documents will also be collected for review. These documents may include, but are not limited to, annual reports, financial reports, strategic plans, budgets, and profit and loss statements. These documents will be thoroughly reviewed to synthesize what revenue sources have been tried in the past and which are currently in use. This information, combined with BHL interviews and the in-depth literature review on current best practices in revenue diversification, will be utilized to provide informed recommendations regarding NBHO's identified practice problem.

### **Leadership Strategy and Assessment**

NBHO is a large international organization spanning 40 countries, with a complex governing structure. It is governed by a board of directors, consisting of seven individuals with the titles of chair, governance committee, treasurer/finance committee chair, finance committee, vice-chair, secretary, and governance committee chair (NBHO website, 2020). NBHO has broken its key areas of operation into departments that are led by directors with the support of coordinators (NBHO organizational chart, 2020).

NBHO identifies key strategic challenges during its organizational board meetings and other organizational meetings and conferences (NBHO CEO, personal communication, February 24, 2020). Once the key strategic challenges have been identified, these changes are implemented from the board down through the membership via trainings, webinars, email, and networking meetings/groups (NBHO CEO, personal communication, February 24, 2020). NBHO maintains a strategic plan and has identified core areas that pose a challenge and are important for growth: quality, funding, credibility, and sustainability (NBHO strategic plan, 2020).

### **Clients/Population Served**

NBHO's client base is comprised of behavioral health professionals and other helping professions that have become certified NBHO members, allowing them to offer the specific of modality sponsored by NBHO (NBHO CEO, personal communication, February 24, 2020). From this point forward and for the purpose of this study, members of NBHO will be referred to as clients. As a large international organization, maintaining communication with clients can be challenging. NBHO is successful in maintaining communication with clients by using several communication types: webinars, surveys, online forums, in-person trainings, networking meetings, networking groups, and emails (NBHO CEO, personal communication, February 24, 2020). Communication through these modalities is bi-directional, with NBHO also obtaining information from clients to ensure quality, training, and continued support.

NBHO has a strong focus on building relationships with clients and the programs those clients run. NBHO provides support and resources to clients and is invested in the success of their clients because they believe that investing in clients and providing support and valuable resources increases brand awareness (NBHO CEO, personal communication, February 24, 2020). By supporting certified clients in this modality, who are running quality programs, NBHO can gain recognition as a training organization. Gaining recognition allows NBHO to increase the possibility of additional revenue streams by attracting possible sponsors, donors, and additional clients. In addition to the possible growth of revenue, providing support to its' clients is vitally important because NBHO desires a close connection and collaborative relationship with its clients (NBHO

CEO, personal communication, February 24, 2020). This collaborative relationship ensures that NBHO accomplishes its vision to ensure international access to this modality of treatment and aligns with the organizational values of positive impact, quality, integrity, collaboration, and continuous improvement (NBHO website, 2020).

### **Workforce and Operations**

NBHO has relied on a permanent, internal staff of five individuals as the organization has grown into an international entity serving nearly 500 programs (NBHO CEO, personal communication, July 24, 2020). These five internal staff members are certified in the modality of treatment NBHO offers and fill the administrative positions of CEO, CFO, COO, certifications manager, and administrative assistant (NBHO CEO, personal communication, February 24, 2020). The majority of NBHO's workforce consists of contract employees, providing scope specific services, and a large volunteer force (NBHO CEO, personal communication, July 24, 2020). Contract employees are brought on as needed and all other positions are on a volunteer basis. NBHO has a very interconnected organizational structure that organizes the workforce into various departments. Within each of these departments are the contract director positions and the volunteer positions of regional coordinators and localized coordinators, that help ensure strong connections between NBHO and their clients.

### **Analytical Strategy**

#### **Archival and Operational Data**

To address the current question on revenue diversification for NBHO and provide meaningful information on best practices and value, organization-specific information is

necessary. Key members of NBHO leadership were interviewed (CEO, CFO, COO) and organizational documents were collected to understand the organization's current funding sources and revenue practices. General information on the organization's workforce, as well as the current strategic plan, were obtained from NBHO's CEO. The 2018 990 tax form was acquired through Guidestar.org. Guidestar.org is an online database designed to provide up-to-date information on nonprofits, providing analysis, nonprofit profiles, and reports (October 6, 2020). This is a valuable resource to find accurate facts and insights that offers quantity, quality, and productivity to any nonprofit search (Guidestar.org, October 6, 2020). Additional information and data on current revenue sources, past and current trends, and barriers and obstacles to revenue diversification were obtained through interviews with the CEO, COO, and CFO of the organization.

These senior leaders understand the inner workings of the organization, have been connected with the organization for an extended period, and understand how NBHO may be impacted by revenue diversification. The strategic plan is an important source of information as it provides insight into the current strategic goals of the organization and the extent to which those goals impact revenue diversification considerations. The 990-tax form provides information on the financials of the organization, including employees and current revenue streams.

### **Evidence Generated for the Doctoral Study**

The first steps in the process of this study were to identify an organization, establish a point of contact, and discuss possible problem statements identified by the NBHO's leaders. Following the initial discussion with NBHO's CEO on practice

problems faced by the organization, permission was obtained for the study through NBHO and the study approved by Walden University's Institutional Review Board (IRB) 03-20-20-0166469. As part of the Walden University IRB approval process, NBHO's CEO was given the Service Order Agreement and Site Approval Form to consent to participation in the study process. These documents outlined the research study process and parameters. Once these documents were signed, submitted, and approved by the Walden University IRB, the CEO was contacted to discuss the next steps, possible interview participants, and to request pertinent organizational documents.

The CEO recommended that interviews be conducted with the CFO and the COO, in addition to herself. Written informed consent forms were sent to each of these identified interview participants. Once a signed consent form was obtained, each interview participant was asked to provide two possible dates and times that they would be available for the interview. Each participant was reminded in the scheduling email that the interview process was 45-60 minutes in length. Participants were provided the option to meet via phone call or video call. Each interview was recorded and then transcribed utilizing a transcription service. These interview transcriptions were then coded and analyzed in terms of patterns, themes, and important organizational information and insight. The following standard questions were asked of each interview participant:

1. I would love to hear your thoughts on revenue diversification for NBHO.

From your perspective, what would be the possible positives and negatives of diversifying revenue streams?

2. On a scale of 1-10, 1 being not at all and 10 being extremely important, how important is it for NBHO to diversify revenue streams at this time? Can you tell me why?
3. From your perspective, how is revenue diversification important to the long-term sustainability of NBHO?
4. Currently, the majority of NBHO revenue comes from training. What are your thoughts on this being the primary revenue stream for NBHO?
5. Have there been any trends or patterns in organizational funding streams over time? If so, what were the main trends/patterns?
6. What are some of the strategies that the organization has tried in the past to diversify funding streams?
7. What are some of the obstacles/barriers that NBHO has encountered in the attempt to diversify revenue streams? Any other types of barriers/obstacles that may be specific to your role?
8. What strategic assets do you feel NBHO needs to be successful in their market?
9. How does the size of the organization impact revenue diversification?
10. Would more revenue streams require additional staff to manage them? If so, what impact would that have on NBHO?
11. If NBHO were to diversify their revenue streams through gaining additional partnerships and sponsorships, how important is it that those organizations' values and missions align with those of NBHO?



12. How has Covid-19 impacted the conversation on revenue diversification for NBHO, if at all?
13. Are there any other thoughts that you may have on the topic of revenue diversification for NBHO?

Probe questions were used as warranted based on participant responses to each initial question.

### **Summary and Transition**

The academic and professional literature related to revenue diversification included the identification of potentially positive impacts of this act for organizations, as well as potential limitations and challenges. This was especially true for the large and complex United States' nonprofit sector (Morse et al., 2018). Although some organizations may benefit from diversifying revenue streams, it is not without challenges, and requires careful consideration by the organization to balance the risk of additional costs associated with managing multiple revenue streams versus the reward of potential increased sustainability (Denison et al., 2019). How the addition of revenue streams may align with the mission and values of the organization was also a key consideration in the discussion of revenue diversification. In addition to a review of the literature that represented an objective, generic assessment of revenue diversification practices, information from NBHO's leaders and internal documents were obtained to provide organization-specific insights on this topic. Section 3 focuses on delineating other facets of NBHO (e.g., organizational management, performance, and infrastructure) to enhance

the overall understanding of organizational factors that may relate to the practice problem.

### Section 3: Workforce, Operations, Measurement, Analysis, and Knowledge Management

#### Components of the Organization

NBHO was exploring the possibility of revenue diversification and the impact it may have on the organization. With this case study, I provided NBHO with a thorough review of the literature regarding best practices, value, and possible pros and cons to consider in their decision to diversify their current revenue streams. This study has demonstrated the complex nature of revenue diversification and highlighted the importance of careful evaluation of numerous variables that may impact an organization. In addition to selected sources of data for this study (i.e., a literature review, BHL interviews, and NBHO documents), I present an assessment of the organization itself in this chapter to provide context for the study.

#### **Analysis of the Organization**

In considering whether diversifying revenue streams is the best choice for NBHO, one important variable to consider is how the organization builds an effective and supportive workforce environment (see NIST, 2017). Information currently available on the organization did not include significant details about NBHO's effective management of key services and processes. According to the CEO, NBHO had five regular employees, approximately 120 volunteers, and 25 contractors. Volunteers for NBHO fill positions such as board members and network coordinators. Contractors are hired to fill positions such as client support directors, trainers, and other services provided by NBHO to its clients. The workforce resides in countries around the world, allowing NBHO to provide timely support and resources for clients, regardless of where the client may live.

The NBHO CEO described its workforce as “always working to make things better; excellent professionals in their areas of expertise; great to be around; very intelligent and yet humble, looking to serve and support the mission; and focused on results”. According to the NBHO website, the organization fosters a culture characterized by collaboration, communication, and innovation. These were key components of organizational engagement and performance (NIST, 2017). The NBHO CEO stated that this performance was managed by maintaining focus on organizational mission, vision, and values and always striving for excellence.

The NBHO CEO went on to say that to achieve, manage, and maintain the focus of the organization, communication must be productive and NBHO must be able to communicate effectively and, sometimes, in creative ways with the workforce. This engagement with staff is done primarily via the use of multiple types of technology: telephone, Zoom (and other like systems), networking meetings, online forums, trainings, and email. NBHO strives to make meetings interactive, fun, and supportive; always encouraging that talk be followed by action. The organization does not have brick and mortar office space and all employees, volunteers, and contractors work remotely, allowing the NBHO workforce to work from anywhere in the world and engage with one another whenever necessary.

Keeping the workforce engaged can be a challenge. The CEO explained that NBHO accomplishes this by empowering the workforce to strategize on how roles can be improved and implemented, supporting people’s passions, and by creating opportunities to continue learning and fostering innovation. It is not only important to have an engaged

workforce, but workforce needs to be effective as well. The organization accomplishes this by providing clear roles and responsibilities, providing support even when there are errors or failures, finding people with the right skillsets and character, and encouraging open and respectful communications as well as accountability. According to the CEO, NBHO looks for individuals that are always “open to learning, dedicated to quality, hard-working, self-motivated, problem-solvers, humble, and have a strong sense of integrity.”.

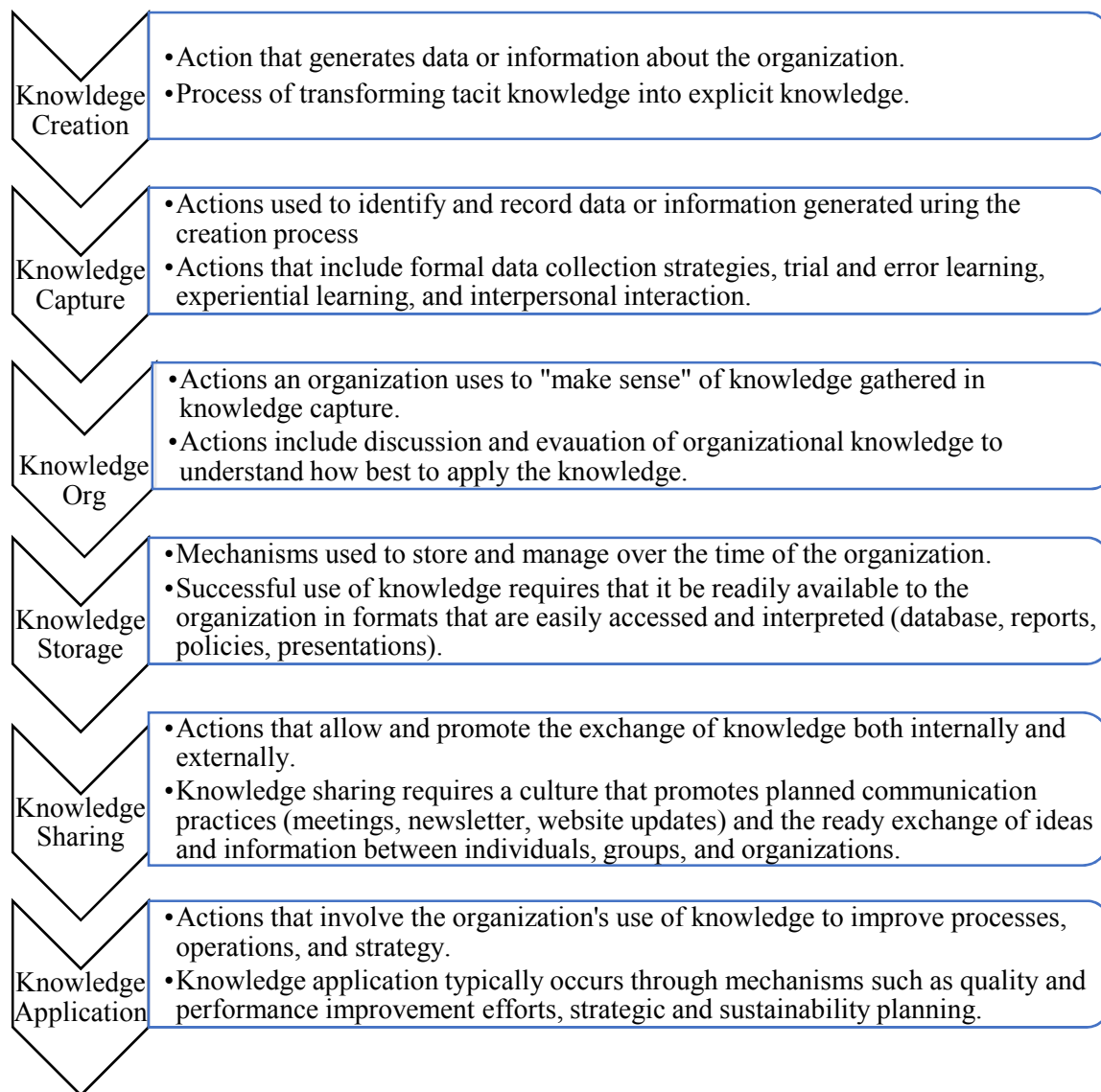
To ensure that the workforce is engaged and effective, the organization must continuously design, manage, and improve key processes. Per the CEO, NBHO utilizes written documents to identify processes and roles, making them clear and concise. The organization then works to find the right people for those roles, making management much easier. When issues with efficiency or effectiveness are identified, finding creative and effective ways to address them, and then solving them by focusing on the problem and not the person are key. Organizational issues are addressed and solved in this manner by keeping open lines of communication, fostering an environment where the workforce does not fear making mistakes, and treating everyone with respect.

Ensuring effective management of operations is a vital component to workforce success. As previously discussed, the NBHO CEO stated that finding the right people to fill the right roles and having frequent communication are important, but it is equally important for an organization to have respectful and supportive leadership. When leaders of an organization provide a clear organizational identity, mission, objectives, strategic plan, and roles and responsibilities, the management of operations is more effective and efficient. Diligence in keeping financial and statistical data that are important to the

organization, providing clarification of expectations when needed, being responsible in reporting, and holding the organization accountable are also key components of the effective management of operations.

### **Knowledge Management**

Effective management of operations and workforce engagement are important to the success of NBHO, but it is also important for the organization to manage knowledge assets and information effectively. It has been recognized in the literature that knowledge management is a multidimensional concept (Breznik, 2018). Abubakar et al. (2019) defined knowledge management as “the process of activating passive knowledge for the benefits of organizations and to gain competitive edge” (p. 104). Abubakar et al. noted that an important component of knowledge management is measurable objectives, potentially increasing employee engagement and creating a positive impact on employee commitment to the organization. Many other areas of an organization can be involved in knowledge management; human resource procedures, technology management, culture, and organizational structure are a few examples (Abubakar et al., 2019). Figure 2 depicts the relationship between key components of a successful knowledge management system.

**Figure 2***Knowledge Management Systems*

*Note.* Adapted from “Knowledge Management, Decision-Making Style, and Organizational Performance,” by A. M. Abubakar, H. Elrehail, M. Alatailat, & A. Elçi, 2019, *Journal of Innovation & Knowledge*, 4(2), pp. 104–114 (<https://doi.org/10.1016/j.jik.2017.07.003>).

According to Breznik (2018), many definitions of knowledge management have been discussed and studied in research, demonstrating that knowledge management is multidisciplinary. In today's market, nonprofit organizations are faced with highly competitive environments, making innovation a vital part of an organization's knowledge management system (Breznik, 2018). Abubakar et al. (2019) discussed this concept of innovation and applied it to the transfer of knowledge. Understanding how knowledge is transferred is an important discussion when an organization is learning how to best manage that knowledge. When applied to the practice problem of revenue diversification, discussion of effective and efficient knowledge management systems is important because these systems may require additional resources.

Although NBHO appears to rely more heavily on informal knowledge management/control systems, this is not uncommon for nonprofit organizations, per the NBHO CEO. Performance needs and control practices are highly individualized to an organization (Sabert et al., 2014). When formal and informal control systems are combined, this can be a strong indicator of increased performance of managing knowledge assets (Sabert et al., 2014). NBHO manages knowledge assets and information primarily via their website. According to the CEO, NBHO utilizes copyrights and trademarks to protect knowledge assets. The organization also ensures that qualified employees work closely with contractors and volunteers as well as other core stakeholder groups that are important to organizational success. These core groups focus on information technology and trainings related to the modality of treatment provided by



NBHO and are continuously working on improvements in technology and training programs.

### **Summary and Transition**

NBHO places a high level of importance on workforce quality, performance, and engagement. The NBHO CEO stated that the organization holds several copyrights and trademarks to protect knowledge assets and prides themselves on creating a community of professionals that are skilled in their specific areas, creative, innovative, and strive for a high level of excellence. Continued growth in the area of knowledge management requires a working knowledge of how to collect and transfer knowledge, synthesize collected data, and transfer that knowledge to key stakeholders in the organization (NIST, 2017). Adding this knowledge in an effective and efficient way to the findings of the in-depth literature review, review of key organizational documents, and leadership interviews provides important information to help NBHO decide if revenue diversification is right for them and how knowledge management/controls may play a key role in this process. In Section 4, the data is synthesized, themes across data sources are explored, and potential implications are discussed.

#### Section 4: Results—Analysis, Implications, and Preparation of Findings

In this qualitative study, I examined the topic of revenue diversification to help inform NBHO's decision on whether to diversify or concentrate revenue streams. A thorough literature review exploring the value, key challenges, and best practices of revenue diversification and financial concentration was conducted. According to the NBHO CEO, this topic was identified by NBHO leaders as a current topic of interest and concern due to limited funding streams and desire to increase financial sustainability of the organization. Per their website, NBHO is an international nonprofit organization operating in 40 countries around the world. Its mission is to set standards, provide support, and educate professionals on a specific modality of behavioral health treatment. NBHO provides many services and resources, including several modalities of training, networking groups, insurance and ethics support, and model specific resources (e.g., manuals, guides, etc.). The organization values quality, integrity, collaboration, and a commitment to learning and is always striving to make a positive impact in the lives of those struggling with mental health concerns.

In addition to an in-depth review of relevant literature, I collected and reviewed organizational documents (i.e., Tax Form 990, 2020 strategic plan, and organizational chart) and interviewed senior leaders. The 2020 strategic plan was provided by the CEO of NBHO, the organizational chart was found on NBHO website, and the Tax Form 990 was obtained on Guidestar.org. The interviews with senior leaders of NBHO were semistructured and ranged from 30–60 minutes in length. In this section, I provide the results of data analysis and the implications of findings for NBHO.

## **Analysis, Results, and Implications**

### **Analysis**

To analyze the data for this qualitative case study, I used thematic analysis. Thematic analysis involves several steps: transcribing, reading, and familiarization; coding; identifying patterns and codes to themes; searching, reviewing, and finalizing themes; and developing the analysis (Damayanthi, 2019). This approach for data analysis allows the researcher to identify important themes and patterns within the data set. I obtained data for this study through the review of documents, including 2018 Tax Form 990, the organizational chart, and the 2020 strategic plan. Data from interviews with three senior leaders of NBHO was also synthesized using Trint online software to transcribe the interview recordings. Participant names were redacted to protect the confidentiality of the organizational leaders and to uphold the ethical standards of the Walden University IRB. After the interview content was transcribed by the Trint online software, I read the transcripts and identified patterns and potential themes.

After all data sources had been transcribed, coded, and reviewed, thematic analysis of content across all sources was completed. This involved identification of frequently used terms and concepts for each data source. When these lists were created for each data source, I compared them to identify commonalities of terms and concepts. These terms and concepts became overall themes that were prevalent across data sources. Themes that were identified as commonalities across more than one data source were obvious themes of the data overall and affected the structure of how the results were reported. Themes found across multiple data sources included: importance of

organizational culture, brand awareness, pros and cons of revenue diversification, and leadership/board involvement.

## **Results**

### ***Importance of Organizational Culture***

The importance of organizational culture and the role that it plays in the decision to diversify revenue streams was a theme found across all three data sources. The concepts and key terms that came up across organizational documents, interviews, and the literature review included interconnectedness, quality, embodiment of organizational values, and being client focused. Although these concepts and terms were discussed in different ways throughout each data source, they were found to be key components in the decision for an organization to diversify revenue streams.

Sancristan Lopez de los Mozos et al. (2016) discussed organizational culture and the importance of funding sources being aligned with the organization's mission as well as conducive to organizational structure and skill set. Prentice (2016a) also reported that mission drift and evaluation of how potential new revenue streams align with the mission of the organization are key considerations when deciding if revenue diversification is right for an organization. Organizational culture is one of the challenges that can have the largest impact on the operations of an organization when deciding to diversify revenue streams (Rottkamp and Bahazhevskaja, 2016). Organizational culture is heavily impacted by the attitudes and influence of top leadership and is an important component in the financial stability of an organization. If the organizational culture is positive and

encourages an environment of accountability and empowerment, the organization is better able to focus on long-term strategic goals.

The NBHO 2020 strategic plan reiterated these commonalities and revealed that the organization is focusing on four primary organizational targets: quality, funding, credibility, and sustainability. Goals and objectives have been outlined for each target area. In the strategic plan, the strategic goals that are most relevant in supporting the theme of organizational culture are quality and funding (as it pertains to client focused): (1) Quality: “Attract, certify, and retain quality professionals with successful NBHO Model programs to create a strong and sustainable NBHO community, and (2) Funding: generate funding to support and diversify member services.”.

Finally, interview data revealed just how important organizational culture is to NBHO, its leaders, and the potential impact that it has on revenue diversification. Participant 3 (P3) provided many statements highlighting the importance of organizational culture, specifically quality and the embodiment of organizational values. P3 used the example of Apple in the discussion regarding quality, talking about how Apple has stayed within their niche and has not ventured outside their focus areas of computers, phones, iPods, and tablets like many other technology companies. In discussing other companies, not staying in their niche, P3 stated “They can’t do that because they’re trying to be something that they’re really not. They’re trying to get everything instead of just staying in what they love.” In discussing the importance of being client focused, Participant 2 (P2) stated:

...the goals for the organization are becoming broader in the sense that we're looking for resources for our current members. So, we've always kept the current members in our minds. They are the organization and if we are not providing resources for them to grow their businesses, for other opportunities to come their way, then we're not giving that support.

Participant 1 (P1) also shared, "We have two messaging focuses, (1) to bring people in to get trained and certify quality people, but then (2) it's supporting our members and their programs and driving business to them." These statements collected from leader interviews demonstrate the clear level of importance placed on quality, embodiment of organizational values, and being client focused.

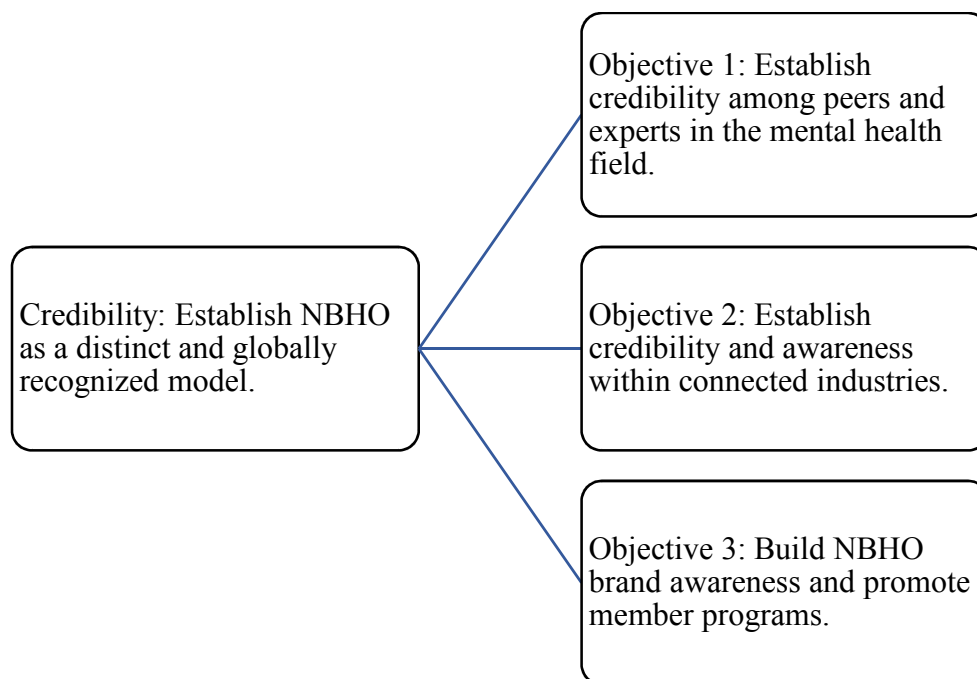
Leaders discussed the significance of providing quality products and services, attracting and retaining quality professionals, and the consequences that sometime come with restructuring. P3 stated, "Anytime you restructure or raise prices, people who just came in for a low price will sometimes dwindle. The people who really value it will stay with it." NBHO leaders frequently paired the concept of quality with the sustainability of the organization. According to P1, providing quality services and retaining certified professionals are also closely related to NBHO's values and mission. The word "value" came up 15 times across interviews and often referred to the value that members received from services offered. Given the importance placed on the concept of value by organizational leaders in the interview data, NBHO's definition of quality could possibly be expanded to add that quality requires value.

### ***Brand Awareness***

Brand awareness was a theme that spanned both interview and document data. Although this theme was not found in the literature, its presence across interviews and NBHO documents makes it relevant to the practice problem and worth considering when deciding whether to pursue revenue diversification. This theme was found in the organizational 2020 strategic plan under the goal of credibility, “Establish NBHO as a distinct and globally recognized model.” Figure 3 provides details of this goal and corresponding objectives.

**Figure 3**

#### *Credibility Goal and Objectives*



*Note.* Adapted from the NBHO 2020 strategic plan.

The importance of brand awareness was a key concept of interview data as well and was present in all three interviews conducted. Once coded, I found the following key

terms/phrases across interview data: relevance, brand awareness, noteworthy, change and evolution, recognition, growth, public awareness, strategic partnerships, increase awareness, relationship, influencers, and marketing. P2 stated, “We are noticing that organizations, businesses, that are asking their members or requiring their people to be certified. So, we’re seeing that trend and that it’s noteworthy.” P2 also discussed the importance of brand awareness and how it impacts the ability of programs utilizing NBHO model services to bill insurance companies for those services. P1 discussed the importance of public awareness and how gaining sponsors and corporate partnerships, although they have not brought in a great deal of revenue, have increased public awareness. P1 also tied brand awareness back to client success, stating, “If the programs are successful and the members are successful, then that helps really boost brand awareness and the model, which then helps the overall organization.”.

### ***Pros and Cons of Revenue Diversification***

The theme of striking the balance between costs versus the benefit of diversifying revenue sources and the importance of understanding the pros and cons of revenue diversification was found across all three data sources. Denison et al. (2019) found that the balance between revenue and risk is important when evaluating the sustainability of an organization and their goal to achieve its mission and generate positive social change. In the current study, findings revealed that the perspective of NBHO’s leadership aligned with the findings of Denison et al. in that the balance between risk and revenue is important to the sustainability of the organization. Tevel et al. (2015) also discussed the pros and cons of revenue diversification, describing the positive correlation between



increased revenue sources and more effective strategic planning. The authors also suggested that stability is increased by decreasing dependence on any one revenue source; however, they reported their final findings to be inconclusive, given the potential costs related to managing multiple revenue sources.

Finding a balance between the financial goals of growth and increased sustainability can be difficult and requires the monitoring of new revenue streams and the continuity of existing revenue streams (Mayer et al., 2014). Mayer et al. also reported that relying heavily on one specific revenue source or type can lead to vulnerability in financially difficult times. To combat this, Mayer et al. discussed the importance of understanding the balance that is necessary between expected revenue and the replacement of investment income. Prentice (2016a) explored the importance of the attention to revenue and assets, resulting in two key findings: (a) revenue diversification only has a positive impact when organizational assets are also increased and (b) for human service organizations a mere focus on diversification and commercialization of revenue streams does not always correlate positively to financial health. Hung and Hager (2019) added to the list of pros and cons from earlier research, and these pros and cons can be reviewed in Table 3.

The potential pros and cons of revenue diversification and the importance of balance was also demonstrated in the document data, specifically the 2020 strategic plan and tax form 990. These documents demonstrated NBHO's focus on finding balance between building new revenue streams and maintaining current revenue streams, as well as showed NBHO's current revenue situation. The sustainability and funding goals on the

2020 strategic plan directly related to the practice problem of revenue diversification and the importance of finding balance between cost and benefit. The corresponding goals were: (1) “Generating funding to support and diversify member services, and (2) increase sustainability by ensuring the organization’s sustainable operations and processes” (NBHO strategic plan, 2020). Within these two main goals, NBHO had identified several objectives. These objectives are detailed in Table 4.

**Table 4**

*2020 Strategic Plan Objectives*

<b><u>Funding</u></b>	<b><u>Sustainability</u></b>
Generate funding to support and diversify member services.	Ensure the organization's sustainable operations and processes.
<b>Objective 1:</b> Funding for member programs. KPI 1: Increase from one to two funding sources for model programs.	<b>Objective 1:</b> Diversify revenue sources. KPI 1: Increase number and type of services of value to members--initiate two new ideas.
<b><u>Funding</u></b>	<b><u>Sustainability</u></b>
Generate funding to support and diversify member services.	Ensure the organization's sustainable operations and processes.
KPI 2: Provide clear business development strategy resources to support members as they establish and develop their business.	KPI 2: Increase from \$0 to \$50k (outside of current grant) in external funding support through sponsorships, applying for grants, and developing partnerships with businesses influencers, and high net worth individuals.
<b>Objective 2:</b> Funding for training scholarships. KPI 1: Acquire funds and administer scholarships valued \$50k for model trainings.	<b>Objective 2:</b> Increase retention rate. KPI1: Increase retention rate from 61% to 65%-- 1,308 members due to renew in 2020, 65% renewal rate = 850 renewals.
	<b>Objective 3:</b> Reserve three months cash in rainy day fund account. KPI 1: Raise \$475k in a cash-available account.
	<b>Objective 4:</b> Increase awareness and efforts to implement policies and procedures that promote environmental, social, and corporate governance (ESG). KPI 1: Develop policy on this focus. KPI 2: Review processes at conference and trainings and make changes to support this policy.

*Note.* Adapted from NBHO 2020 strategic plan.

The tax form 990 was reviewed to gather a better understanding of the potential impact that revenue diversification may have on NBHO’s financial situation and the current streams of revenue being utilized. In 2018, NBHO had four major revenue stream areas: contributions/grants, program service revenue, investments, and other (NBHO tax form 990, 2018). Program service revenue was comprised of trainings, conference registration, and membership dues (NBHO tax form 990, 2018). Revenue from these various streams is depicted in Table 5.

**Table 5**

*Revenue 2018*

Revenue source	Amount of revenue	% of Total revenue
Contributions/grants	\$44,359	2%
Program service revenue	Trainings: \$1,467,852 Conference registration: \$262,016 Membership dues: \$1,980	95%
Investments	\$103	.006%
Other	\$62,220	3%

This data shows that \$1,731,848 of NBHO’s revenue comes from Program Service Revenue, with trainings accounting for \$1,467,852 (NBHO tax form 990, 2018). All other revenue streams only produced \$106,682 for NBHO in 2018 (NBHO tax form 990, 2018). This means that approximately 95% of NBHO’s revenue came from program service revenue and only 5% from other revenue sources (NBHO tax form 990, 2018).

Document data were confirmed in interviews with NBHO leadership, with P1 stating, “The initial certification process is pretty much what supports the entire organization” and P2 stating, “So, currently the majority of the revenue does come from the trainings that we do (P1 Interview, July 24, 2020; P2 Interview, July 2, 2020). P3 stated:

It has to come down to resources. Where are you going to put your resources and if you have extra resources and money? You can look into different things, where if you don't have those extra resources and money, it makes it harder to start the diversification process, especially without that extra money.

Leaders agreed that the organization has prioritized improving training services to improve quality and decrease overall organizational costs. NBHO has accomplished this by providing additional training opportunities such as webinars and by evolving the training format. Changes to the training format were grounded in enhancing the quality, efficiency, integrity, and fidelity of the NBHO model (P1 Interview, July 24, 2020). Other important data that came from interviews with leadership were importance of staying relevant, providing resources of value to clients, cash flow, need for expansion to support needs of clients, and high resource output with low return on investment.

### ***Leadership and Board Involvement***

The impacts of leadership and board involvement was discussed and/or evident in all data sources. Although it was heavily discussed in the literature, this is an area that was only minimally evident in documentation and interview data. Zhu et al. (2018) discussed the impact of organizational leadership and found that organizational accountability to stakeholders and high board involvement were key components to the success of revenue diversification. Rottkamp and Bahazhevska (2016) also found that strong board involvement helps board members to clearly understand the financial health of the organization and various potential revenue sources. Strong board oversight can also help to create an organizational culture of accountability and empowerment, which

allows more intense focus on strategic goals for the long-term (Rottkamp & Bahazhevska, 2016).

Outside of board involvement, leadership can have substantial impacts on sustainability (Slappy, 2019). Slappy found that leaders of nonprofit organizations require a firm understanding of the organization's financial environment and need to know how to implement revenue strategies to ensure the success and sustainability of the organization. von Schnurbein and Fritz (2017) placed these important leadership components into two categories, nature and nurture. Nurture refers to factors actively influenced and nature to factors not easily influenced by organizational leadership and/or leadership intervention (von Schnurbein & Fritz, 2017).

Documentation and interview data demonstrated some evidence of the importance of leadership and board involvement. The tax form 990 showed that top leaders in the organization spent 40+ hours per week dedicated to the organization and board members spent 1-2 hours on average committed to the organization. The organizational chart demonstrated the connection that leadership and the board have with other facets of the organization. Interview data established that leadership understands the inner workings of the organization and how the decisions of leadership impact NBHO. P3 discussed the relationship between leadership and the board and how differences in perspectives can create barriers to change, as it relates to revenue diversification (P3 Interview, July 14, 2020). Throughout leadership interviews, it was apparent that leaders were invested in the organization through supporting their clients and offering continual opportunities for personal and professional growth.

### *Data Summary*

According to the U.S. Department of Health and Human Services (2010), the presence of multiple revenue streams, encompassing a range of revenue sources, can increase long-term sustainability for an organization. These various revenue streams could help an organization execute their missions and decrease volatility (Berrett & Holliday, 2018). Berrett and Holliday also found that diversifying revenue sources has also been linked to higher positive organizational outcomes and the ability to build program capacity while minimizing possible disruptions. Data in the literature also highlighted the competitive climate for nonprofit organizations, given the decrease in funding sources and the growth in the number of nonprofit organizations, and the impacts this can have on the ability to obtain funding (Rottkamp & Bahazhevskva, 2016). Overall, data from the literature showed that the decision to diversify revenue streams must be strategic and based on several factors (Hung & Hager, 2019). Prentice (2016b) found three main interpretations of the data from his study on revenue diversification: (a) data has not caught up to current theory, (b) data classification for nonprofits may be difficult to explain with traditional financial measures, and (c) establishing strategies of financial health for nonprofits is a multidimensional process.

Document and interview data showed many aspects of NBHO that require consideration in the conversation of revenue diversification. Leaders agreed that to meet strategic goals and objectives it was vital to focus on the education and success of its membership, increase brand awareness through strategic partnerships, and expand membership services. NBHO leaders also agreed that staying true to their mission and

organizational values by implementing strategies that aligned with the organizational foundational elements were key. Prominent themes noted in current and prior strategies included the importance of a growth mindset, creativity, and innovation for the organization. Other themes prevalent in the interviews regarding current and prior strategies were continual learning, change, evolution, and growth. These themes were primarily associated with the program services revenue, specifically training services, offered by NBHO.

Another integral part of understanding the impact of revenue diversification on NBHO, was understanding how the organization was structured and how this structure may potentially impact the ability to address the practice problem. Considering revenue diversification through the lens of this organizational structure, paired with the perspectives of leadership, allows NBHO to understand the strategic importance that organizational structure may play on the practice problem. The organizational chart was reviewed and revealed that NBHO has a complex structure that highlights the interconnected relationships among departments (see Figure 3). When discussing the addition of revenue streams understanding these relationships and how the various departments may be impacted are key considerations.

Finally, data demonstrated that ensuring value was connected to continual education, additional services and support, training, accessibility, mission focus, and increased brand awareness. These elements were present in organizational documents and across transcripts of interviews with NBHO top leaders. Another key concept closely related to quality is credibility. When NBHO ensures quality products/services and

certified professionals, brand awareness and public awareness is increased. This increase allows for continued research and progress towards the NBHO model of services being deemed as an evidence-based treatment modality.

### **Strengths and Limitations of the Study**

#### **Strengths**

Utilizing a qualitative case study allows for the exploration of the practice problem within an organization-specific context. According to Queirós et al. (2017) 45% of qualitative data distributed in publications are case studies. Qualitative case studies allow the researcher to provide data that deepens understanding of a problem and helps to illustrate the multiple dimensions a problem may present (Queirós et al., 2017). Queirós et al. stated, “Qualitative research is therefore concerned with aspects of reality that cannot be quantified, focusing on the understanding and explanation of the dynamics of social relations” (p. 370). Case studies also “offer a good opportunity for innovation and challenge current theoretical assumptions” (Queirós et al., 2017, p. 377). This case study collected information from the current literature (general background, value, key considerations, financial concentration, and best practices) and important organizational documents (2018 tax form 990, organizational chart, 2020 strategic plan), as well as interview data from top leaders.

#### **Limitations**

Although qualitative case studies allow for a deep evaluation of the practice problem that is specific to the organization or focus of the study, there are also potential limitations associated with this research methodology. Case studies do not provide



information on cause-and-effect relationships between variables and may have limited generalizability outside of the target case (Queirós et al., 2017). Queirós et al. also found that case studies can present with more potential ethical concerns and can be difficult to generalize across research topics. In this specific case study, the sample size was limited and focused on the leaders of NBHO due to the nature of the practice problem and the individuals in the organization that would have pertinent knowledge specific to revenue diversification. Available documents were also a limitation of this study. NBHO does not have a formal annual report and they do not currently collect formal data from their clients, outside of training evaluations, that could help to inform the practice problem. A final limitation to this study is that revenue diversification is a topic that has been studied a great deal, however, researchers are not in agreement about the exact impacts that revenue diversification can have on an organization due to the multifaceted nature of the topic. Continued study on the topic could help to provide additional information and data to help inform NBHO's decision to diversify their revenue streams and what specific strategies may be most effective for their specific situation.

### **Summary and Transition**

Data were collected from three sources: literature review, organizational archival documents, and leadership interviews as they pertained to the study topic of revenue diversification. Once coded, themes were identified, and deemed significant to the study if they were present across more than one data source. Significant themes identified were the importance of organizational culture, brand awareness, pros and cons of revenue diversification, and leadership/board involvement. These themes provided valuable

insight into the current revenue diversification strategies being utilized by NBHO and potential gaps, that if addressed, could inform the implementation of revenue diversification strategies to strengthen NBHO's revenue sources and long-term sustainability. In Section 5, the potential gaps identified during data collection are addressed and recommendations are provided to inform future NBHO revenue diversification strategy.

## Section 5: Recommendations and Conclusions

In this qualitative case study, I explored key considerations of revenue diversification for NBHO. The Baldrige Excellence Framework for Healthcare and its criteria for performance excellence has been utilized as a guide throughout the study for its integrated, systems-based approach for organizational evaluation (see NIST, 2017). Within this framework, I gave special attention to aspects of the organization closely related to the topic of revenue diversification: leadership, strategy, and operations. After being combined with results collected from multiple data sources, the Baldrige Framework was also used to help improvement recommendations. There are distinct beliefs and behaviors that are embodied by successful and high-performing organizations (NIST, 2017). Examples of these beliefs and behaviors include having a systems perspective on improvement, valuing people, and establishing an infrastructure to support organizational learning and agility.

I identified the following themes related to revenue diversification in this study: importance of organizational culture, brand awareness, pros and cons of revenue diversification, and leadership/board involvement. NBHO strengths and opportunities for improvement were identified across these themes. Within the context of the Baldrige Framework and recognized industry revenue diversification decision-making best practices, the following recommendations are offered for NBHO.

## **Recommendations for Action**

### **Importance of Organizational Culture**

#### ***Recommendation #1: Align Revenue Streams with NBHO Mission and Culture***

Serrat (2017) stated that, “Organizational culture comprises the attitudes, experiences, beliefs, and values of the organization, acquired through social learning, that control the way individuals and groups in the organization interact with one another and with parties outside it” (p. 356). In the current study, I found that NBHO strives to create an organizational culture of interconnectedness, quality, value, and client focused service. These qualities of organizational culture were present throughout the study, especially the importance of providing client-focused services. NBHO client-focused services refer to the important role that the perceptions, values, and interests of NBHO clients plays in organizational culture. In the case of this study, these elements of client-focused services are key considerations in the decision to diversify revenue streams. Therefore, it is important that revenue streams acquired by NBHO align with these identified themes/values and the organization’s mission as well as involve input from clients. Aligning revenue streams with themes/values will strengthen the organization’s decision-making capacity and reduce the risk of alienating clients in the process of revenue diversification.

Considering the impact that organizational culture has on revenue diversification is key because it encompasses the attitudes of leadership, mission and values, and organizational operations (Rottkamp & Bahazhevska, 2016). NBHO leadership demonstrated a strong understanding of the influence that their attitudes can have on the

organization and act as an embodiment of the following values of the organization, listed on the NBHO website: creating positive social change; upholding high standards of quality and integrity; establishing a community of collaboration; and making a commitment to learning, innovation, and growth. In the interviews, NBHO leaders also expressed an understanding that increasing the number of revenue streams impacts operations because it requires additional resources to manage those streams.

NBHO leaders also demonstrated an understanding of the important role that organizational culture plays in revenue diversification and reported a strong focus on keeping clients in mind when seeking new potential revenue streams. However, data collected in this study indicated that clients were not involved in the decision-making process of revenue acquisition. Zhu et al. (2018) suggested three levels of stakeholders (i.e., donors and authorities, clients and public, and staff and volunteers) and reported that involving these stakeholders in revenue decisions can help increase the resources available in revenue acquisition because each possesses additional contacts and resources. Overall, the findings in the current study showed that, although NBHO understands the importance of the alignment of organizational culture and mission with revenue diversification efforts, this understanding is not carried through to action.

Diversifying revenue streams while ensuring alignment with organizational culture would be a beneficial next step and/or consideration for NBHO. Some potential tools to assist in evaluating revenue streams and alignment with organizational mission and culture are Zimmerman et al.'s (2014) "The Matrix Map" and "The Ansoff Matrix" by Meldrum et al. (1995). Utilizing a matrix strategy offers a step-by-step process for an

organization to follow. Both the Matrix Map and the Ansoff Matrix provide specific tools for an organization to use to better understand the risks and benefits of potential decisions regarding revenue diversification. Meldrum et al. described the Ansoff Matrix as an analytical tool to help organizations find direction in their strategic direction. Meldrum et al. also explained that this tool provides a framework and a structured way of thinking, allowing an organization to identify pertinent goals and objectives, and should not be used as a diagnostic tool.

The website ([nonprofitsustainability.org](http://nonprofitsustainability.org)) for Zimmerman et al.'s (2014) "The Matrix Map" provides a pdf workbook that outlines the step-by-step process of implementing this strategy to ensure organizational success and includes resources for introducing these concepts to staff, strategic planning, assessment, and goal setting. Implementing a matrix strategy similar to this could help NBHO evaluate both the impact a revenue source may have on mission and the financial profitability. Zimmerman et al.'s website offers the workbook discussed above and templates to be downloaded for free to help assist an organization in implementing these strategies. Implementation of these resources would help walk NBHO through the process necessary to ensure that decisions on revenue diversification sources, both current and potential, align with their culture and mission. Doing so would increase the likelihood of the continued success of the organization and revenue acquisition strategies.

## **Brand Awareness**

### ***Recommendation #2: Improve Balance Between Types of Revenue Sources***

Document and interview data both demonstrated the focus and importance of brand awareness for the continued success of NBHO. Interview data showed that NBHO was recently successful in acquiring a strategic partnership that helped to increase brand awareness and was financially profitable. This success demonstrates the positive effect of strategic partnerships. According to P1, although NBHO has had success in increasing brand awareness through strategic partnerships, data showed that most organizational revenue comes from training services.

Mayer et al. (2014) discussed the importance of the balance between revenue sources and the potential risk of relying too heavily on one revenue stream, reporting that this increases an organization's vulnerability in times of financial difficulty. These authors recommended that to address this challenge, organizations focus more heavily on donations and earned income and less on investments. Data collected throughout this study from organizational documents, interviews, and the literature review support the need for NBHO to find balance between expected revenue and replacing investment income (see Mayer et al., 2014). Focusing on diversifying revenue streams through finding a balance between various revenue sources will strengthen NBHO's financial stability and increase their ability to weather difficult financial times.

***Recommendation #3: Increase Community Connection/Embeddedness***

Leaders reported that NBHO seeks funding streams to help support their clients' programs and continued success. When NBHO-certified professionals have successful programs, this increases brand awareness for NBHO. According to P1, NBHO been successful supporting clients through government grant opportunities where funding has been directly filtered to client programs, allowing for the provision of direct mental health services.

Delivering value and results increases community connection/embeddedness and brand awareness. The NIST (2017) stated that “By delivering and balancing value for key stakeholders, your organization builds loyalty, contributes to growing the economy, and contributes to society” (p. 44). When NBHO delivers value to its clients, not only does NBHO promote positive social change through community connection/embeddedness, but they increase brand awareness. Per P1, increased brand awareness creates the potential for new clients, retention of current clients, and new revenue sources. Increasing communications with NBHO clients (i.e., certified professionals) and providing support through funding opportunities could increase community connection/embeddedness in communities around the world. This is a key consideration for NBHO in building brand awareness. To accomplish community connection/embeddedness in this way, NBHO could increase communications with clients through their networking coordinator system, increase feedback strategies regarding organizational elements outside of trainings, and increase funding opportunities for clients providing direct mental health services.



## **Leadership and Board Involvement**

### ***Recommendation #4: Increase Board Involvement and all Levels of Leadership in Revenue Acquisition***

Combined leadership and board involvement in revenue acquisition was highly recommended in the literature review (see Zhu et al., 2018). The standard level and nature of NBHO board involvement in revenue diversification decision-making was not clear based on study data. However, in interviews, NBHO leadership showed a strong understanding of how leadership and board involvement may impact these strategies.

Zhu et al. (2018) explored the impact of organizational leadership, leadership accountability to stakeholders, and high board involvement in the success of revenue diversification. According to their findings, having these factors involved in resource acquisition can have positive impacts on revenue diversification strategies and increase organizational stability. Rottkamp and Bahazhevskaja (2016) also discussed the impact of board involvement, finding that strong board involvement helps board members to clearly understand the organization's financial health as well as current and potential revenue sources. They also reported that strong board oversight helps to build an organizational culture of accountability and empowerment, allowing for a stronger focus on the long-term strategic goals of the organization (Rottkamp and Bahazhevskaja, 2016).

As noted by the Baldrige Framework (2017), an organization's senior leadership should "set a vision for the organization, create a focus on patients and other customers, demonstrate clear and visible organizational values and ethics, and set high expectations for the workforce" (p. 40). The vision and values set by leadership should consider and

be balanced with the needs of the organization's clients and help guide all organizational decisions, including revenue diversification strategies (NIST, 2017).

Across data sources, high board and leadership involvement was deemed to be a key factor in revenue diversification and the long-term success of an organization. I recommend that NBHO utilize this information and knowledge to strengthen relationships and communications between board members and the leadership team regarding revenue diversification strategies.

***Recommendation #5: Implement Cost-Benefit Analysis Strategies***

Throughout this study, the data showed that NBHO leadership understands the competitive environment of nonprofit organizations. Understanding the organization's competitive environment and organizational needs and strategies helps to inform key processes, outcomes, and performance (NIST, 2017). Although leadership possessed an understanding of the competitive nature of revenue acquisition for nonprofit organizations, data collection processes did not reveal the use of cost-benefit analysis as a strategy used to inform decision-making. According to the Baldrige Framework (2017), performance measurements should include several key measurements of outcomes: client; other customers; service; and processes, including cost and financial performance. I recommend that NBHO implement a cost-benefit analysis system to help evaluate current and potential revenue sources while keeping key performance measurement outcomes in mind.

### **Summary of Recommendations**

Three major themes emerged from the data collected in this study: the importance of organizational culture, brand awareness, and leadership/board involvement. Based on these identified themes and the core values and concepts of the Baldrige Excellence Framework and its Criteria for Performance Excellence, I have provided recommendations for diversifying revenue sources for NBHO. Additional recommendations that may aid in the future success of NBHO's revenue diversification strategies include increased client communication regarding diversification decisions, implementation of a tracking/management system to analyze the multiple variables involved in adding additional revenue sources, and a more straight forward and clear organizational chart to help simplify the paths of revenue diversification strategies throughout the organization.

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