



The Right Size

Questions of Growth & Scale for Fiscal Sponsors and Projects

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Why think about growth and scale?

- **It's important to understand growth and scale relative to your mission and approach to impact (theory of change).**
- **As the environment in the nonprofit sector grows more dynamic, fiscal sponsors (and projects) need tools to regularly assess scale and sustainability.**
- **Regarding scale and right size, few models reach beyond financial and service delivery modes to include operating “culture”, values, and mission drivers.**



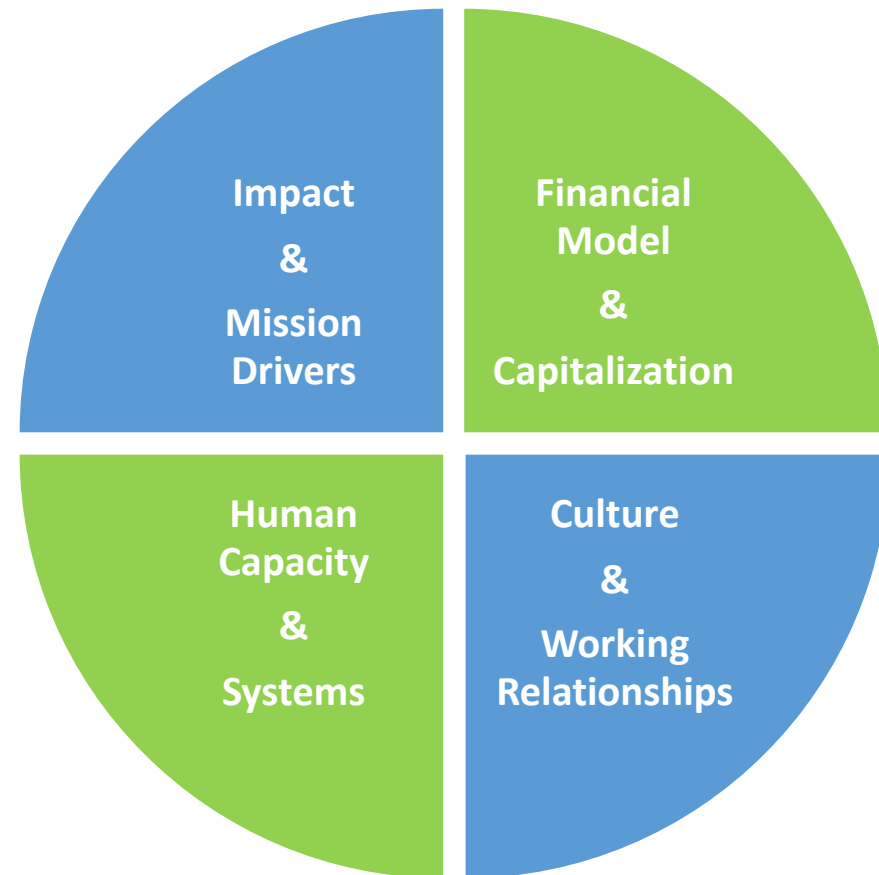
Right Sizing Rubric

A tool for fiscal sponsors and their projects to think about scaling to “right size”, which could influence decisions to:

- **Scale up *and* down.**
- **Spin in *and* out.**

The four *dimensions* of this rubric are *relational*: a decision made in one dimension will affect decisions in another.

Dimensions leading growth decisions will vary in weighting across organizations over *time*.



Impact & Mission Model

Key Concepts – Mission Motivation Elements

External (Exogenous) Motivations – Mission/scale is driven by an external *need* or problem to address.

- Motivated by external, usually quantifiable *needs*.
- At any given time, there is likely an externally defined/knowable horizon of attainment.
- Generally include health and human services, environmental, education, community benefit missions, and similar.

Internal (Endogenous) Motivations – Scale is driven by individual/group *satisficing* dynamics.

- Motivated by internal, human impulse to build community around shared values, beliefs, ideas, etc.
- At any given time, there is likely an infinite potential horizon of attainment.
- Generally include arts and culture, faith communities, advocacy, mindfulness, movement builders, and similar.

Questions to Consider

- What mix of the above motivations describes your mission? Does one motivation dominate or lead?
- How are you proscribing your scope of impact (who, where, and how long)?
- What is enough to satisfice you, your team, your stakeholders? How big is big enough?



Culture & Working Relationships

Key Concepts – Values-driven Human Relationships

Trust & Power Dynamics – Scale affects how you build trust and share authority with stakeholders.

- Top down, concentrated power/authority vs. distributed power and authority
- Representative/peer governance and decision making vs. unilateral/disembodied governance and decision making
- Whether you engage in management-led, consensus, or consensing decision making processes.

Social Ties & Relationships – Scale affects the kind of interactions you have with and among your stakeholders.

- The degree to which you build *intentional community* or work more transactionally at arm's length
- The depth and intensity of interactions and whether you are offering comprehensive or more targeted support
- The degree to which you are comfortable with transparency, rapid candor, regular feedback

Questions to Consider

- How do you (or do you want to) make decisions among your staff/board team?
- How or to what degree (if any) do we include projects and their beneficiaries in your organizational decisions?
- To what degree are your contracts, policies, and practices mutual and balanced in power and authority?
- How do you prefer to interact with peers, and how comfortable are you with data/information transparency?



Human Capacity & Systems

Key Concepts – Staff/Contractor Resources & Key Systems (Space, Technology, Equipment, etc.)

Staff and Contracted Services – Scale is dependent by your overall human capacity to deliver support.

- Critical is not just the right people on the bus, but also the right skills, experience, work ethics, etc.
- Efficiency and scale will be affected by the mix of in-house and out-sourced human resources you engage.
- Scale is dependent upon job/task differentiation vs. single staff wearing multiple hats.

Systems – Scale is dependent upon the quality and scalability of your systems and services.

- Whether you are using systems only for internal management or sharing your systems with projects as well.
- The degree to which your systems integrate will affect scalability.

Questions to Consider

- How much do you invest in staff/professional development and ongoing learning among your team *and* projects?
- Are your systems decisions aligned with project proficiencies and affordances – with the end-user in mind?
- How well are your staff attuned to the needs and values of your projects?
- Are your technology/space-based systems integrated or disconnected?



Financial Model & Capitalization

Key Concepts – Resource/Operating Model

Revenue Model & Expense Model – The number of projects and financial activity affects scale/sustainability.

- Overall financial throughput and number of projects affects both *fee income* and the *expense* of your team/services.
- Awareness of your *whole cost to deliver* is essential to determining *cost allocation (fees)* and right-sizing your services.
- Decisions about the above will affect the amount of subsidy needed for fiscal sponsorship and income forecastability.

Working Capital - With greater scale comes greater need for “risk” and responsive capital.

- To ensure cash flow and service continuity.
- To allow for growth (or contraction) of operating and service capacity (i.e., new staff/programs and systems).
- To potentially provide internal loan/grant capital directly to projects.

Questions to Consider

- Do you track and have an overall strategy for project portfolio development and management? What’s the right mix?
- Does your approach to portfolio management support a theory of change/impact model?
- What are your key income drivers (direct or indirect/project-centered), and how reliable/durable are they?
- What are your fixed and variable costs, and how are these determined for your organization and program model?
- Do you have philanthropic capital sources, and/or do you budget for Liquid Unrestricted Net Assets (LUNA)?

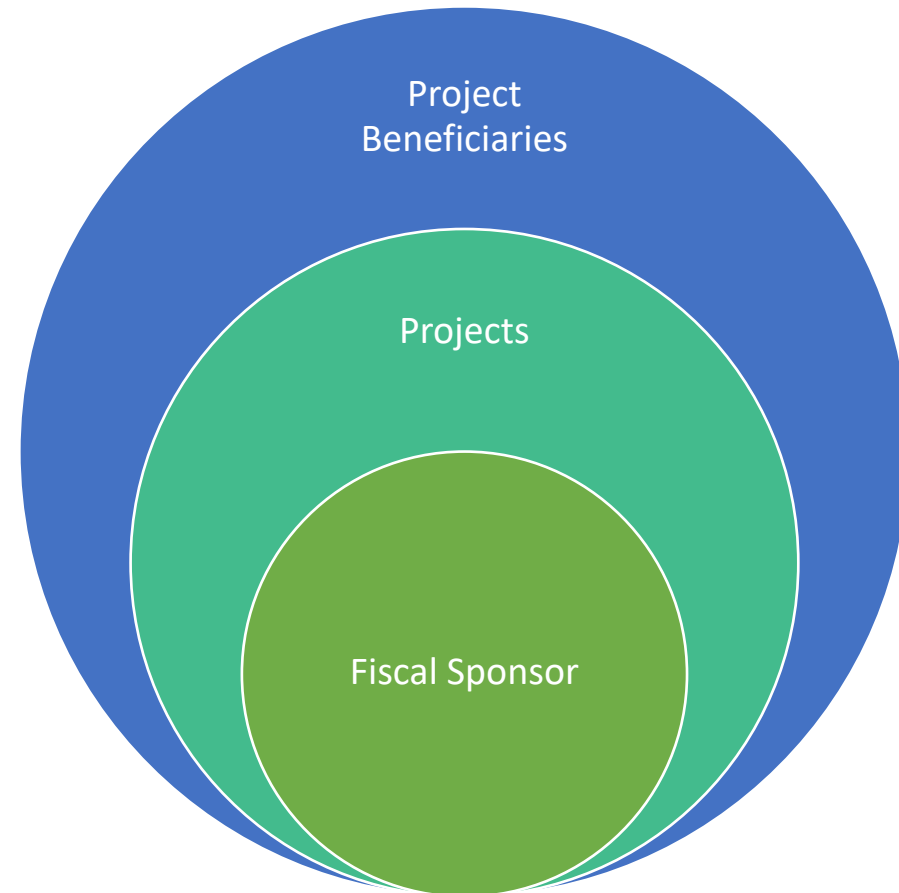


Scale at the Systems Level

For fiscal sponsors, of course, **scale** is directly related to the size and overall activity represented by your *community of projects* and their beneficiaries (people served).

It is just as important to have growth and scale conversations with your *projects*, as it is with your own team and board.

Fiscal sponsors are nested systems when it comes to both income and expense capacities.



Quick Assessment

The below is a summary of the basic questions that can guide a right-sizing conversation, whether you are a fiscal sponsor, sponsored project, or independent, single-mission organization for that matter.

While these areas of consideration all interrelate and any one dimension of our rubric may be the driver of decision making, these starter questions are presented in a “decision tree” manner, reflecting a general hierarchy of importance that we see among them.



1. IMPACT & MISSION DRIVERS

To what degree is your mission driven by a particular need or problem with quantifiable scale?
(e.g., We serve the estimated 20,000 at-risk youth within the City of Portland.)

Is your organization comfortable with defining/proscribing its scope of impact for a given period of time?
(e.g., We’re focusing on at-risk youth in South Portland for the next two years.)

To what degree is the capacity of your organization to produce programming determined by an individual or group sense that “this is enough”?
(e.g., Our founder/board feel we are at the right size based on individual/group ambition and circumstances.)



2. CULTURE & WORKING RELATIONSHIPS

Does the size of your staff, community served, audience, etc. determine your desired working culture?
(e.g., Being on a first-name basis with all of the folks we serve is an essential part of our culture and values.)

How important is the depth, intensity, or frequency of relationships with stakeholders key to your impact?
(e.g., Personalized, 1:1 care is core to our work.)

How comfortable is your organization with sharing power and authority with those who/you serve?
(e.g., Our board is elected by our members, and we center transparency and candid feedback.)

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3. HUMAN CAPACITY & SYSTEMS

- What is the in-house/outsourced human capacity you need to deliver?**
(e.g., We have the most cost- and operations-effective mix of full-time, part-time, and contracted staff.)
- Are your job descriptions differentiated or do individuals wear many hats? Is your work/accountability structure more “horizontal” (distributed authority) or “vertical” (concentrated authority)?**
(e.g., We have dedicated staff for most functions working in co-reporting teams by department.)
- Do you have the right quality and size systems (tech, policies, practices) to support your work?**
(e.g., We have affordable and effective technology, but need to work on building better policies.)



4. FINANCIAL MODEL & CAPITALIZATION

- How diversified and forecastable/sustainable/renewable is your revenue profile and portfolio?**
(e.g., We are not revenue-dependent upon any one project, and most of our projects have regular income.)
- Do you know your whole cost-to-deliver the services that you deliver?**
(e.g., We keep a close eye on our cost recovery rate and build in appropriate charitable subsidy.)
- Do you have sufficient working capital (net assets or philanthropy) to innovate, take risks, or grow?**
(e.g., We maintain at least 60 days of LUNA and have a Change Fund that helps us grow or contract.)



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