

If and when to spin out?

A Framework for Conversation & Decision Making

The Impact Commons Toolkit



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Reframing

>> Spin out isn't an isolated event, it's part of a *relationship* process.

The conversation and expectations around spin out start at the *beginning* of the project relationship and unfold *throughout* the relationship. Regular check-ins are necessary.

>> In relationship management, mutual feedback is key.

Regular *mutual* reporting and annual check-ins on all six dimensions of our framework can help ensure strong and intentional relationships, as well as strategic (not reactive) spin out.

Intentions

>> Are you a forever home, temporary refuge, or both?

Fiscal sponsorship, in particular “Model A”, can be a *forever* home for nonprofit projects. But it is also often a *transitional* or *temporary* solution (in the manner of an accelerator/incubator).

>> Are you *neutral* or *opinionated* concerning the above views?

Do you advocate to projects for your platform as a forever or temporary home? (Do you have the resources and supports that can support the lifecycle of a project?) Or, are you more hands-off, allowing projects to lead the decision making?

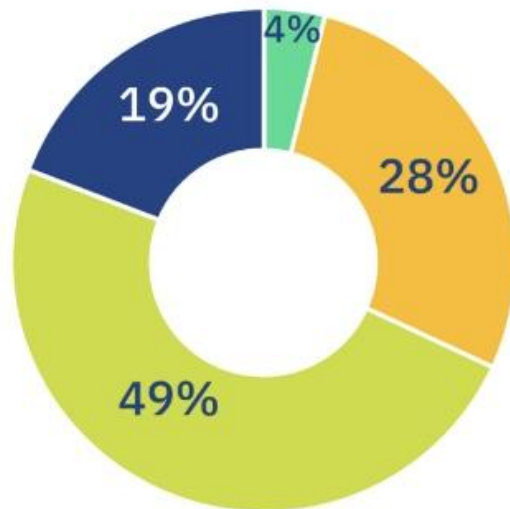
Impetus

The relationship with a project ends when...

- There is sufficient *misalignment* in the sponsor-project relationship, *and* lack of will or ability on both sides to rectify the situation, such that spin out is the solution.
- From the outset, the relationship is intentionally short-lived (i.e., a limited-term initiative) or the expectation is spin out (i.e., accelerator/incubator model).
- The project winds up operations intentionally or owing to some unforeseen adverse event that cannot be overcome (i.e., insolvency, key person exit, lack of succession, etc.).

Context - Spin Out

Most projects (49%) transitioned away from fiscal sponsorship to stand-alone nonprofit 501(c)(3) status, followed by 28%, which transitioned to another fiscal sponsor. Under “other” reasons for departure sponsors cited that projects “completed their mission”, “were short-term projects”, or “dissolved due to shortage of funds or inactivity”.

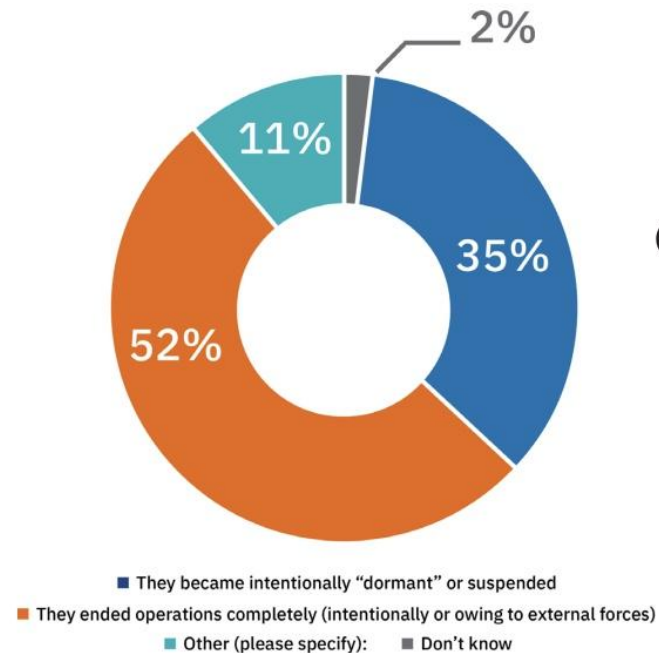


(e) Reasons for projects transitioning out of fiscal sponsors n=83

- To be an independent 501(c)(3) organization
- To go to another fiscal sponsor
- Other (please specify)
- Don't know

Field Data - Ceasing Operations

Sixty-three fiscal sponsors reported that they had projects that ceased their operations during the reporting period, a total of 979 projects. Of these reported cases, 52% were projects that “completely” ended operations, while 35% merely suspended operations or became intentionally dormant.



(f) Reasons projects ceased operations
n=63

Provocation

Assuming a healthy and aligned project-sponsor relationship, and setting aside other operating failures or externalities, there is no reason that a project should not be sponsored for its entire lifecycle, however long that is intended.

The drive to stand-alone nonprofit status is largely the result of a set of *culturally determined values and assumptions* that falsely equate stand-alone status with greater efficiency, sustainability, autonomy of agency, and “success”, *personal ego, and/or self-image/interest*.

More facts, less feelings...

While gut feelings are important to heed, the decision to spin out should be based on a *pattern of facts and information* that both project and sponsor *understand mutually* to underpin the decision to stay or spin out.

Too often the decision to spin out is reactive, not strategic, and based on assumptions and, in many cases, personal interests and preferences (on either side) that may not necessarily be in service of the project's mission.



Assumptions

Since the conversation about spin out—aside from wind up or pre-determined exit—is fundamentally about *relationship management*. Thus this tool...

- Is about the *alignment* and *management* of the project-sponsor relationship.
- Should be used as part of the due diligence or intake process for new projects.
- Entails assessment from *both* project and sponsor viewpoints.
- May be deployed in a 360-degree manner, with multiple inputs from both sides.
- Is **ONLY** focused on getting to the point of decision about whether to spin out.

Once project and sponsor have made the *initial* decision on spin out, a thorough **Readiness Assessment** needs to be completed to inform the *final* decision, conditions, and timing.

Framework

Operations

Finance/Operations

- Are the cost of supports and value aligning?
- Are there external funder/customer pressures?
- Are staff and systems complementary and sufficient?

Mutual Accountability

- Are supports being delivered well and timely?
- Are both sides accountable in the relationship?
- Is there space for regular check-in and reflection?

Legal/Compliance

- Are there pressures from legal or regulatory bodies?
- Are there risks/misalignments on regulatory issues?
- Are there special licensing/exemption issues arising?

Culture

Risk Appetite

- Do both sides have a shared understanding of risks?
- Is there mutual alignment on *risk appetite*?
- Is there good mutual communication about risks?

Equity & Justice

- Is equity a core consciousness in the relationship?
- Do both sides actively pursue equitable practices?
- Is equity mutually defined and understood?

Interpersonal & Trust

- Are team relationships mutually supportive?
- Is there mutual trust and transparency?
- Is relationship management restorative?

**Should we
spin out?**

Matrix

To monitor and drive decision making, regular temperature checks can provide the basis for healthy project-sponsor conversations, and *informed* spin out, where desired.

Operations

Finance/Operations <ul style="list-style-type: none">- Are the cost of supports and value aligning?- Are there external funder/customer pressures?- Are staff and systems complementary and sufficient?	YES 1	NO 5	Actions?
Mutual Accountability <ul style="list-style-type: none">- Are supports being delivered well and timely?- Are both sides accountable in the relationship?- Is there space for regular check-in and reflection?	YES 1	NO 5	Actions?
Legal/Compliance <ul style="list-style-type: none">- Are there pressures from legal or regulatory bodies?- Are there risks/misalignments on regulatory issues?- Are there special licensing/exemption issues arising?	YES 1	NO 5	Actions?

Matrix

To monitor and drive decision making, regular temperature checks can provide the basis for healthy project-sponsor conversations, and *informed* spin out, where desired.

Culture

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Equity & Justice <ul style="list-style-type: none">- Is equity a core consciousness in the relationship?- Do both sides actively pursue equitable practices?- Is equity mutually defined and understood?	YES 1	NO 5	Actions?
Interpersonal & Trust <ul style="list-style-type: none">- Are team relationships mutually supportive?- Is there mutual trust and transparency?- Is relationship management restorative?	YES 1	NO 5	Actions?

Methodology

- Mutual assessment should take place at the beginning of the relationship and at some regular interval throughout.
- Both project and sponsor fill out the matrix and compare results. Both sides may use a single responder or more 360-degree approaches to collate replies.
- Results are not meant to *determine* spin out thresholds numerically, but to establish mutual understanding and awareness of where the relationship is and possible actions.
- Misalignment in any one or more of the dimensions does not necessarily indicate the need to spin out.



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Generous support for the work of Social Impact Commons has been provided by:

