

The Rise of Management Commons: A New Vision for Nonprofit Infrastructure

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Abstract

The US nonprofit sector is the closest thing we have today to a true *commons sector*—a sector dedicated to providing public or *common* benefit outside of government and private ownership interests. Yet, the nonprofit sector has been greatly infected by private sector assumptions, values, and management practices, most significantly the false axiom that every mission and vision needs its own nonprofit corporate infrastructure. Since all of the assets of the sector are public trust, it stands to reason that the efficiency and impact of our sector would benefit from more *shared* management infrastructure and less fragmentation. Enter comprehensive fiscal sponsors or *management commons*—an approach to building shared infrastructure for our sector, capable of delivering greater efficiency, equity, and impact to a diversity of missions operating with a common backbone. This article will explore the growth and impact of the fiscal sponsorship field and the benefits and challenges of management commons as a new approach to building a more effective nonprofit sector.

Introduction

What if we could take the 1.6 million nonprofits that operate today with expenses below \$500,000 (and the thousands of new nonprofits that are starting every day) and manage them under a network of about 10,000 nonprofit shared management platforms, reducing the duplication of backbone infrastructure cost by a factor of 100%? We can do this with the tools of fiscal sponsorship.

Social Impact Commons, the country's first capacity building organization for the fiscal sponsorship field, envisions a new infrastructure for the nonprofit sector, one built on an ecosystem of organizations sharing backbone support for the myriad small nonprofits delivering essential local services and supports. Comprehensive fiscal sponsorship, or *management commons*, offers commonized, whole-systems nonprofit management capable of housing hundreds of independent charitable initiatives under one roof—a shared nonprofit umbrella. We see management commons as the future of nonprofit infrastructure and a path to more equitable access to support for marginalized communities, greater operating efficiency and resiliency, higher impact, and a scalable way to consolidate and lower the cost of backbone support for the sector. Additionally, management commons organizations provide safe harbor to civil society programs from political attack, provide more equitable access to nonprofit resources for historically marginalized leaders, and have become a go-to solution for crisis response, owing to their ability to stand up nonprofit operations quickly.

The nonprofit sector today is fragmented and fragile. There are 1.9 million nonprofits (and counting), 89% of which operate below \$500,000 in budget, with most remaining intentionally at small operating scale, owing to their mission and local focus. While these smaller nonprofits provide essential services and maintain the closest relationships of trust with communities, they are perennially challenged to build truly sustainable and high-quality management capacity. The solution: sharing all of the essential but mission-agnostic systems and staff. This is the core function of management commons: shared finance, HR, legal, insurances, compliance, fundraising support, and more. And once you have multiple organizations sharing common infrastructure, there's a lot more you can do with greater ease, such as collaborative grant-seeking, shared staffing among subgroups of projects, program- and impact-focused collaboration, and so on.

Nonprofit Sector as Commons

The nonprofit sector is designed to steward public trust assets for the purpose of addressing civil society needs that are not met by either government (owing to lack of political unity of will) or the private sector (owing to the anti-prosocial nature of private interest). This public trust duty positions the resources of our sector very close to those of a *commons*. A commons is a specific resource, natural or manmade, shared by a defined but open group of people who steward and benefit from the resource. Resources can range from natural lands to knowledge and, yes, even nonprofit management and administrative infrastructure. Commons stewards establish rules of governance and management to sustain these resources, engaging in the work of *commoning*.

We could say that the nonprofit sector is really the *commons sector* if we can cure it of its many infections and distortions from the private sector. Despite the public benefit promise of the commons sector, we have designed and developed it in the image of (and to a great degree to serve the *interests* of) the private sector. From legal formation to management theory, nonprofit practices are largely based on the model of private asset management. And to add insult to that injury, we prohibit or constrain nonprofits from directly engaging in the income and wealth-building tools of the private sector (i.e., equity building, earning income through certain activities, etc.).

Our contemporary, neoliberal culture is dominated by the valorization of private ownership as the ultimate goal of all things and measure of success. A necessary attribute of the private sector is the need to corporately "enclose" assets in order to protect and substantiate ownership. This private sector corporate model, as applied to the nonprofit sector, leads to the false axiom that every independent nonprofit vision and mission requires its own legal formation, tax status, board, operating systems, staff, and so on.

Since assets of the nonprofit sector (money, real estate, intellectual property, etc.) are all designated for public benefit, the closest "owner" of these assets is the people/public. This is why nonprofit boards ultimately serve as a proxy and answer to the states' Attorney General (AG), who is charged with representing the interests of the public. I will note that stand-alone corporate formation does address a practical need for distributed local fiduciary oversight of nonprofit assets. Each AG office could never keep an eye on thousands of nonprofits, so we have

nonprofit boards that help the AG ensure that charitable resources are being spent wisely for public benefit. However, even this practical need for local oversight can be accomplished without the need for such rampant stand-alone formation.

If we accept that the assets of one nonprofit have the same “owner” as another nonprofit, namely the public, then why do we need so many separate nonprofits to enclose these assets? The answer is, we don’t. In fact, I would assert that the radical fragmentation of our sector is fundamentally incoherent with the very legal, philosophical, and functional nature of our sector.

From Fragmented, Fragile, and Fleeting

The private sector infrastructure model—the necessity for independent corporate structure and asset enclosure—has resulted in a nonprofit sector that is radically fragmented into 1.9 million nonprofit corporations (and counting, every day). The orthodoxy pushed by the legal, accounting, nonprofit management consultants, and philanthropy is that every nonprofit entrepreneur needs their own corporation, tax exemption, staff team, bank account, and everything else.

The solution? To date, this has mostly arrived in two unsatisfactory forms: philanthropy relentlessly pushing “collaboration” among nonprofits under the somewhat misguided hypothesis that that will create efficiencies in the sector, and funders encouraging mergers and acquisitions. Despite such pressures from philanthropy, the pluralistic nature of the sector strongly resists the logic of corporate mergers and acquisitions. Using a theatrical metaphor, there are two ways of thinking about mergers: combining the front-of-house, namely programs, services, and what delivers direct impact, the actors; or combining the back-of-house, or all of the management infrastructure needed to support programs, the stage crew. Mergers generally do *both*, but therein lies the challenge for many mission-driven organizations. Two nonprofits might share a general mission focus, but their visions and theories of change may be different—often the manifestation of a singular visionary leader. It makes no sense to merge them in a front-of-house sense just because they share a general mission focus. However, it may make sense to merge the vision-agnostic back-of-house functions.

Beyond these legal and technical considerations, the individual (and often collective) emotional resistance to merger and acquisition is equally, if not more, a point of resistance. Nonprofits come to be through sheer human will, sweat equity, and individual emotional investment in vision. The idea of having that identity and emotional ownership seemingly erased through the cold financial or impact logic of a legal combination is a non-starter for many nonprofit leaders and boards.

Toward Resilience and Right Size through Management Commons

Comprehensive (Model “A”) fiscal sponsorship offers a dynamic balance between maintaining independence of mission identity and agency while enjoying the benefits of shared infrastructure efficiency and true collective capacity building. When “Model A” sponsorship is practiced with commoning values, such as governance by local stakeholders (the individual charitable activities

themselves), intentional community building, and ongoing learning, it becomes a *management commons*. Social Impact Commons has coined this term and is advocating for the comprehensive form of fiscal sponsorship, reinvented through commoning, as the future of nonprofit infrastructure and a direct challenge to stand-alone formation. We see this form of commonized infrastructure as one of the ways in which commoning practice appears natively in the nonprofit sector and, thus, a path to recover the sector from its degradation at the hands of the private sector. A well-run *management commons*...

- **Lets leaders and nonprofit teams focus on what they do best** - which is the goal, right? Nonprofits are almost always started by leaders and teams focused on a particular program or service, not bookkeeping, HR, or other infrastructure support. The story of start-up and scale is generally one of building those underpinning supports to sustain their work. In many cases, the model of capacity building involves training the program-focused folks to do many of the functions of administration as they scale to a more departmentalized scale. Many organizations resist this, not because the teams aren't capable of administering but because time and attention capacity are spread too thin—too many people are wearing too many hats.
- **Affords easy, equitable access to nonprofit resources** - through allowing nonprofit leaders plug-and-play access to full-charge nonprofit management support while retaining creative independence. Removed are the knowledge and financial barriers to forming and managing a nonprofit, or any legal entity for that matter. There is no need to legally form anything or even open a bank account. And because the workaday job of fiduciary oversight is provided by the sponsor's board, nonprofit leaders don't even need to bother with building a traditional board unless they desire to. Management commons can reduce the need for the acres of well-meaning but poor governance that burdens our sector.
- **Fosters right size, efficiency, and collective capacity** - through allowing organizations to be the size and shape they want to be. Just about every founder I've ever known has a sense of right size for the scale of their work, as well as personal financial and life goals. Management commons provide holistic support in an amount that can vary proportionately to need. Costs for these supports are allocated as a percent of income, generally 10% to 15%, fluctuating with need and scale of practice, but always at the right size. Moreover, since management commons organizations can support multiple independent charitable initiatives, a model for *collective capacity building* and risk management emerges: an investment in the sponsor's capacity is an investment in the capacity of *all* the projects under that sponsor.

In closing, I offer three calls to action necessary to continue our movement toward more shared infrastructure and an ecosystem of management commons for the nonprofit sector.

- 1. Challenge the assumption that stand-alone nonprofit formation is the only or better path for nonprofit and civil society organizations.**

- 2. Build more management commons organizations with the values and tools to preserve cultural diversity, agency, and ownership.**
- 3. Educate the funders, advocacy organizations, consultants, lawyers, and accountants that support our sector about the benefits of management commons as a path toward greater flourishing.**

By taking every opportunity to engage in these actions, we can continue down the road toward a more just and flourishing nonprofit ecosystem. Today, we face many challenges of colossal scale and complexity—climate change, social division, and economic inequality, to name a few. If we are to meet these challenges with the true force of solution they require, we need to build for greater collective action and resource efficiency in the sector, and management commons is the model for this new nonprofit infrastructure of the 21st century.