

## Management Support Organization (MSO)

### What is an MSO?

A Management Service Organization (MSO) is an independent nonprofit organization that provides essential overhead services, systems, products and operational support to other nonprofit organizations. While each MSO offers a unique set of services, the overhead and capacity building services within a geographic community or nonprofit service area may include:

- Group purchasing for supplies or materials
- Accounting and financial reporting
- Human resources
- Information technology
- Database management
- Fund development planning
- Marketing
- Strategic consulting
- Training, coaching and networking
- Evaluation, quality assurance and compliance

Support KC is an MSO based in Mission, KS. Its formation and development was driven by a prominent member of the funding community in Kansas City who recognized the need for organizations to improve financial reporting. Over years of growth, Support KC has expanded to provide 130 nonprofits with, in addition to its original accounting services, database management, fund development planning, governance, strategy coaching and other types of extensive training.<sup>1</sup>

The Nonprofit Centers Network (NCN) recognizes that nonprofit-led MSOs are not available in all locations. There are relatively few self-identified MSOs operating in the US, especially given the rapidly expanding population of nonprofit organizations. When available, it is a powerful model for supporting nonprofits.

Nonprofit organizations that receive services from an MSO maintain their tax-exempt status, governance, staffing structures, organizational autonomy and programmatic independence. MSOs focus on enabling participating organizations to be more efficient and effective.

For example:

- Support KC's mission is to "provide nonprofit organizations with business and development expertise, empowering them to focus on their missions."
- TSNE MissionWorks (TSNE), an organization based in Boston, MA, offers services that are similar to an MSO with the mission of providing "information and services to build the knowledge, power,

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<sup>1</sup> Read more about Support KC in the Rethinking Overhead case study available at <https://rethinkingoverhead.org/wp-content/uploads/2019/04/Support-KC-Case-Study-Rethinking-Overhead.pdf>.

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and effectiveness of individuals, organizations and groups that engage people in community and public life.”<sup>2</sup>

- CompassPoint, an MSO based in Oakland, CA, “helps leaders, nonprofit organizations, and movements committed to social justice realize their full power.”<sup>3</sup>

MSOs are entrepreneurial, responsive and customer service oriented, adapting offerings to meet their mission, the needs of participating organizations and the needs of the communities served by participating organizations. The relationship between the MSO and participating organizations often involves collaboration and capacity building beyond the services provided. For example:

- TSNE owns, operates and is based out of The NonProfit Center, a central location for not only receiving support services but also for tenancy, training and networking events.<sup>4</sup>
- Support KC lists information about the programs of participating organizations, community resources and nonprofit shared spaces on its website and helps to cross-market events through social media.<sup>5</sup>

MSOs also thoughtfully manage services to support the evolution and, in some cases, growth of participating organizations by anticipating their needs for new systems and procedures. Because MSOs are mission-based organizations, they have a vested interest in supporting participating organizations to adopt best practices and be able to thrive.

MSOs strive to provide a bundle of high-quality services to a large base of participating organizations by consolidating the provision of services and reducing the costs of service delivery. While different MSOs structure their services and pricing in various ways, services must be affordable.

For example, Support KC originally envisioned that its services would generate earned income to cover 100% of their organization’s operating budget. Later, it was determined that to keep service pricing affordable, the organization would need to fundraise at least 15% of the budget. With continued funding combined with earned income from providing services, Support KC is able to offer services at market or below market rates.

Beyond affordability, participating organizations may still be hesitant to engage with an MSO because of other potential issues, including:<sup>6</sup>

- Lack of demand to change systems that may be outdated but are still functional

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<sup>2</sup> Read more about TSNE MissionWorks in the Rethinking Overhead case study available at <https://rethinkingoverhead.org/wp-content/uploads/2019/04/TSNE-MissionWorks-Case-Study-Rethinking-Overhead.pdf>.

<sup>3</sup> See CompassPoint at <https://www.compasspoint.org>

<sup>4</sup> See the NonProfit Center at [www.nonprofitcenterboston.org](http://www.nonprofitcenterboston.org)

<sup>5</sup> See [www.supportkc.org](http://www.supportkc.org)

<sup>6</sup> See the Rethinking Overhead Discussion Questions to facilitate discussions related to these challenges available at <https://rethinkingoverhead.org/wp-content/uploads/2019/04/Discussion-Questions-MSO-Rethinking-Overhead-2.pdf>.

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- Lack of board or leadership support to invest time, money or resources for the initiation or startup phase of working with an MSO
- Low interest in using standardized services or systems or a belief that overhead services must be uniquely customized to suit the needs of the mission
- Fear of having to learn and adapt to new systems
- Feelings of lost control or lack of autonomy

However, as with all shared service strategies, MSOs have strong potential to create meaningful financial and non-financial benefits for participating organizations, including:

- Greater focus on mission-related activities for board, leadership, staff and volunteers
- Access to higher quality services and systems provided by and supported by expert service providers
- Ability to customize involvement with the MSO, opt in to purchase select services and enable efficient use of resources
- Possibility to work with the MSO to add on project-based or customized services, if required
- Potential to lower costs for overhead services
- Options to expand existing or add new services over time through an integrated service model
- Opportunities to unite with other participating organizations through training, peer networking or other community-oriented activities

As succinctly described by Roxanne Hill, Executive Director of Wonderscope Children's Museum and participant of Support KC, "It gives us the ability to do a lot more with fewer people."<sup>7</sup>

## MSOs are Shared Services

NCN considers MSOs to be an effective shared service option because:

1. MSOs exemplify and model what can happen when multiple organizations in a community or in a nonprofit sector share a common social purpose or community impact. MSOs tend to serve local areas or regions as a service provider and also as a convener of community-wide dialogues, trainings and networking. In bringing together and strengthening participating organizations, MSOs raise organizational effectiveness and seed collaboration. Additional research on this topic suggests the use of the term "Community Support Organization (CSO)" as a potential replacement for "MSO" models that have a more community-focused mission.<sup>8</sup>

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<sup>7</sup> Watch Roxanne's video interview for more information about her experiences as participant with Support KC, available at <https://youtu.be/LNjNHfBkMJ8>.

<sup>8</sup> The concept of CSO is discussed by Joseph A. Connor, Stephanie Kadel-Tarus and Diane Vinokur- Kaplan in the article *The Role of Nonprofit Management Support Organizations in Sustaining Community Collaborations* (2003).

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2. The relationship between MSOs and participating organizations involves trust, sharing and collaboration. Participating organizations are encouraged to engage not only in services but also in community-building and collaborative activities.
  - TSNE encourages and facilitates connection and sharing among participating organizations through free access to training and networking events.
  - Support KC sets expectations with participating organizations about collaboration and reciprocity. Support KC will adjust its services and behavior based on the needs of its participating organizations. Support KC also asks participating organizations to occasionally make compromises as well by moving board meetings or making timing accommodations. Support KC also profiles sharing and collaboration in their e-newsletter to raise awareness about how participating organizations are working together.
3. MSOs provide holistic services and capacity building support to strengthen participating organizations. Participating organizations may access consulting, coaching and other support that goes beyond direct service. Support KC tries to document improvements to participating organizations' capacity and operations and how these gains impact the community.
4. Participating organizations reduce organizational risk in accessing services through an MSO by reducing the need to rely on a single staff member, volunteer or board member to handle multiple operational systems. MSOs provide participating organizations with state-of-the-art systems and best practices, including at times, data management and compliance reporting. MSOs also reduce opportunities for redundancy by employing a team of staff with service expertise.

## The Latest in the Field

Though the total number of MSOs in the US remains quite small, NCN sees interest in the MSO concept increasing. As more nonprofit organizations recognize the potential benefits of having an improved administrative infrastructure, more will access available MSO services.

A growing number of funders are also acknowledging that the consolidation of administrative services into an MSO structure creates benefits not only for participating organizations but for the communities they serve. For example, local funders are aware that Support KC's efforts have improved participating organizations' operations, achieved community impacts and raised accounting, data collection and evaluation standards in the geographic area.

NCN also sees increased interest in the MSO model from rural communities across the US. In most cases, these communities have a vibrant network of nonprofit organizations providing critical services without access to an existing MSO or local capacity building organization. NCN is beginning to consider how shared services models, including MSOs, might be developed in ways that increase remote access for coverage of a broader geographic range while still providing excellent and responsive customer service.

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