Nonprofit Organizational Life Cycle

Speakman
Management
Consulting
Effective Plans, Partnerships and People

	Grass Roots - Invention	Start-Up - Incubation	Adolescent – Growing	Mature - Sustainability	Stagnation & Renewal	Decline And Shut-Down
Program And Services	• Extremely informal or not yet a concern • Perceived need for a program or service	• Simple programs are initiated or a mix of diverse and non-integrated activities. • Strong commitment to delivering services	• Programs begin to establish themselves in the market • Often demand is greater than capacity • More consistent program delivery • More focus	• Core programs are established and recognized in the community • Long range program planning • New programs are added & deleted as market dictates • Programs functioning well	• Organization loses sight of market • Programs developed primarily to attract funding • Difficulty in delivering services and reaching goals • Inconsistent program quality	• No longer meeting market needs • Loss of credibility with funders and clients • Decline in product quality • Major reduction in referrals • Licensing or accreditation in jeopardy
Staff Leadership/ Management	• Entrepreneurial and visionary leader	• Single minded founder whose vision drives the organization • Sole decision making - little or no hierarchy	• Beginning strategic division of labor • Executive Director still primary decision maker and is less accessible to staff • Both external and internal demands	• Need for well-rounded Executive Director • Sometimes 'Founder's Syndrome' • Delegation of authority and clear accountability	• Founder likely to leave • Change agent needed	• Major conflict between ED and board • ED makes key decisions w/out board • ED is inaccessible and unable to meet deadlines
Staffing	• All volunteer driven • No paid staff	• Most work completed by volunteers • Small (if any), enthusiastic staff • Sense of "family" and cooperation among staff	• Staff size increases – still join primarily for mission • Deepening organization chart, with more centralized management • No job descriptions & personnel policies	• Even larger, and more culturally diverse and specialized staff • Professional managers are hired • Vertical, hierarchical organization chart	• Low staff morale; staff turnover • Focus is on individual programs, instead of organizational goals • Fiefdoms develop • Volunteers leave	• Departure of key staff • Key positions difficult to fill • Staff grievances bypass ED to board • High conflict among staff • Low # of volunteers
Governance/ Board	• Not yet a real concern	• Formal governance structure in place • Small, passionate, and homogenous board • Members tend to be volunteers or hand-chosen by executive	• Board expansion – first 'outsiders' • New board members are added who are professionals with expertise • Less focus on operations, more on	• Board size and diversity increases • Main function is policy and oversight • Fundraising becomes a more important role • Good committee structure – most work	• No or very high board turnover • Sluggish and less involved • Bogged down in structure that may be outdated	• Very low board attendance • No new board members • Key board members may leave • Eventually dissolves Itself

	Grass Roots - Invention	Start-Up - Incubation	Adolescent – Growing	Mature - Sustainability	Stagnation & Renewal	Decline And Shut-Down
		director • Operating board. • Strong emotional commitment and motivation to the mission	planning & oversight • More reactive than strategic in policies • Transitioning to governance board.	done in committees • Better board accountability • Key board role is to ensure organization longevity		• Major disagreement among board on mission and future • Board members making derogatory statements in public
Administrative Systems/ Operations	• Not yet a concern • No real 'home office'	• Few formal systems • Operations are agile and flexible • Informal management infrastructure • Few operational routines or systems in place • Frequent informal communication	• Unsophisticated operating systems • Unstable operations • Purchasing technology • Permanent home office with new admin support • Begin development of operational systems • Internal communication is challenging	• Program and operational coordination through formal planning • Systems, policies & procedures in place • Standardized and efficient operations • Better integration of technology • More data management • Formal communications	• Well-developed systems become "red-tape" • Poor planning	• Departure from systems to crisis management • Poor internal controls or too much red tape • Cannot provide accurate picture of financial situation
Finances and Fundraising	• Not yet a concern • All resources are in-kind.	• Focus on gathering resources • Limited financial resources; • Small budget with limited to no financial/ accounting systems • Overly dependent on a few funding sources and in-kind donations of expertise • Hand-to-mouth	• Established relations with key funders but still unpredictable funding resources • Efficient at in-kind and volunteer resources • Cash flow problems - organization is undercapitalized • Cost considerations are more important • Revenue generation options considered	• Reliable and diverse funding streams • Significant cash reserves • Expanded major giving program • Have, or are considering, planned giving and an endowment • Additional fundraising staff support • Revenue generation	• Insufficient cash reserves • Falling behind on financial obligations • Loss of financial support • Not bringing in new funding sources	• Unable to meet payroll & behind on payables • Relies on lines of credit for basic bills • Possible bankruptcy • Major funders withdrawing or threatening • High % of funds from only a few sources
Marketing/ Community Awareness	• Not yet a concern	• Poor external communication • Word of mouth referrals and marketing • No formal public relations	• First official promotional material • Word of mouth still primary marketing channel	• Marketing plan developed • Professional image and promotional material • In-house Communication & Marketing expertise	• Reactive to each crisis • No real proactive marketing and community relation building • Spending less on marketing	• Negative rumors in the community and/or bad press • Key stakeholders cannot clearly define mission & purpose • No marketing

Keys to Life Cycle Transitions

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	Grass Roots - Invention	Start-Up - Incubation	Adolescent – Growing	Mature – Sustainability	Stagnant And Renewal	Decline and Shut-down
Program And Services	• Identify key unmet client/community needs • Develop a concept plan • Identify and evaluate program options • Clarify results & expectations of work	• Assess and begin to improve quality • Establish criteria for what activities and programs to pursue	• Develop a strategic plan to clarify & integrate. • ID and track client outcomes • Learn to say 'no' to opportunities • Develop collaborations to better serve client needs	• Explore new program delivery models • Develop internal process for evaluating new opportunities • Review strategic plan & develop a long-range program plan	• Undertake strategic planning to review activities – reduce and focus efforts • Conduct formal program evaluation – survey clients • Explore best practices and models • New collaborative relations	• Reduce programs to core essence • Explore partner to transfer programs • Immediately improve quality
Management	• ID someone with time, skills and energy to formalize the organization	• Provide a mentor or coach for development of the leader • Assess ED's ability - maximize strengths and minimize weaknesses	• Clarify ED's primary roles • Establish ED annual priorities • Delegate and offer more admin support • Begin succession planning for key staff	• Enhance ED annual evaluation process • Clarify ED's roles related to staff management • Explore additional coaching	• Develop succession plans for key leadership • May need a new or interim Executive Director	• Coach current ED or recruit interim ED with turnaround and financial experience
Staffing	• Estimate initial staffing needs • ID and determine how best to utilize volunteers • Create a basic staff orientation plan	• Use and recognize volunteers well • Hire administrative support • Consider contract or part-time for needed expertise – accounting, etc.	• Hire more admin support • Develop job descriptions and work charts • Refine volunteer management functions • Expand volunteer base • Create personnel policies	• Increase personnel management • Provide more training, including management training • Ensure proper volunteer programs • Conduct salary review and comparison • Prepare staff for diversity	• Prepare for major staff changes • Push for enhanced internal collaboration • Re-evaluate the volunteer program • Explore ways to keep essential staff • Reassign staff as needed • Consider new staff structures	• Conduct staff retreat – input to address critical operational issues • Engage third party to mediate conflicts • Recognize challenge for staff – plan to address burn-out • Explore severance packages if shutdown
Governance Board	• Begin to ID potential board members • Obtain information	• Expand the board • Clarify board member roles &	• Conduct board retreats for planning & training	• Institute an annual board evaluation • Enhance board	• Re-energize or develop new board • Explore partnerships	• Board resign or build new board • Engage third party to

	on forming a board. • File articles of incorporation and by-laws • Recruit an initial board chair. • Obtain legal advice	responsibilities – offer training • Create formal governance structure – including committees	• Formalize board recruitment process • Culturally diversify board composition • Develop board orientation & mentor program • Focus on policies	fundraising capacity • Enhance board committee structure	with others • Board retreat -revise board and planning • Revitalize board nomination process • Clarify board roles	mediate conflicts • Board retreat to develop plan to address critical issues
Administrative Systems/ Operations	• ID initial infrastructure and operation needs • Determine any compliance needs • Decide on 'home office' • Obtain accounting expertise	• Formalize record keeping and • Begin to establish basic program polices and manuals	• Automate data management • Purchase necessary technology and equipment • Develop maintenance & replacement plan • Improve internal communication	• Develop a risk management plan • Upgrade technology hardware and software • Ensure adequate administrative staff • Formalize internal communication	• Centralize key administrative functions • Look to revamp systems and equipment • Re-examine policies – reduce red tape	• Shore up broken systems • Reduce red tape • Find external financial expertise
Finances	• ID initial funding sources, including researching targeted foundations • Develop a proforma budget • Develop an initial development plan	• Expand funding sources • Institute formal accounting policies and procedures • Hire an experienced accountant • Begin to plan for future financial needs	• Develop a multi-year budget – including capital budget • Establish formal financial controls • Create a development plan • Diversify funding streams – expand individual giving base • Hire a development person • Explore capital campaign feasibility	• Develop an operating reserve & policies • Review fundraising plan • Start planned giving program • Enhance fundraising capacity	• Expand funding sources • Detailed financial analysis • Explore short term cost reductions • Analyze current fundraising strategies • Add resources to development	• External audit • Short-term budget and funding plan • Budget cutbacks • Emergency meeting with key funders
Marketing/ Community Awareness	• Explore a name – test with key audiences • ID and 'sell' concept paper to key potential stakeholders • ID initial marketing and promotional needs • Verify community need and interest in addressing need	• Develop a condensed fact sheet • Create talking points for board/volunteers • Begin to develop an organization brand/identity • All staff and board to provide potential contact list (possible funders)	• Have board more involved in community relations • Develop brand and image • Enhance professionalism of promotional material • Develop proactive PR plan	• Enhance marketing capacity • Better utilize technology for communication • Develop a long-term marketing plan • Enhance public relations • Reassess logo and image	• Proactive public relations campaign • Keep key stakeholders updated	• Engage technical assistance in crisis communication

Nonprofit Life Cycles Overview

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Stage	Key Question	Duration	Obstacles	Opportunities
Grass Roots - Invention	Is the dream feasible?	0 – 5 years	• Resistance to forming • Lack of funding/expertise • No outside support	• Creativity • Energy for the dream • Excitement to join
Start-Up - Incubation	How do we get this started?	1 – 2 years	• Fear of formalizing • Sustaining initial enthusiasm • Focusing the founder and energy	• Excitement of funders • Charismatic leader • People wanting to belong
Adolescent – Growing	How can we build this to be viable?	2 – 5 years	• Absence of systems & accountability • Overwhelmed with change • Change may alienate funders, clients, staff and board • Danger of becoming isolated in the system	• Sense of accomplishment • New faces, 'arms and legs' • Diversification in all areas of the organization • Rejuvenation for the founders
Mature - Sustainability	How can we ensure sustainability?	7 – 30 years	• Lack of or too much control • Lack of risk taking • Board & staff too operational • Unable to transition in to a governance board • Conflict between old and new	• Feeling secure • Adequate resources • New staff/board – fresh ideas • Ability to try something new
Stagnation & Renewal	How, if any, can we renew?	2 – 5 years	• Resistance to change • Inability to address key challenges • Declining excitement • Isolation of the agency	• Wisdom from past • Strategic Partnership opportunities • Chance to take risks again and think 'out-of-the-box'
Decline And Shut-Down	Should we close?	1 – 2 years	• Financial crises • Inappropriate leadership • Loss of staff and volunteers • Lack of any passion	• Commitment to complete turnaround • Graceful 'sunset' or merger