

Building High-Performing, Sustainable Nonprofits

An Organizational Lifecycle Approach

Presented by
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Capacity - The Root of Organizational Sustainability

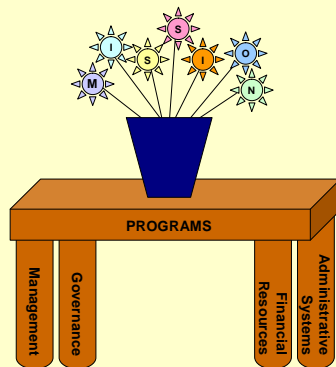


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"Capacity"

The organizational platform or "table legs" which supports and sustains your Mission and Program



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Personal Lifecycle Descriptions

"Baby Boomers"

"Terrible Twos"

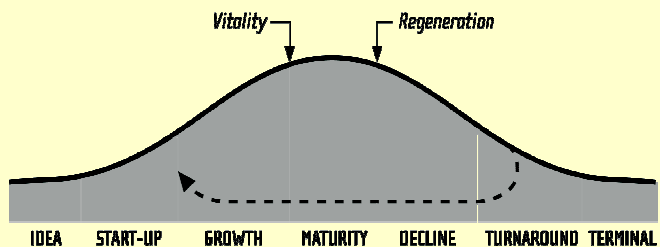
"Adolescence"

"Over the Hill"

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Nonprofit Lifecycle Stages



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Benefits of a Stage-wise Approach

- Establishes a diagnostic starting point
- Sets realistic expectations
- Recognizes when behaviors are out of sync
- Depersonalizes management or staff weaknesses

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Lifecycle Stage #1: Idea

Overview: Perceived community need sparks a founding idea or vision of what could be

Characteristics

- **Program:** Programs are not yet defined, only an intense, personal mandate to fill a societal gap
- **Management:** Originators are believable, action-oriented people with commitment to proposed purpose
- **Governance:** No board exists at this stage, only supporters with a personal connection to mission
- **Resources:** Sweat equity is the usual self-funding device, unless originators have deep pockets or an outside "angel" backs the project
- **Systems:** Although generally lacking in systems, in-kind services, equipment, and other goods may exist

Challenges of the Idea Stage

- Identifying an unmet need
- Developing mission and vision
- Mobilizing the support of others
- Converting the idea into action

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Lifecycle Stage #2: Start-up

Overview: The beginning stage of operations when energy and passion are at their highest, but systems generally lag far behind

Characteristics

- **Program:** Programs are simple, experimental, and generally have more breadth than depth
- **Management:** Leader is a "spark-plug" and the group's most experienced staff person
- **Governance:** Members almost always have a personal connection to mission or founder
- **Resources:** Usually a low-budget, boot strap operation unless seeded initially by a major start-up grant
- **Systems:** Financial and administrative functions and systems are generally weak and may be out-sourced to others

Challenges of the Start-Up Stage

- Sharing vision & organizational responsibility with staff, board and constituencies
 - Hiring versatile staff
 - Leveraging sweat equity into outside support
- Knowing when to say "no"
 - Living within financial means

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Lifecycle Stage #3: Growth

Overview: Program opportunity and service demand exceed current systems and structural capacities

Characteristics

- **Program:** Organization begins to understand and define the distinctive methods and approach that separate its programming from others
- **Management:** Organization is led by people who see infinite potential for services
- **Governance:** Board structure begins to appear
- **Resources:** More sources of income create greater accounting and compliance complexities
- **Systems:** Current systems, never good to begin with, must now be substantially improved to meet demands of continual program expansion and rising compliance expectations

Challenges of the Growth Stage

- Too much to do, too little time
- Developing board ownership
- Creating a program and strategic focus that doesn't trap creativity and vision
- Identifying distinctive competence
- Beginning to formalize organizational structure
- Becoming comfortable with change
- Diversifying revenues and managing cash flow

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Lifecycle Stage #4: Maturity

Overview: Nonprofit has a reputation for providing steady, relevant and vital services to the community and operates with a solid organizational foundation and an overall sense of security

Characteristics

- **Program:** Programs are well-organized; results focused; and in touch with community needs
- **Management:** Executive leadership is often second or third generation from the originators
- **Governance:** Board sets direction, is policy oriented and leaves management to the executive director
- **Resources:** Organization has multiple sources of income and is not dependant on one source of funding
- **Systems:** Organization operates from an outlined course of action for routine client, board and personnel matters

Challenges of the Maturity Stage

- Remaining client-centered, rather than policy-bound
- Keeping staff motivated around the mission
- Building financial footings of endowment or reserves
- Maintaining their programmatic "edge," cycling programs in and out based on continued relevancy
- Becoming "position" rather than "person" dependent

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Lifecycle Stage #5: Decline

Overview: Organization makes status quo decisions based on internal factors rather than external client needs. These decisions result in diminished client status and insufficient current income to cover operating expenses

Characteristics

- **Program:** Programs are losing clients to others whose approach is more accessible, and possibly less expensive
- **Management:** Organizational slippage is either unseen, denied, or blamed on external sources
- **Governance:** Board is unaware there is something wrong; they think things are running smoothly and often don't take action until money starts running out
- **Resources:** Budgets are fixed-cost and expense heavy, with income projections reflecting past experience rather than current reality
- **Systems:** Systems, although developed, are often antiquated, and physical space may be deteriorating

Challenges of the Decline Stage

- Reconnecting with community need, discarding duplicative programs that add no value
- Remembering that policies, procedures, systems and structure are no substitute for creativity and risk-taking
- Keeping board informed and engaged
- Raising enough operating income so reserves are not drawn down for everyday use
- Examining the budget for top-heavy administrative expenses

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Lifecycle Stage #6: Turnaround

Overview: An organization that is at a critical juncture because of lost market share and revenues, but, through self-awareness and determination, has taken decisive action to reverse prior actions in favor of market relevance and organizational viability

Characteristics

- **Program:** Programs are reassessed and modified in light of current market needs and financial viability
- **Management:** Turnaround leader is a gutsy, strong-willed person with a clear sense of direction and the ability to inspire confidence in others
- **Governance:** A core of committed board members are ready to do what it takes to restore organizational integrity
- **Resources:** Willingness to cut expenses to reflect realistic income and cash flow
- **Systems:** Existing policies and procedures may be too complex, expensive, and "mature" for the turnaround organization

Challenges of the Turnaround Stage

- Finding a turnaround champion and letting them lead
- Establishing a turnaround culture and mindset
- Committing to a consistently frank and open dialogue with constituents, funders and the community
- Cutting expenditures to reflect realistic income
- Restoring eroded community credibility through consistency, honesty and program results

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Lifecycle Stage #7: Terminal

Overview: An organization that has lost its will, reason or energy to exist

Characteristics

- **Program:** Programs are unreliable, unsteady, and seriously under-funded
- **Management:** Staff and management have dwindled to a handful and possibly may be working without pay
- **Governance:** Board has lost its collective drive to continue and may exist in name only
- **Resources:** The organization is most likely out of money and may have accumulated deficits
- **Systems:** Systems have been abandoned. Organizational decisions and general workflow happen on an ad hoc basis

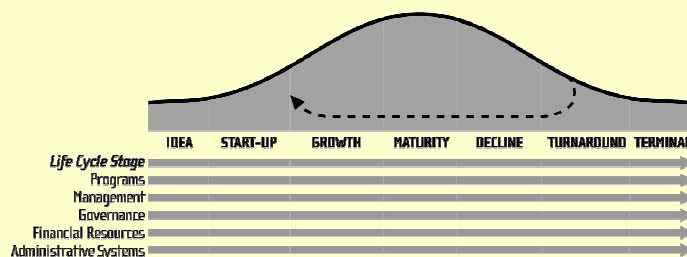
Challenges of the Terminal Stage

- Accepting responsibility for organizational renewal or termination
- Resisting the urge to blame others for terminal situation
- Communicating termination plans to clients and making appropriate referrals
- Closing up shop in an honorable manner, worthy of the care in which the nonprofit was founded

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Lifecycle Capacity Self-Diagnosis



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Lifecycle Diagnostic Indicators

- At what overall lifecycle stage is the organization?
- At what stage are its programs? Typically, a nonprofit's programs are more mature than infrastructure.
- Does the current executive director have the right characteristics to lead the organization through this stage of development?
- Is the board assuming roles and responsibilities consistent with the requirements of the life stage?

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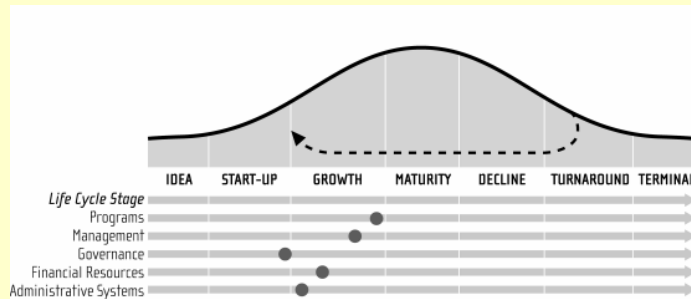
Lifecycle Diagnostic Indicators

(continued)

- Are the financial resources of the organization consistent with those required for that stage of maturation?
- Are current financial and administrative systems in line with the organization's programs and life stage?

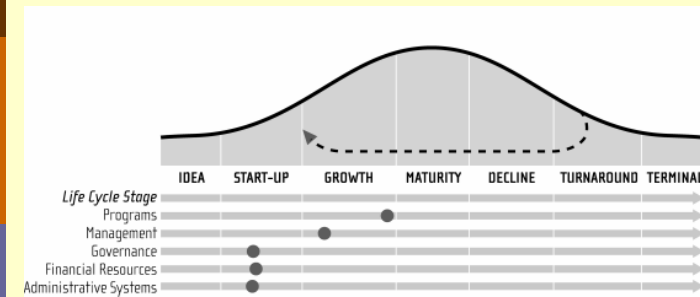
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Nonprofit Capacity in Alignment



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Nonprofit Capacity out of Alignment



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Self-Assessment/Starting Points

The Highbridge Community Life Center

COMPONENT	STAGE	EVIDENCE	BARRIERS TO GROWTH
Programs	Maturity	Outcome objectives. Performance-based contracts. Contractual accountability. Program results. Partner new programs with established ones. Secure sources of funding.	Space.
Management	Growth	Consistent policy implementation. Regular management meetings.	Unequal supervisor ratio. 65% of staff three years or less. Demand exceeds ability to supply service. Management fatigue.
Board of Directors	Growth	Moral support. Informal advice. Technical expertise. Financial support. Fiscal supervision.	Little hierarchy between board and staff. Demands of ownership need to be explored.
Financial Resources	Growth	Safe sources of funds. Diversity. Quality accounting. Fiscal management. Performance-based contracts.	Delay in payment on contracts.
Administrative Systems	Maturity	Job descriptions. Personnel policies. Employee handbook. Vacation records. Benefit package. Consistent salaries.	Managers need to take more responsibility for budget and spending.

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Self-care Capacity Notes

Overall Lifecycle stage: _____

Short-term improvement areas

Longer-term areas for improvement

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Five Lifecycle Challenges

- ❑ Founder intentionality
- ❑ Developing board ownership
- ❑ Building your bench
- ❑ Hiring for fit
- ❑ Growing with the job

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Founder Intentionality

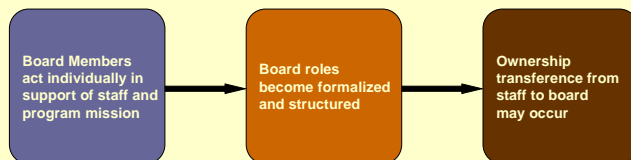
Two big decisions

- ❑ Do I want my organization to survive me?
- ❑ Can I adapt my natural management style to what is needed at each stage of organizational life?

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Developing Board Ownership

Stages of Board Ownership



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Building Your Bench

Bench-Building is a mind-set that starts with hiring talented people who can grow with the job and "fit" your organization's lifecycle stage and culture.

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Three Steps to Bench-building

- Formalizing roles
- Becoming more *position-dependent* than *person-dependent*
- Adopting a "succession organization" approach

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A Succession Organization

- Identifies, recruits, trains and retains "star" employees
- Values and encourages a culture of achievement at each level of employment
- Promotes upward opportunity
- Anticipates turnover in all positions so that employee departure on any level will not negatively affect the organization's performance

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Hiring for Fit

Four criteria for hiring:

- + **Skill**
- + **Experience**
- + **Education**
- + **Lifecycles *FIT***

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Growing with the Job

Requires adapting individual ability to personal qualities required at each stage of development

Hardest Transitions

- Early **Growth-stage** to later stages of same period ("all things" to focused)
- **Growth-stage** to **Maturity** (getting things done through other people)
- **Decline-stage** to **Turnaround** (Often requires new leadership)

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