

Nonprofit (NP) Lifecycles: Diagnostic Characteristics

	Idea	Start-Up	Growth	Maturity	Decline	Turnaround	Terminal
O V E R V I E W	<ul style="list-style-type: none"> • Perceived community need sparks the idea or vision 	<ul style="list-style-type: none"> • Energy & passion at their highest • Governance, management, resources or systems generally lag behind 	<ul style="list-style-type: none"> • Program opportunity and service demand exceed current resources & structural capabilities 	<ul style="list-style-type: none"> • Has reputation for providing steady, relevant & vital services to community & operates with solid organizational foundation & overall sense of security 	<ul style="list-style-type: none"> • Makes status quo decisions based on internal factors rather than external client needs resulting in fewer clients & insufficient current income to cover operating expenses 	<ul style="list-style-type: none"> • At a critical juncture due to lost market share & revenues • Through self-examination has taken decisive action to reverse prior actions in favor of market relevance & organizational viability 	<ul style="list-style-type: none"> • Has lost its will, reason or energy to exist

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P R O G R A M S	<ul style="list-style-type: none"> • Not yet defined • Intense personal mandate to fill societal gap 	<ul style="list-style-type: none"> • Simple, experimental • Generally have more breadth than depth • Willingness to do almost anything to prove value of services • Energy & dedication may take precedence over quality & protocols 	<ul style="list-style-type: none"> • NP begins to understand & define the distinctive methods & approach that separate its programming from others • Begins to find the right service mix, focusing on developing a specific niche to a specific clientele • Services begin to be less person-dependent & more positional 	<ul style="list-style-type: none"> • NP well organized, results-focused & in touch with community needs • Balances favorite programs & methods against community relevance, profitability, & outcome data • Resists urge to play it safe & knows how to keep its spark alive through continual program renewal 	<ul style="list-style-type: none"> • Programs are rigid, status quo, & inordinately focused on pride in past achievements • Programs losing clients to others whose approach is more accessible, produces better outcomes, & may be less expensive • Client feedback mechanisms don't exist & customer services processes may be cumbersome 	<ul style="list-style-type: none"> • Reassessed & modified in light of current market needs, outcomes, & financial viability • Client, constituent & funder input is sought for program redefinition • Probably fewer in number than before 	<ul style="list-style-type: none"> • Unreliable, unsteady, not producing quality outcomes, & seriously underfunded

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M A N A G E M E N T	<ul style="list-style-type: none"> • Believable, action-oriented people with commitment to proposed purpose 	<ul style="list-style-type: none"> • Leader is “spark plug” & group’s most experienced staff person • First staff are generalists, wear multiple hats & live the mission with complete enthusiasm • Managers & staff thrive on thrill of not knowing what tomorrow will bring 	<ul style="list-style-type: none"> • NP is led by people who see infinite potential for services • Staff battle against lack of time & a general sense of urgency; there’s always something more to be done • Staff are exhausted & tired of continual “change” • First introduction of staff specialists who require competitive compensation • Founder (when present) may show ambivalence about changes necessitated by growth 	<ul style="list-style-type: none"> • Executive leadership is often second or third generation from originators • Management is perceived as leaders among industry peers • Staff is seasoned & able to manage delegated functions • E.D. inspires confidence in staff, board, funders & community 	<ul style="list-style-type: none"> • Complacent & committed to status quo • Organizational slippage is either unseen, denied or blamed on external sources • Trapped by commitment to programs, staff, systems or policies no matter how outdated or poorly they are working 	<ul style="list-style-type: none"> • Turnaround leader is a gutsy, strong-willed person with clear sense of direction & ability to inspire confidence in others • Manager is decisive, able to size up problems & mobilizes resources effectively • Has gained staff buy-in & no longer makes community promises it can’t keep 	<ul style="list-style-type: none"> • Staff & management have dwindled to a few & possibly may be working without pay

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G O V E R N A N C E	<ul style="list-style-type: none"> • No board exists, only supporters with personal connection to mission 	<ul style="list-style-type: none"> • Members almost always have personal connection to mission or founder • High respect for charisma, self-sacrifice & sweat equity of founder can cause members to defer board decisions to founder or staff • Board operates as a committee of the whole • Board members see themselves as helping to run the operation rather than in “governance” role 	<ul style="list-style-type: none"> • Board moves beyond “friends” with personal affiliations & recruits outside professionals who bring increased expectations for performance • Board members need to be able to understand risk and make informed decisions expeditiously as opportunities arise • Board structure begins to appear • Board members begin to take on governance role 	<ul style="list-style-type: none"> • Board sets direction, is policy-oriented & leaves management to Exec. Dir. • Board plays leadership role & has the competence to keep NP focused & vital • Board is organized for maximum effectiveness & has a structure for continuity of leadership & culture • Board takes full governance responsibility including full participation in fund raising 	<ul style="list-style-type: none"> • Board is unaware there’s something wrong & often doesn’t take action until money starts running out • Lack of organizational “spark” or one too many crises causes dissatisfaction & diminished attendance • Board may operate with a strategic plan, but it is focused on “what we want to do” rather than community need • A new board member is generally the “whistle-blower,” calling the status quo into question &, if willing, puts the turnaround process in motion 	<ul style="list-style-type: none"> • A core of committed board members are ready to do what it takes to restore organizational integrity • Turnover has shrunk board down to only the committed members. • Board supports turnaround manager in leadership role & helps to regain institutional credibility 	<ul style="list-style-type: none"> • Board has lost its collective drive to continue & may exist in name only

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R E S O U R C E S	<ul style="list-style-type: none"> • Sweat equity, unless originators have deep pockets, or there's an outside "angel" 	<ul style="list-style-type: none"> • Usually low-budget, bootstrap operation unless seeded initially by a major start-up grant • Budget often sole financial document • Usually operated on a cash rather than accrual basis 	<ul style="list-style-type: none"> • More sources of income create greater accounting & compliance complexities • Beginning movement from income-only focus towards concern about balance sheet & asset issues • More sophisticated financial tracking systems are required 	<ul style="list-style-type: none"> • NP has multiple sources of income & is not dependent on one source of funding • Accurate financial forecasts are made & deficits generally avoided • NP has sufficient financial flexibility to at least partially self-fund new initiatives • Funders demonstrate confidence in quantifiable program results 	<ul style="list-style-type: none"> • NP is adverse to cutting expenses even though declining client census results in decreased revenues & grant support • Asset-rich NPs look to the balance sheet's prior earnings to cover current expenses • Fixed assets may be inflexible to changing program need & contribute to program decline • Budgets are fixed-cost & expense heavy with income projections reflecting past experience rather than current reality 	<ul style="list-style-type: none"> • Financial crisis is usual trigger-point, which leaves the NP short or out of cash • Willingness to cut expenses to reflect realistic income & cash flow 	<ul style="list-style-type: none"> • NP is most likely out of money & may have accumulated deficits • Creditor calls are persistent & insistent. • Funders have stopped grants

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S Y S T E M S	<ul style="list-style-type: none"> • Lacking in systems • In-kind services, equipment & other goods may exist 	<ul style="list-style-type: none"> • Financial & administrative functions & systems are generally weak & may be outsourced to others 	<ul style="list-style-type: none"> • Current systems are being substantially improved to meet demand of continual program expansion & rising compliance expectations 	<ul style="list-style-type: none"> • Administrative systems are at level of sophistication required for competent management & decision-making • NP operates from an outlined course of action for routine client, board & personnel matters • Regular communication mechanisms exist within the NP & with the outside public 	<ul style="list-style-type: none"> • Systems, although developed, are often antiquated, & physical space may be deteriorating 	<ul style="list-style-type: none"> • Existing systems, policies & procedures may be too complex & expensive for the turnaround NP 	<ul style="list-style-type: none"> • Systems have been abandoned • Organizational decisions & general workflow happen on adhoc basis