



The talent will take you there.



# Not-for-Profit Organizational Lifecycles 101

## Reference Pages

# Lifecycle Stage #1: Idea

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**The stage in which there is no formal organization, only an idea and a personal mandate to fill a societal, programmatic or cultural gap in the community.**

## 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
- Converting the idea into action
- Developing mission and vision
- Mobilizing the support of others

# Lifecycle Stage #2: Start-up

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**The beginning stage of organizational operations in which unbridled mission, energy, and passion reign supreme, but generally without corresponding governance, management, resources or systems.**

## 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

## **Lifecycle Stage #3: Growth**

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**The stage in which nonprofit mission and programs have taken hold in the marketplace, but where service demands exceeds current structural and resource capabilities.**

### **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
- Identifying distinctive competence
- Developing board ownership
- Beginning to formalize organizational structure
- Creating a program and strategic focus that
- Becoming comfortable with change doesn't trap creativity and vision
- Diversifying revenues and managing cash flow

## Lifecycle Stage #4: Maturity

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The stage of operation in which the organization is well established, operating smoothly and has a community reputation for providing consistently relevant and high quality services.

### 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; leaves management to the executive director
- Resources: Organization has multiple sources of income and is not dependent 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

## Lifecycle Stage #5: Decline

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The stage in which the organization’s services are no longer relevant to the marketplace, self-indulgent, status quo decisions are made and declining program census creates insufficient operating income to cover 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

## **Lifecycle Stage #6: Turnaround**

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**The stage at which an organization, having faced a critical juncture due to lost market share and revenues, takes decisive action to reverse prior actions in a self-aware, determined manner.**

### **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

## **Lifecycle Stage #6: Terminal**

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**The stage when an organization has neither the will, purpose nor energy to continue 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