## Nonprofit Organizational Life Cycle

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

### 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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| **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 & responsibilities | - 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... |
| Administrative Systems/Operations | Responsibilities – offer training  
- Create formal governance structure – including committees  
- Formulate board recruitment process  
- Culturally diversify board composition  
- Develop board orientation & mentor program  
- Focus on policies | Develop 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 |
|-------------------------------------|-------------------------------------------------|-------------------------------------------------|--------------------------------------|-----------------------------------------------|
| **2** File articles of incorporation and by-laws  
- Recruit an initial board chair.  
- Obtain legal advice | **2** Formulate board recruitment process  
- Culturally diversify board composition  
- Develop board orientation & mentor program  
- Focus on policies | **2** Develop a risk management plan  
- Upgrade technology hardware and software  
- Ensure adequate administrative staff  
- Formalize internal communication | **2** Centralize key administrative functions  
- Look to revamp systems and equipment  
- Re-examine policies – reduce red tape | **2** Shore up broken systems  
- Reduce red tape  
- Find external financial expertise |
| **3** ID initial infrastructure and operation needs  
- Determine any compliance needs  
- Decide on ‘home office’  
- Obtain accounting expertise | **3** Automate data management  
- Purchase necessary technology and equipment  
- Develop maintenance & replacement plan  
- Improve internal communication | **3** Develop an operating reserve & policies  
- Review fundraising plan  
- Start planned giving program  
- Enhance fundraising capacity | **3** Expand funding sources  
- Detailed financial analysis  
- Explore short term cost reductions  
- Analyze current fundraising strategies  
- Add resources to development | **3** External audit  
- Short-term budget and funding plan  
- Budget cutbacks  
- Emergency meeting with key funders |
| **4** ID initial funding sources, including researching targeted foundations  
- Develop a proforma budget  
- Develop an initial development plan | **4** Expand funding sources  
- Institute formal accounting policies and procedures  
- Hire an experienced accountant  
- Begin to plan for future financial needs | **4** 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 | **4** Have board more involved in community relations  
- Develop brand and image  
- Enhance professionalism of promotional material  
- Develop proactive PR plan | **4** Proactive public relations campaign  
- Keep key stakeholders updated | **4** Engage technical assistance in crisis communication |
| **5** 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 | **5** 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) | **5** Enhance marketing capacity  
- Better utilize technology for communication  
- Develop a long-term marketing plan  
- Enhance public relations  
- Reassess logo and image | **5** Enhance marketing capacity  
- Better utilize technology for communication  
- Develop a long-term marketing plan  
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## Nonprofit Life Cycles Overview

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<th>Stage</th>
<th>Key Question</th>
<th>Duration</th>
<th>Obstacles</th>
<th>Opportunities</th>
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| 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 |