## Nonprofit Organizational Life Cycle

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

| Staffing | • Estimate initial staffing needs  
• ID and determine how best to utilize volunteers  
• Create a basic staff orientation plan | • 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 |

| Governance Board | • Begin to ID potential board members  
• Obtain information | • Expand the board  
• Clarify board member roles & responsibilities | | | |


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<th><strong>Finances</strong></th>
<th><strong>Marketing/ Community Awareness</strong></th>
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<tr>
<td>File articles of incorporation and by-laws</td>
<td>ID initial funding sources, including researching targeted foundations</td>
<td>Explore a name – test with key audiences</td>
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<td>Recruit an initial board chair.</td>
<td>Develop a proforma budget</td>
<td>ID and ‘sell’ concept paper to key potential stakeholders</td>
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<td>Obtain legal advice</td>
<td>Develop an initial development plan</td>
<td>ID initial marketing and promotional needs</td>
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<td>Verify community need and interest in addressing need</td>
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<td><strong>responsibilities – offer training</strong></td>
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<td><strong>Develop a condensed fact sheet</strong></td>
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<td>Create formal governance structure – including committees</td>
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<td>Create talking points for board/volunteers</td>
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<td>Begin to develop an organization brand/identity</td>
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<td>All staff and board to provide potential contact list (possible funders)</td>
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<td>Have board more involved in community relations</td>
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<td>Develop brand and image</td>
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<td>Enhance professionalism of promotional material</td>
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<td>Develop proactive PR plan</td>
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<td><strong>Formalize board recruitment process</strong></td>
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<td><strong>Develop a multi-year budget – including capital budget</strong></td>
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<td><strong>Culturally diversify board composition</strong></td>
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<td><strong>Establish formal financial controls</strong></td>
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<td>Develop board orientation &amp; mentor program</td>
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<td><strong>Create a development plan</strong></td>
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<td>Focus on policies</td>
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<td><strong>Diversify funding streams – expand individual giving base</strong></td>
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<td><strong>Hire a development person</strong></td>
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<td><strong>Explore capital campaign feasibility</strong></td>
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<td><strong>Develop an operating reserve &amp; policies</strong></td>
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<td><strong>Review fundraising plan</strong></td>
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<td><strong>Start planned giving program</strong></td>
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<td><strong>Enhance fundraising capacity</strong></td>
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<td><strong>Develop a risk management plan</strong></td>
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<td><strong>Upgrade technology hardware and software</strong></td>
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<td><strong>Ensure adequate administrative staff</strong></td>
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<td><strong>Formalize internal communication</strong></td>
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<td><strong>Centralize key administrative functions</strong></td>
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<td><strong>Look to revamp systems and equipment</strong></td>
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<td><strong>Re-examine policies – reduce red tape</strong></td>
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<td><strong>Expand funding sources</strong></td>
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<td><strong>Detailed financial analysis</strong></td>
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<td><strong>Explore short term cost reductions</strong></td>
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<td><strong>Analyze current fundraising strategies</strong></td>
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<td><strong>Add resources to development</strong></td>
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<td><strong>Shore up broken systems</strong></td>
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<td><strong>Reduce red tape</strong></td>
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<td><strong>Find external financial expertise</strong></td>
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<td><strong>External audit</strong></td>
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<td><strong>Short-term budget and funding plan</strong></td>
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<td><strong>Budget cutbacks</strong></td>
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<td><strong>Emergency meeting with key funders</strong></td>
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<td><strong>Engage technical assistance in crisis communication</strong></td>
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## Nonprofit Life Cycles Overview

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<tr>
<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 yrs| • 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 yrs| • 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 yrs| • 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 yrs| • 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 yrs| • 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 yrs| • Financial crises  
• Inappropriate leadership  
• Loss of staff and volunteers  
• Lack of any passion                                                 | • Commitment to complete turnaround  
• Graceful ‘sunset’ or merger                                         |