

## AN OVERVIEW OF NONPROFIT LIFECYCLES

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It is vital to an organization's success at achieving its mission for its leadership to recognize critical stages in its lifecycle. Diagnosing the organization's place on the lifecycle allows leadership to make informed and strategic choices, and take actions that accomplish lasting results. According to Dr. Susan Kenny Stevens (*Nonprofit Lifecycles: Stage-Based Wisdom for Nonprofit Capacity*), there are at least five benefits of the lifecycle approach to nonprofit capacity-building:

1. Establishing a diagnostic starting point that helps leadership respond appropriately to the organization's behavior
2. Setting realistic expectations for the typical behavior one might assume to find at a specific stage
3. Recognizing when behaviors are out of sync for a particular stage
4. Depersonalizing organizational management weaknesses and reframing current stage-related growing pains as predictable for that developmental stage
5. Enabling the organization's supporters to become more effective and articulate advocates

There are many theories concerning the number of stages and how long each stage lasts. For our purposes here, we offer below the seven lifecycle stages as described by Dr. Kenny. However, it is important to note that, as Dr. Kenny says in her book referenced above, "the lifecycle model is not necessarily sequential nor evolutionary. Not all organizations go through all stages, nor, if they do move from one stage to another, is the movement sequential. Many organizations move from *start-up* to *terminal*. Others, despite thirty years in business, never leave the *start-up* stage." (p. 25)

### **Stage #1: Idea – *The Magnificent Obsession***

No formal organization, only an idea and a personal mandate to fill a community need.

Challenges during this stage:

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

### **Stage #2: Start-up – *The Labor of Love***

The beginning stage of organizational operations in which mission, energy and passion are present but generally without corresponding governance, management resources or systems. Challenges during this stage:

- Sharing vision and organizational responsibility with staff, board and constituencies
- Knowing when to say "no"

- Hiring versatile staff
- Leveraging sweat equity into outside support
- Living within financial means

**Stage #3: Growth – *Becoming Who You Are***

Nonprofit mission and programs have taken hold in the marketplace, but service demand exceeds current structural and resource capabilities. Challenges during this stage:

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

**Stage #4: Maturity – *Maintaining Your Edge***

The organization is well-established, operating smoothly and has a community reputation for providing consistently relevant and high quality services. Challenges during this stage:

- Remaining client centered rather than policy bound
- Keeping staff motivated around the mission
- Building financial footings of endowment and/or reserves
- Maintaining programmatic “edge” of relevance and vibrancy; cycling programs or pieces of programs in and out based on continued relevancy
- Becoming “position” rather than “person” dependent

**Stage #5: Decline – *Someone That You Used to Be***

The organization’s services are no longer as cutting-edge and as relevant to the marketplace, self-indulgent, status-quo decisions are made, and declining program census creates declining operating income. Challenges during this stage:

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

**Stage #6: Turnaround - *Where the Rubber Meets the Road***

Having faced a critical juncture due to lost market share and revenues, the organization takes decisive action to reverse prior actions in a self-aware, determined manner.

Challenges at this stage:

- Finding a turnaround champion and letting him or her 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

**Stage #7: Terminal – In Name Only**

An organization has neither the purpose, the will, nor the energy to continue. Challenges at this stage:

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

- Susan Kenny Stevens (2008)

Every lifecycle stage has its challenges and opportunities, co-existing as the organization grows. Understanding which stage the organization is in, as well as the typical challenges and opportunities inherent in each stage, can help leadership feel less isolated, know what is normal, plan for the future, put problems in context and manage transition more effectively.

That being said, it is especially important to recognize and take action when an organization is leaning toward a decline. As Jim Collins says in a May 25, 2009 BusinessWeek article: “When rhetoric of success (‘We’re successful because we do these specific things....’) replaces penetrating understanding and insight (‘We’re successful because we *understand why* we do these specific things and under what conditions they would no longer work.’), decline will very likely follow.”

This summary is meant to serve only as a starting place for discussion. For organizations that want to do the hard work of learning about lifecycle stages, determining which lifecycle stage they are in, and taking action, we recommend the resources listed below. This work will require a serious commitment of time and resources. We encourage you to make that commitment, as the rewards will be great.

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