



**ALLIANCE OF
ARTISTS COMMUNITIES**

**Nonprofit Lifestages
And Why They Matter**

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Nonprofit Life Stages and Why they Matter

AGENDA

- Key Assumptions behind Nonprofit Life Stages
- What are the benefits of the Life Stages Framework?
- Overview of Nonprofit Life Stages
 - Typical Milestones
 - Opportunities and Challenges
 - Sticking Points
- Which leadership attributes & abilities are most needed at each stage?
 - Small group deliberations
 - Full group discussion
- Growing with the job through different nonprofit life stages
 - Is it realistic?
- Leadership succession
 - Tips for creating sustainable organizations that are prepared to navigate leadership transitions

Assumptions About Nonprofit Life Stages

- The theory of *life stages* grew out of the psychology field and can also be applied to nonprofit organizations. A *stage* is a developmental period when characteristic patterns of behavior are present and particular tasks are accomplished.
- The life stage framework assumes there are significant events at each stage of a nonprofit organization's life that are crucial for its continued development.
- Factors that influence where an organization is in its life cycle (which stage) include: Age, size, growth rate of the field, external environment, and style of the primary leader.
- In the real world, the boundaries between the stages aren't always clear.
- Less "traditional" nonprofits may find the life stage framework less applicable, particularly:
 - Very small, grassroots groups who choose to remain very small and informal.
 - Very large organizations, in which the life stages are more relevant for different divisions or departments, rather than the entire organization.
 - Nonprofits with unique circumstances including groups of people from nonwestern cultures, groups that operate in a highly collaborative manner, and chapters of larger organizations.
- The kind of leadership required of executive directors and board members changes as our nonprofits develop through different life stages.

Benefits of the Life Stage Framework

Understanding a nonprofit's life stage helps us to...

1. Diagnose our nonprofit's starting point for pursuing stage-appropriate organizational developmental work.
2. Set realistic expectations based on what is "typical" for nonprofit organizations at different stages.
3. Understand the potential pitfalls for nonprofit organizations at different stages.
4. Consider weaknesses in organizational management and governance as stage-based "growing pains" rather than personal failings.
5. Build internal support for needed organizational change.
6. Recruit and/or develop the right kind of staff and board leadership.
7. Anticipate and prepare for leadership transitions so they are handled with thought and care.

A Few Words of Caution...

"Lifecycle models can appear deterministic rather than dynamic. Like any diagnostic model, if you use it judge, rather than understand, you will have missed the intent."

"Unlike humans, organizations do not necessarily progress through sequential stages of growth and development.... However, the biological or evolutionary metaphor is consistent with the all-too-frequent fact that many nonprofits, like humans, fail to mature, are forced to grow up too soon, or die a premature death."

**Susan Kenny Stevens
in *Nonprofit Lifecycles***

Nonprofit Life Stages At-A-Glance



IDEA STAGE: Inspire and Imagine ***Can this dream be realized?***

There is an idea and a personal mandate to fulfill a community need or cultural gap. No formal organization exists.



START-UP: Found and Frame ***How are we going to pull this off?***

In this early stage of operation, there is unbridled energy and passion for the mission, but little in the way of governance, management, resources and systems.



GROWTH: Ground and Grow ***How can we build this to be viable?***

The mission and programs have taken hold in the community, and the demand for services exceeds the organization's capabilities.



MATURITY: Produce and Sustain ***How can we sustain and maintain our edge?***

The organization is well-established, operating relatively smoothly, and known for providing relevant and high quality services.



REGENERATION: Review and Renew ***What do we need to change?***

The organization has faced a critical juncture (e.g., diminished market share, loss of financial control, etc.) and decided to undertake a turnaround in a determined and self-aware manner.



TERMINAL: Decline and Dissolution ***Should we close?***

The organization has neither the will nor energy to continue to exist. This stage can follow *any* earlier organizational life stage.

Adapted from:

Nonprofit Lifecycles by Susan Kenny Stevens (2001), and

The 5 Life Stages of Nonprofit Organizations by Judith Sharken Simon (2001)

Nonprofit Life Stages: STAGE 1 OVERVIEW

IDEA STAGE: Inspire and Imagine *Can this dream be realized?*



DESCRIPTION:

In this stage there is an idea and a personal mandate to fulfill a community need or cultural gap. No formal organization exists yet.

TYPICAL MILESTONES include....

- Developing a concept paper with program ideas
- Generating interest and testing the concept with others
- Identifying potential board members
- Scouting potential funding sources
- Learning about nonprofit organization fundamentals (e.g., legal, ethical, structural requirements)

OPPORTUNITIES & CHALLENGES for Stage 1

- Identifying an unmet community need or cultural gap
- Developing a vision and mission
- Mobilizing the support of others
- Preparing to convert the idea into action

STICKING POINTS often include...

- Fear of formalizing
- Resistance to outside support

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Nonprofit Life Stages: STAGE 2 OVERVIEW

START-UP: Found and Frame

How are we going to pull this off?

DESCRIPTION:

In this early stage of operation, there is unbridled energy and passion for the mission, but little in the way of governance, management, resources and systems.



TYPICAL MILESTONES include....

- Incorporating as a nonprofit
- Applying for 501 (c)(3) federal tax-exempt status
- Hiring the first paid staff (often part-time); volunteers remain crucial in running programs/activities
- Small, passionate, hands-on board
- Visionary founder is the primary decision-maker

OPPORTUNITIES & CHALLENGES for Stage 2

- Sharing organizational responsibility
- Developing outside support
- Hiring high-energy, mission-driven staff with versatile skills
- Knowing when to say "no"
- Living within limited financial means

STICKING POINTS often include...

- Founder(s) reluctance to relinquish "ownership" as tax-exempt status is secured
- Reluctance to formalize systems in favor of focusing energy on services/programs

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Nonprofit Life Stages: STAGE 3 OVERVIEW

GROWTH: Ground and Grow

How can we build this to be viable?



DESCRIPTION:

In this stage the mission and programs have taken hold in the community, and the need or demand for services exceeds the organization's capabilities.

TYPICAL MILESTONES include....

- Expanding the board beyond the incorporators, including seeking specific professional skills and community contacts
- Developing a strategic plan
- Expanding the paid staff with more job specialization; formalizing job positions and responsibilities
- Beginning to formalize other areas including financial management, volunteer management, program evaluation, fundraising, board development, and marketing

OPPORTUNITIES & CHALLENGES for Stage 3

- Developing a distinctive competence or niche
- Too much to do, too little time
- Developing board ownership
- Working to assure adequate staff salaries
- Diversifying revenues and managing cash flow

STICKING POINTS often include...

- Staff burnout due to high demands and limited infrastructure
- Boards continue to be more interested in programs and day-to-day management than governance
- Boards continue to act mainly as a support group for the executive director rather than accepting responsibility for the organization
- Fears that professionalism (including specialization) will detract from the mission and core values

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The 5 Life Stages of Nonprofit Organizations by Judith Sharken Simon (2001)

Nonprofit Life Stages: STAGE 4 OVERVIEW

MATURITY: Produce and Sustain

How can we sustain and maintain our edge?



DESCRIPTION:

In this stage the organization is well-established, operating relatively smoothly, and known for providing relevant and high quality services.

TYPICAL MILESTONES include....

- Programs/services are solid and well-recognized
- The board and executive director operate with a sense of partnership and mutual "ownership"
- Administrative systems are in place for competent management and program delivery; management team in place
- If the founder (or other long-term executive director) is still involved, s/he has taken steps to separate her/his personal identity from that of the organization
- Partnerships and alliances extend community impact

OPPORTUNITIES & CHALLENGES for Stage 4

- Keeping the mission at the forefront: staying community/client centered rather than policy and procedures centered
- Solidifying finances, including building reserves
- Feeling secure enough to take a few risks
- Assuring that programs continue to be fresh and relevant
- Executive succession planning to foster organizational sustainability

STICKING POINTS often include...

- Getting bogged down with internal concerns (procedures, turf, complexity of operations)
- Becoming isolated, losing touch with trends in the market and community/constituent needs
- Comfort with "status quo," resistance to change
- Too much dependence on executive director

Adapted from:

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Nonprofit Life Stages: STAGE 5 OVERVIEW

REGENERATION: Review and Renew

What do we need to change?



DESCRIPTION:

In this stage the organization has faced a critical juncture (e.g., diminished market share, loss of financial control, etc.) and decided to undertake a turnaround in a determined and self-aware manner.

TYPICAL MILESTONES include....

- Departure of executive director and several board members
- Turnaround champion is empowered and recruits a core of energized supporters
- Plan of action is established with clear goals and accountability
- Program cutbacks to allow for recovery and renewal

OPPORTUNITIES & CHALLENGES for Stage 5

- Recruiting board and staff members who can provide strategic and administrative competence
- Examining what went wrong in order to take appropriate action
- Engaging in frank and open dialogue with constituents, funders, and other stakeholders
- Cutting expenditures in the short-term to match realistic income
- Restoring credibility through honesty and consistent results (not "business as usual")
- Considering new ways of operating and addressing community needs (e.g., merger, spinning off programs) if a turnaround is not feasible

STICKING POINTS often include...

- Perversing despite skeptical attitudes of funders and past supporters
- Addressing low staff morale; managing staff turnover
- Keeping the board engaged and energized

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Nonprofit Life Stages

TERMINAL: Decline and Dissolution *Should we close?*

DESCRIPTION:

In this stage the organization has neither the will, purpose nor energy to continue to exist. This stage can follow *any* earlier organizational life stage.



MISSING THE NECESSARY INGREDIENTS: The 5 M's

Terminal stage nonprofits may technically remain in business, but are missing one or more of the five essential ingredients (the 5 Ms's) that are needed for an organization to remain viable:

- **Mission:** clarity about the organization's purpose and desired results
- **Market:** the community and constituents that need the nonprofit's services
- **Management:** the people—including board, staff, volunteers—who hold themselves responsible for program and organizational success
- **Money:** the ability to generate sufficient financial resources to support the organization
- **Motivation:** the energy, spirit and enthusiasm that nourishes the team (board, staff, volunteers)

OPPORTUNITIES & CHALLENGES for the Terminal Stage....

- Recognizing the situation (moving past denial) and accepting responsibility, including resisting the urge to blame others
- Exploring and pursuing opportunities to spin-off projects or programs
- Communicating termination plans to internal and external stakeholders; making referrals
- Creating a Dissolution Plan to wrap up business responsibly and disperse any remaining assets
- Undertaking a symbolic action (e.g., a publication, blog, or informal gathering) to give meaning to the organization's past accomplishments and the contributions of those involved throughout its history

Adapted from:
Nonprofit Lifecycles by Susan Kenny Stevens (2001)

Nonprofit Life Stages

Leadership Attributes and Abilities

(1) IDEA STAGE: Inspire and Imagine

- Creativity, vision
- Single-minded in pursuit of the dream
- Entrepreneurial mindset
- High commitment, willing to devote time to the cause
- Inspiring communicator
- Good understanding of the community/marketplace

(2) START-UP: Found and Frame

- Energetic
- Able to balance multiple, competing priorities
- Willing to take risks
- Decisive, action-oriented
- Single-minded but adaptable
- A generalist with many skills
- Able to design and re-design programs/services

(3) GROWTH: Ground and Grow

- Energetic
- Strategic thinking and planning
- Community building: able to engage others and build support
- Able to balance multiple, competing priorities
- Able to create systems and routinize some functions
- Good judgment about which opportunities to pursue
- Dynamic, comfortable with continual change

(4) MATURITY: Produce and Sustain

- Skill in managing people and processes
- Appreciates the need for systems to manage and deliver programs efficiently and effectively
- Able to delegate
- Able to balance stability with continually seeking improvement based on community/constituent needs
- Assures well-defined policies and procedures
- Well-known within the field

(5) REGENERATION: Review and Renew

- Willing to challenge status quo and "take charge"
- Highly responsible, not inclined to blame or deny
- Able to problem-solve
- Willing to be hands-on in leading change
- Good communicator (with internal & external stakeholders)
- Perseverance

TERMINAL: Decline and Dissolution Same as Stage 5

Growing with the Job

Can executive directors and other managers grow with the job as nonprofit organizations move through different stages of the nonprofit lifecycle? According to Susan Kenny Stevens, author of *Nonprofit Lifecycles*, the answer depends on an individual's ability to adapt their personal qualities, and build specific skills, required of each new stage.

Which organizational life stage transitions are generally easiest for staff leaders?

- Growing in the job between the *idea* and *start-up* stages, and between the *start-up* and early *growth* stages, is often possible with relative ease.

Which organizational life stage transitions are generally the most difficult for staff leaders?

- The transition between early *growth* and the later part of the same stage is difficult because the skills needed to focus and "contain" organizational opportunities are often at odds with the "builder" inclinations of the start-up and early growth staff leaders.
- The transition between *growth* and *maturity* is difficult because the mature stage requires delegation and institutionalizing, and the growth stage staff leader often has limited experience implementing expanded infrastructure capabilities.
- The transition following *decline* (from any stage) to *regeneration*. Generally it is not possible for a staff leader of an organization in a significant state of decline to lead a turnaround.



Source: *Nonprofit Lifecycles* by Susan Kenny Stevens (2001), pp. 72-73

Laying a Foundation for Leadership Succession

- 1. Foster a learning culture** that emphasizes appreciation and evaluation. Forge a healthy partnership between the executive director and board chair in which each is willing to challenge and support the other. Assure that all staff, including the executive director, receive regular feedback on their performance.



Assure that the board, too, engages in evaluating its performance. Integrate evaluation within all programs, and routinely reflect on accomplishments and lessons learned. Take time to celebrate significant personal and organizational milestones.

- 2. Create systems to transfer knowledge with ease.** Document processes and procedures. Assure that crucial information does not reside solely “in the executive director’s head.” Pay special attention to documenting financial management policies and procedures.

- 3. Make leadership development a priority.** Encourage and support board and staff members in developing their leadership, e.g. through on-the-job assignments, training, mentoring and participation in professional and peer networks.



- 4. Stay up-to-date with strategic planning and assure that planning is participatory.** Planning engages the board and staff in assessing the organization’s strengths and challenges, examining trends in the operating environment, articulating a shared vision, and developing/readjusting/ affirming priorities. Issues of organizational development—including succession—can be addressed naturally within this framework. Participatory approaches to planning enable many people within an organization to understand the “big picture” and feel a sense of responsibility for the whole organization.
- 5. Make sure the executive director job is “doable.”** Review and update the job description. Delegate and/or provide cross-training in some aspects of the executive director’s job.
- 6. Invest in adequate salaries and benefits, including retirement benefits.** Provide fair compensation to all staff, including the executive director.
- 7. Create an emergency executive succession plan.** Test the plan before you need it and evaluate the results. An executive director sabbatical or vacation provides an ideal opportunity.

Recommended Reading

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