

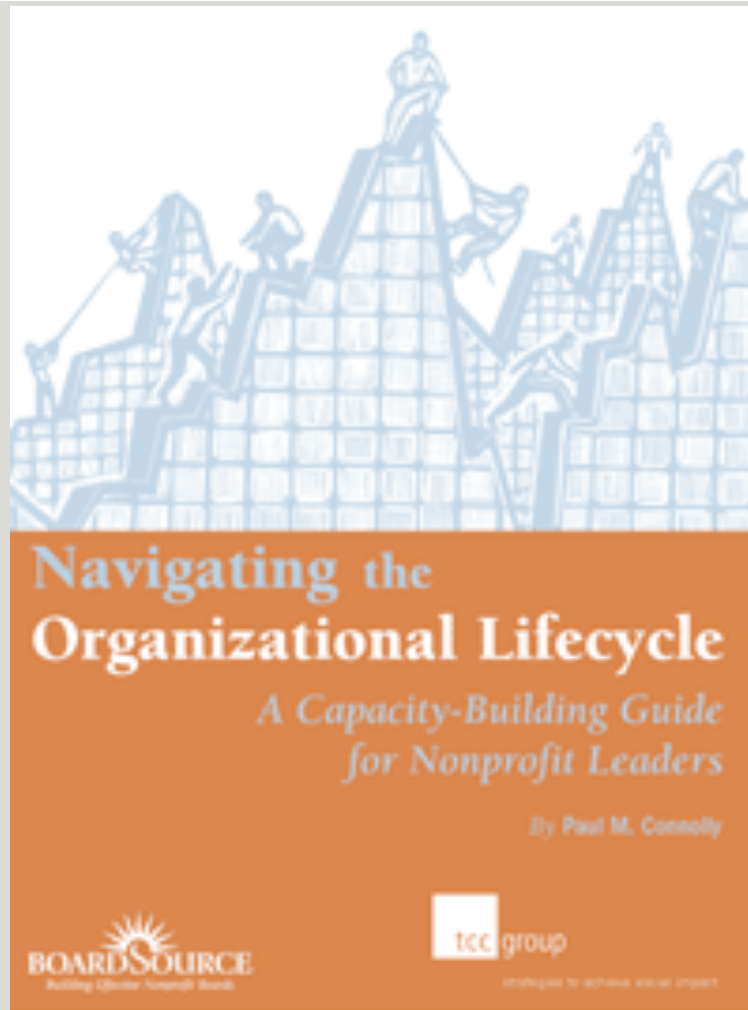
# **Lifecycles of Nonprofit Organizations**

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# Navigating the Organizational Lifecycle

*A Capacity-Building Guide for Nonprofit Leaders*

By Paul M. Connolly

**BOARD SOURCE**  
Building Effective Nonprofit Boards

**tcc group**  
strategies to achieve social impact

# Session Objectives

## We will:

- Describe what the organizational lifecycle is
- Discuss how nonprofit organizational capacity changes at the different stages of the organizational lifecycle
- Discuss how tailored capacity building support is necessary at different stages
- Explain applications of the model as it relates to community health organizations

# What is “Organizational Effectiveness?”

*The Organizational Lifecycle Model*

# Organizational Effectiveness: A Definition

**The ability of an organization to fulfill its mission through a blend of sound management, strong governance and a persistent rededication to assessing and achieving results.**

*- Grantmakers for Effective Organizations*

# Why does Organizational Effectiveness Matter?

- **Desire for greater progress on mission achievement**
  - Greater community impact
  - Greater health improvement outcomes
- **Demand for accountability**
  - Internal (Trustees, staff) and
  - External (healthcare regulation, demand for specialized services, growing uninsured pop.)
- **Competition for scarce resources**
- **The need to be more flexible and resilient**

# The Four Core Capacities Model

**Leadership Capacity:** creating and sustaining a vision, inspiring, modeling, prioritizing, making decisions, providing direction and innovating

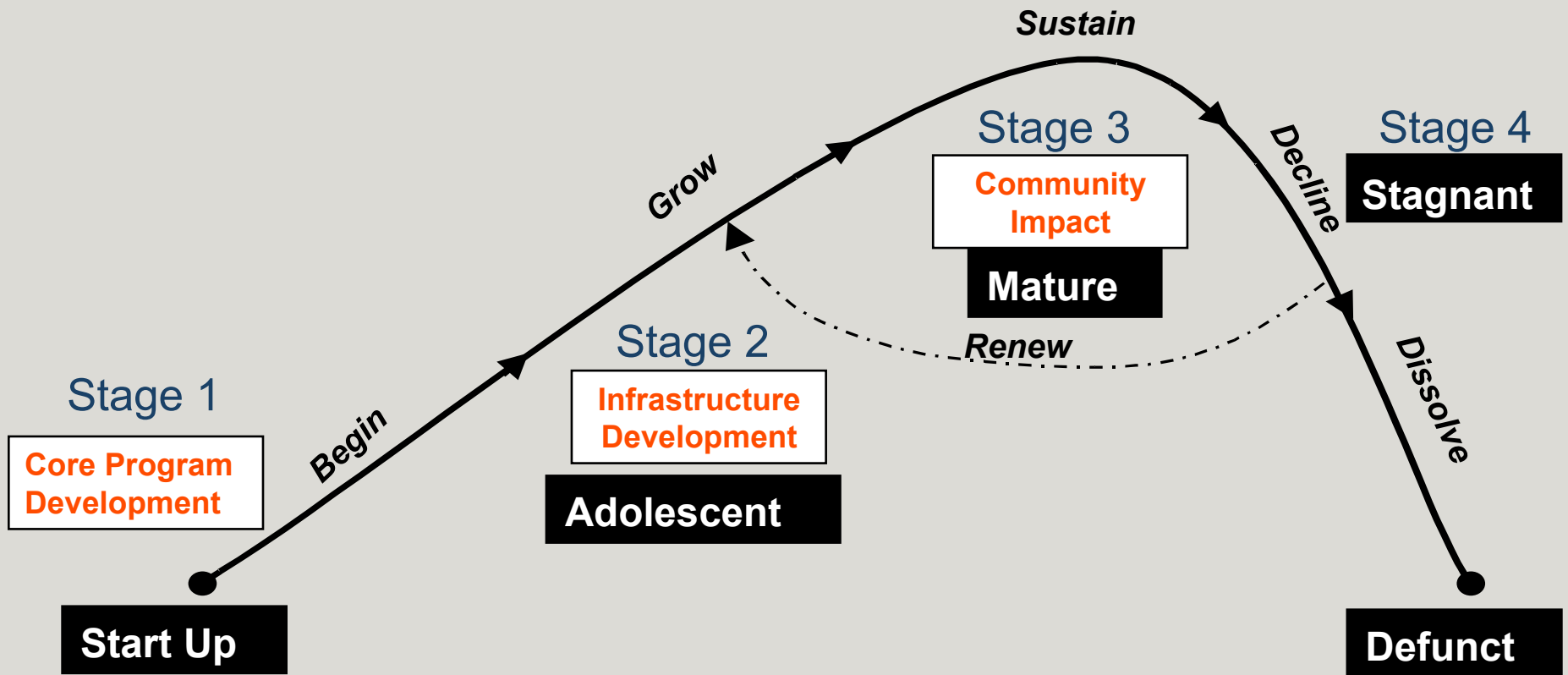
**Adaptive Capacity:** monitoring, assessing, and responding to changes in the internal and external environments

**Management Capacity:** ensuring the effective and efficient use of resources

**Technical Capacity:** implementing the key organisational and programmatic functions

# The Nonprofit Organizational Lifecycle

# The Nonprofit Organizational Lifecycle Model



# Key Points about the Organizational Lifecycle

- Organizational development is similar to human development
- Goal is to achieve maturity and having community impact
- Barriers to Advancement
  - ❏ Status Quo or stagnation
  - ❏ “Mission Drift” or “Mission Creep”
- Caveats
  - Theoretical
    - Not correlated with budget size
    - Exceptions to the rule
    - Rate of evolution varies
  - Rate of Growth not necessarily linear

# Start-up Stage Characteristics

- **Visionary, entrepreneurial founder(s)**
- **Simple programs**
- **No or few staff or systems**
- **One or two funders**
- **Small, hands-on, homogenous board**

# Challenges to Starting Up

- **Meeting program demand**
- **Staff burn-out**
- **Inadequate funding**
- **Lack of systems**

# Adolescent Stage Characteristics

- **Programs become more distinct and credible**
- **Staff grows and becomes more specialized**
- **Revenues diversify**
- **CEO focuses on managerial role**
- **Board expands and formalizes**

# Challenges to Adolescence

- **Maintaining program quality**
- **Staff leader's difficulty in managing and delegating**
- **Unstable cash flow**
- **Weak operations**
- **Micro-managing board**

# Mature Stage Characteristics

- **Programs are established and well-regarded**
- **Operations and systems are formalized**
- **CEO is professional manager**
- **Hierarchical staff structure**
- **Diverse and stable revenues**
- **Board focuses more on policy, planning, and fundraising**

# Challenges in Maturity

- **Constantly assess internal capacity and external environment**
- **Keep programs relevant**
- **Nurture new board and staff leaders**

# Stagnant Stage Characteristics

- **Complacent and in denial about stagnancy**
- **Out of touch with market**
- **Staff fragments into fiefdoms**
- **Systems become red-tape**
- **“Chasing dollars” and poor financial controls**
- **Stale leadership**

# Challenges to Renewing

- **Become aware of decline**
- **Engage fresh board and staff leadership**
- **Devise a turnaround plan**
- **Overhaul programs**
- **Restore confidence of funders**

# Defunct Stage Characteristics

- **Terminate staff respectfully**
- **Refer clients to other programs**
- **Fulfill all legal and financial obligations**
- **Acknowledge organization's accomplishments**

# Common Capacity Building Efforts by Lifecycle Stage

## Start-Up

- Needs assessment
- Establishing a board
- Get the right space; set up basic office systems

## Adolescence

- Strategic planning
- Improve financial management systems
- Revenue diversification
- Focus on growth (programmatic or administrative)

# Common Capacity Building Efforts by Lifecycle Stage (Continued)

## Maturity

- Document and disseminate program impact
- Leaders increasingly focus on external roles
- Focus on building “bench strength”

## Stagnation

- Coaching and/or peer mentoring for leadership
- Adaptive capacity strategies (e.g., planning, assessment, evaluation) that would support renewal
- Executive search

# *Applying the Model to Your Organization*

# Discussion Questions

- **Overall, which stage best describes your organization now?**
- **Does your organization want to evolve to a different stage?**
  - If so, which one and when?
  - Do you want to remain in your current stage?
- **What are examples of capacity building activities that your organization could take on given your current lifecycle stage?**

# Discussion and Wrap Up

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