

Where is Your Organization in the Nonprofit Lifecycle? Why All Nonprofits Need This Crucial Piece of the Puzzle

by Suzanne Smith | Nov 13, 2019 | Board Development, Feasibility Studies, Grow, Growth/Scaling Plans, Impact, Lean Start-Up, Organizational Assessments, Program Development, Social Impact Architects, Strategic Planning

As another year comes to a close and we explore possibilities for the next, I find that many executives and board members are reflecting on the “state of their organization.” I was recently asked by a client about the best way to determine where to focus energies in the

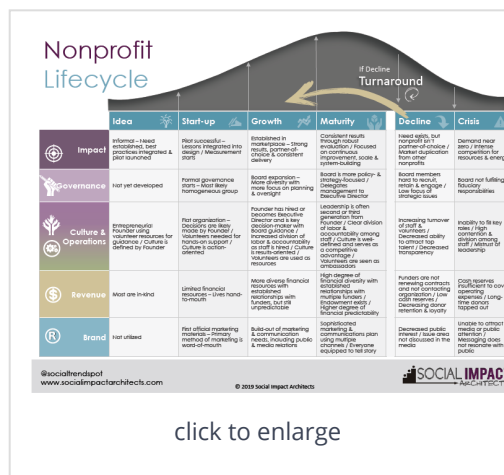


new year. **My favorite diagnostic tool to accomplish this task is the nonprofit lifecycle (which can also be useful in strategic planning and board development).** It gives you a realistic sense of where your organization stands and whether or not all of its systems are in alignment. **If they are not in alignment, you may be experiencing growing pains.** You often feel these growing pains first without really knowing the source. For example, an organization’s programs and strategies may effectively function and have a strong reputation, yet the systems that support the organization’s core may not be able to keep up. Or, leadership may delegate decisions to middle management without sharing the “why,” creating functional bottlenecks. Or, program growth may outpace the ability to quantify and communicate impact, which, in turn, can make it harder to justify need to potential funders. These kinds of situations reflect an uneven rate of growth, which can create the classic chicken vs. egg dilemma. The nonprofit lifecycle is a great way to better understand where your organization is and begin to address growing pains, so you can create a steady rate of growth and alignment between all the elements of sustainability.



What Is the Nonprofit Lifecycle?

The nonprofit lifecycle is the process by which organizations grow and decline through changes in systems, processes and elements that support the organization’s existence. **Much like phases of for-profit company growth, the nonprofit lifecycle features systemic benchmarks in organizational life from idea, start-up, growth, maturity, and decline and crisis.** For example, in the start-up phase, nonprofit organizations’ management systems typically feature very few, if any, staff in a flat structure, with decisions made primarily by the Founder(s). Each phase tracks an organization’s natural evolution. See the detailed Nonprofit Lifecycle graphic for additional information on each phase and related elements.



How Is Understanding the Nonprofit Lifecycle Helpful?

- **It Sets Realistic Expectations** – Assessing the phase of each of your organization’s systems within the nonprofit lifecycle will allow you to identify whether the organization has the required resources to execute its strategy. **Misalignment occurs when systems are in dissimilar phases of growth.** For example, your programs might be in a growth phase while

your finances are in start-up (which means that in the short-term, your reach might exceed your grasp). **An organization best accomplishes its goals when it allocates resources to bring systems in line with each other.**

- **It Anticipates and Prepares for Challenges** – Phases of the nonprofit lifecycle are also associated with somewhat predictable challenges for which organizations can prepare. For example, more mature nonprofit organizations often face decline by neglecting program relevance or becoming risk-averse. **To guard against complacency, nonprofits should proactively institute systems and become learning organizations to ensure innovation, curb decline and keep themselves fresh.**
- **It Determines the Best Leadership Fit** – The capabilities of leadership must adjust as nonprofit organizations move from one phase in the lifecycle to the next. **The nonprofit lifecycle can be a useful tool for a board in determining the qualities it should seek in Executive Director or leadership hires.** For example, where Founders typically must be passionate and relational to spread the word about the cause in the idea phase, leaders must possess some degree of business acumen to build the organization's systems as it transforms from the idea into the start-up phase.

If you find that growing pains afflict your organization, take stock of its systems to create better alignment and identify the barriers you must overcome to achieve the organization's vision. **To do this, we recommend you assess your nonprofit's lifecycle at your next executive or management team meeting.** Print out this chart for each person and openly discuss where each system falls along the horizontal lines before reaching consensus. Then, review where the organization is as a whole along the vertical lines. Is it aligned mostly in one category (e.g., growth or maturity)? If not, you are most likely experiencing growing pains. Use this as a tool to develop a short-term action plan or decide to invest in a strategic plan to bring the organization into alignment. Invest in the resources necessary to support the demands of each phase of a nonprofit's life. Even if you are not experiencing growing pains, we encourage you to use the nonprofit lifecycle assessment with your strategic planning process to help chart your growth as an organization and reduce the possibility of misalignment.

If you find this concept helpful or if you have already used it in your organization, we hope you will share your stories with us. If you have questions as you plan for next year, send them to us and we will be happy to share our thoughts in an upcoming post.

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