

Nonprofit Lifecycle Stages at a Glance

Stage #1 Idea

The stage in which there is no formal organization, only an idea and a personal mandate to fill a societal, programmatic or cultural gap in the community.

Stage #2 Start-Up

The beginning stage of organizational operations in which unbridled mission, energy and passion receive supreme, but generally, without corresponding governance, management, resources or systems.

Stage #3 Growth

The stage in which nonprofit mission and programs have taken hold in the marketplace, but where service demand exceeds current structural and resource capabilities.

Stage #4 Maturity

The stage of operation in which the organization is well-established, operating smoothly, and has a community reputation for providing consistently relevant and high quality services.

Stage #5 Decline

The stage in which the organization's services are no longer relevant to the marketplace, self-indulgent, status-quo decisions are made, and declining program census creates insufficient operating income to cover expenses.

Stage #6: Turnaround

The stage at which an organization, having faced a critical juncture due to lost market share and revenues, takes decisive action to reverse prior actions in a self-aware, determined manner.

Stage #7: Terminal

The stage when an organization has neither the will, purpose nor energy to continue to exist.

Lifecycle Challenges Lifecycle Challenges

Stage 1: Idea

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

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Stage 2: Start-up

- Sharing vision and organizational responsibility with staff, board and constituents
- Knowing when to say “no”
- Hiring versatile staff
- Leveraging sweat equity into outside support
- Living within financial means
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Stage 3: Growth

- Too much to do, too little time
- Developing board ownership
- Creating a strategic focus that does not trap creativity and vision
- Developing and identifying distinctive competence
- Beginning to formalize organizational structure
- Becoming comfortable with change
- Diversifying revenues and managing cash flow
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Stage 4: Maturity

- Remaining client centered rather than policy bound
- Keeping staff motivated around mission
- Building financial footings of endowments or reserves
- Maintaining a program “edge” of relevance and vibrancy
- Becoming position rather than person dependent

Stage 5: Decline

- Reconnecting with community need, discarding duplicative programs that add no value
- Remembering that policies, procedures, systems and structure are no substitute for creativity and risk taking
- Keeping board 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

- Finding a turnaround champion and letting them lead
- Establishing a turnaround culture and mindset
- Committing to a consistently frank and open dialogue with constituents, funders and the community

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- Cutting expenditures to reflect realistic income
- Restoring eroded community credibility through consistency, honesty and program results
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Stage 7: Terminal

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