

NARI RETREAT

Research on the Stages of Development of a Non Profit Org

A nonprofit is usually conceived when one or more people see a need, formulate an idea to address it, and decide to form an organization to do the necessary work. Most commonly, **a new nonprofit's start-up phase lasts a few years and its annual operating budget is small but growing during this period.**

The founder or group of founders is usually visionary, has a passionate commitment to the mission, and brings a high level of energy to initiating the first simple programs. If there is a single founder, this person usually acts as staff leader and assembles a small group of enthusiastic volunteers who follow and encourage the founder. If more than one person initiates the organization, **they may serve as the core of the board.** Initially, most start-ups operate as all-volunteer organizations (AVOs), meaning that there are no paid staff or managers and board members manage volunteers, handling all other duties themselves.

Typically, the **board of a start-up organization plays a hands-on role in oversight and management.** During this early period, an organization is particularly vulnerable, so the **leaders need to be persistent, flexible, and resilient to allow programs to take root and begin to blossom.**

Adolescent

Nonprofit adolescence is often accompanied by uncertainty and angst. Although age and size can vary widely, this stage often occurs between the **third and sixth year** of an organization's existence, during which time its annual operating budget grows from approximately \$250,000 to about one or two million dollars. This phase normally entails expansion of new programs, broader outreach, more staff, and larger quarters. Frequently, **the adolescent nonprofit experiences instability when it does not adequately anticipate the systems required to support this growth.**

During expansion, the chief executive and board focus on meeting early programmatic goals for quantity of clients served and quality of services. They will also want to undertake a formal self-assessment process to be sure all board members are clear about their roles and responsibilities, articulate a clear theory of change, develop simple systems for gathering and using data about programmatic outcomes, and incorporate all of this valuable information into a strategic planning process. As staff expands and takes on more responsibility for day-to-day tasks, the board will need to relinquish its operational role and focus more on advice, oversight, and long-term planning. To adapt and stay relevant, the board and chief executive need to monitor the organization's progress and relate it to developments in the outside world that could influence its effectiveness and viability. **By broadening connections with constituents and evaluating programs in simple ways, an organization can keep its pulse on how needs are shifting and the programs are working, or not working.**

Mature

Any group that aims to deliver successfully on its mission must attain the mature stage — and sustain itself there. It is not until a nonprofit's programs are established and well-regarded in the marketplace or community, its operations and systems are formalized, and its executive and board

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leadership capable of directing a complex organization, that an organization can validly be said to have entered maturity. For typical nonprofits, that will normally occur sometime after five or six years of operations and when the budget exceeds one or two million dollars.

At this stage, the board typically further reduces its operational role and **increases its policy, oversight, and fundraising role.** It usually expands, becomes more diverse and more specialized, and formalizes its structure. The mature board continually assesses its own performance and modifies its composition, roles, responsibilities, and structure to stay effective.

Maturity is a mission-driven stage. A fully actualized, mature nonprofit should remain vital and increasingly improve the quality of its programs so as to make significant progress in fulfilling the defined need for which it exists.

Stagnant

Each year, many nonprofits start or tumble down the slippery slope to stagnation. Savvy board members or executives can recognize the signs: Funding support diminishes, demand for services wanes, the number of volunteers declines, staff morale suffers, and key leaders and managers leave the organization. Sometimes a nonprofit descends rapidly into this crisis. At other times, the decline can take years as the organization begins to wither almost imperceptibly. And, **it is very important to understand that stagnancy can occur at any stage, from start-up through maturity.**

The good news is that it is often possible for even seriously ailing organizations to renew themselves; but, it is a difficult, sometimes unpleasant, and usually thankless job to accomplish. The board, with cooperation and support from the chief executive, is usually required to take the first steps to initiate the resuscitation process. **Because adaptability and leadership are so often at fault, the board often must begin by shaking itself up.** Board leaders may want to retire some disengaged veteran board members and add new board members who will support the renewal effort. **Board development will need to be directed toward bridging skill gaps, removing unproductive members, and creating new structures and processes to improve decision making and performance.** New board members who function well in adverse circumstances and who savor a challenge should be sought out.

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Defunct

There are literally thousands of nonprofits that close their doors every year. In a few situations, a group may disband because it has actually fulfilled its mission. In most cases, however, nonprofits dissolve for less-positive reasons, such as loss of a compelling mission focus, a chronic inability to operate programs effectively, or a lack of technical expertise in marketing and fundraising.

How do the organizational leaders determine when is it best to pull the plug, rather than attempt resuscitation? **There are no hard-and-fast rules, but these considerations are paramount in the decision:**

- The nonprofit's programs are widely considered to be ineffective and its client base has declined significantly.
- **The board of directors is moribund, taking little interest in the problems of the organization and evidencing no will or ability to initiate needed change.**
- The current chief executive is likewise incapable or unwilling to take on the task of resuscitation and the board can find no one to do the job.
- The organization's public reputation is poor and seems beyond resurrection.
- Management systems are not supporting the organization's work.

Although the decline into obsolescence usually occurs over a period of time, sometimes one significant change, internal or external, is all that is needed to send a distressed operation into a swift downward spiral.

The work of improving the performance of a nonprofit organization is difficult and complex – there is no single right way to do it and no predetermined timeframe for completing it.

Understanding where an organization falls in its cycle of development and how to build capacity along the way is an effort that must be made: **As leaders of a nonprofit, board members and executive staff must work together to articulate a vision for the organization at every stage of the nonprofit's life and find the best ways to make it a reality.**

Paul Connolly is the author of this article and of [*Navigating the Organizational Lifecycle: A Capacity-Building Guide for Nonprofit Leaders*](#), published by BoardSource