Male, Richard. (Date Unknown) Life Cycles of Non Profit and Non Governmental Organizations. Retrieved April 28, 2015 from http://www.omniportal.org/ECCToolkit/Resource%20Development%20Richard%20Male/Life%20Cycle%20of%20Nonprofit%20Organization%2010.09.pdf

LIFE CYCLES OF NONPROFIT AND NONGOVERNMENTAL ORGANIZATIONS (NGO'S)

By Richard I. Male

There was a popular book written about 30 years ago entitled *Passages: Predictable Crises of Adult Life* by Gail Sheehy. Her observations about the predictable passages that individuals go through from being an infant, toddler, youth, teenager, and young and mature adult resonated with many readers. At each one of these stages there are predictable life cycles and changes that most people enter and cycle through. It is at these "transition" points within these stages where careful attention needs to be paid to make sure the transition is recognizable and as smooth as possible.

In the same way, nonprofit or NGO's also go through life cycles that are predictable. It is at these points where the balance between **leadership and management** changes, the focus on **mission versus money** shifts, and the **leadership style** differs. Frequently the people who we need leading our organizations at one stage are not appropriate at the next stage of development.

I have seen these cycles repeatedly occur in my 40 years of work with literally thousands of nonprofit organizations. I have found it extremely helpful, instructive and diagnostic to be able to analyze organizations in relation to their life cycle and to design prescriptive strategies based upon the particular life cycle the organization is in and the stage that it will be entering. The more accurately we can recognize and diagnose the life cycle of an organization, the more accurately we can manage, lead and make the best strategic decisions.

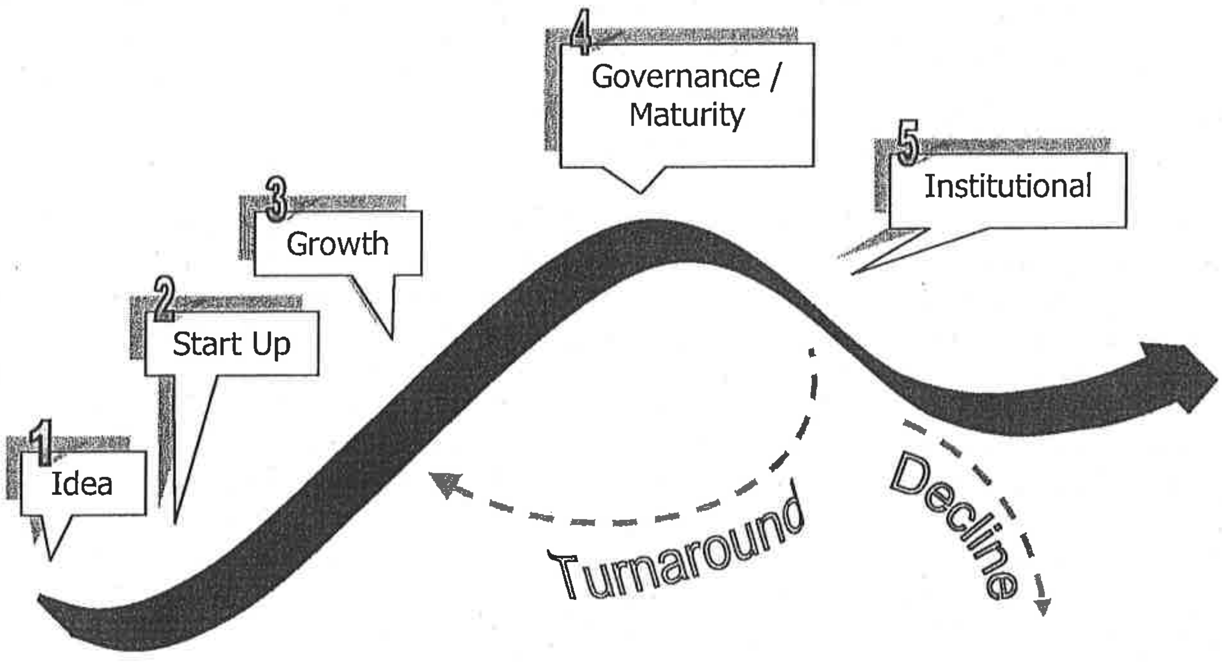
I have found this life cycle model to be helpful with organizations both in western developed countries as well as developing countries in Africa, Asia, and Latin and South America.

The following are **general observations** and may vary for different organizations, but the overarching point I want to make is that organizations go through cycles. When we recognize the stage of life cycle of the particular organization, we are in a better position to design diagnostic and prescriptive tools to intervene.

At **transition points**, organizations struggle and need to shift, expand, or change leadership styles and/or people in order to move through these stages in comfort. Frequently people do not realize – **until a major crisis hits** – they are experiencing a natural (if disturbing) transition period and that changes must be made. One way to identify transition points is to notice when the same issues or internal conflicts recur and the organizations seems unable to move forward.

The whole discussion of life cycles centers on building capacity for your organization. Capacity deals with the ability to effectively and efficiently accomplish the mission and goals through establishing a strong infrastructure, providing targeted and strategic programming, hiring, supporting and evaluating staff, designing solid financial and fundraising systems, and providing overall leadership and management for the organization. The more accurately we analyze the existing life cycle of the organization the stronger position we are in to strategically and tactically make critical decisions.

STAGES OF LIFECYCLES OF NONPROFIT/NGO



STAGE ONE | Idea Stage

Nonprofit organizations, or NGO's, start when someone has an idea to make a difference in their community or to change the world. Usually this idea comes from someone's vision or passion and reflects a desire to fill a vacuum or create a program, project or issue to do something about it. The life cycle analysis assumes that all organizations begin with an idea and then many of them never come to fruition --while others can develop into a start-up organization. Sometimes the ideas can incubate for months or even years and then the visionary takes steps to grow the idea into a fledgling organization. During this stage there is no organization *per se* and, if money is needed, the visionary of the idea contributes the resources necessary.

STAGE TWO | Start Up Phase

If the idea stage incubates well and the founder (or a small group of people) of the idea begins to involve other people an organization can begin to grow. Nonprofit organizations (NPOs) are usually started either by a charismatic leader (often called a founder) or by a group of people seeing a need to "clean up the neighborhood," "start a health clinic for the poor," "bring arts to the uncultured," or "stop drunk driving because it killed my child."

During this phase, people come together and work to solve the issue or develop a program around the reason they came together. Decision-making is by consensus, and **almost everybody is a leader** with a different role. If the group needs money, it passes around the hat, has a bake sale, or uses other simple fund raising techniques. The entire focus of the organization is on the **mission** that first brought people together. People enjoy meeting each other, tasks are simple and results are tangible.

Many informal organizations never get past this stage. Many neighborhood associations, crime watch groups, or small theatre and cultural arts groups operate exclusively with volunteers.

STAGE THREE | Growth Stage

Organizations enter the growth stage of their development when **money** comes into the picture (some people say the money gets in the way). This stage begin when people realize that their expectations exceed their resources of time, people, talent, and money, and they write a proposal or receive a grant or funding. This starts the growth process and the organization begins to fertilize itself. During this stage the informal steering committee or leadership team generally turns into a board of directors and they file for their incorporation with their respective state or country.

There is now a need for the organization to become organized because there is staff to manage and lead systems to set up, reporting to donors to be provided, etc. At this stage the focus of the organization is almost exclusively on mission. This stage is a very exciting stage in the life cycle that is exemplified by lots of energy, passion and compassion. One characteristic of this stage is that almost all of

The 3-W theory of nonprofit board development

There is a theory of developing boards of directors called the 3 W's. The letters stand for workers, wealth and wisdom. The workers of the organization are the people who initially come on first in the organization. These are the people who are usually on the initial steering committee and bring a high degree of passion and compassion and reflect the constituency and the "roots of the organization". The wisdom people are the people who bring the technical expertise to the organization that will change as the group grows and develops and becomes more sophisticated. These people can include people with the following kinds of expertise:

the focus is on mission and not establishing the infrastructure so the **organization is out of balance**. The programs are way ahead of the ability of the organization to manage, evaluate and set up the systems that create effectiveness and efficiency. In our own lives, when we are out of balance we get sick. When an organization gets out of balance it suffers much the same way and begins to experience a great amount of stress. The organization is so focused on mission that anytime new dollars come in they go to build the programs rather than the organizational foundation. Frequently their financial, fundraising, marketing, evaluation and other systems are either thin or nonexistent. The growth during this stage is **horizontal** with good program growth, but not **vertical** where the organization is deepening its organizational roots.

During this phase, the board of directors becomes formalized and passes by-laws, elects officers and may set up a committee structure. The organization hires its first **executive director** that usually is the founder or visionary of the group. Most of the people on the board are still the **founding members** who bring a lot of passion and are rooted in both the personality of the founder and the mission.

- Banking and finance
- Marketing and public relations
- Media
- Legal
- Expertise in the issue that the organization is working on
- Human relations
- Real estate (if the organization wants to acquire property)

There are two kinds of wealth when it comes to the board of directors: there are people who actually have wealth and can write significant checks, and there are those people who have access to wealth. People who have wealth always have access to wealth, but people who have access to wealth may or may not have wealth themselves--but they are the gatekeepers. These people are the door openers that introduce people to wealth. These people may be a minister, priest or rabbi in your community; it could be a member of the Rotary or Lions Club, or perhaps be an entrepreneur with a restaurant or art gallery with a community around them.

At the growth stage the nonprofit is starting to be successful and is raising new money. The organization may hire its first grant writer or development professional. The key operating style is **READY-FIRE-AIM** because it does not have the resources, time or expertise to "thoroughly evaluate every decision but needs to try new programs **(fire)** and then re-aim again. The people on the board want the organization to grow and are hiring new staff people and adding people to the board. The workers (the original people on the board) are still visible, but their role is becoming less and less important as the NPO needs to raise more money and requires people with specific skills on the board. The board expands and perhaps gets its first person with **access to wealth** rather than actual wealth. This gatekeeper person may work for a major corporation, be a minister at a leading church, or leading a Rotary Club, and he/she has the ability to bring in money and resources. People with specific skills such as marketing, media, public relations, financial, legal etc. are now added to the board.

The decision-making process is starting to be along the lines of "Robert's Rules of Order" and votes are taken on issues rather than by reaching a consensus. Of the staff, usually only the executive director (who is generally the founder) attends the board meeting. The NPO is starting to act like a business, and grassroots people may regrettably begin to feel lost in the structure. There is still more leadership than management exemplified in this stage, and the systems (financial, fundraising, personal, marketing, etc) are beginning to be developed.

There are still people with passion and compassion involved (generally the worker members), but the technical people with access to wealth on the board are starting to gain in power and influence.

STAGE FOUR | Governance / Maturity Stage

If the organization continues to grow and is succeeding in terms of gaining credibility, raising new funds, and increasing the number of staff it may enter governance or a maturity stage in its life-cycle. In this stage the staff does not have to worry about whether they will get paid next week or not. The board meetings are very structured and well organized. There are standing and *ad hoc* committees. On the staff level, the executive director may have an assistant director and there is probably a program director to supervise other staff.

The financial needs of the organization are now great and larger amounts of time are being spent on raising money. The organization begins to risk "mission drift" because it is starting to follow the money rather than just the mission.

During this phase, there is starting to be a reversal of **means and ends**. During the start-up and growth stages, the entire focus of the group was grounded on values, mission and principles--these are the ends. At the end of growth stage, because of the great need for money and the high expectations of the external community (funders, media, general public, etc.), the NPO/NGO starts to reverse the means and ends and begins looking at making decisions based on "how can we maintain the organization" rather than "how can we fulfill our mission."

The board of directors increases its numbers yet again with people who can raise new money or bring new money to the table. The prominent people on the board of directors during this stage are the **wisdom and wealth**--and the workers are no longer as visible or not even on the board.

At some point during the governance/maturity stage, there is invariably a crisis of leadership. The founder who began the organization **adjusts to the changes, fights them, or does not recognize that changes are taking place.** At this stage, the founding executive director (often the original visionary and founder) is often fired or resigns from the organization. What used to be a small group operating on consensus is now an organization with rules, structure and a developing "organizational culture." The organization has outgrown the ability of the founder to manage and lead the organization. The “founder syndrome” is present and the board of directors realizes that it has to change the executive director in order to survive. In some cases, an enlightened founder realizes his or her inadequacies and brings on a COO to manage the people, programs and systems.

Over time, the leadership patterns of the NPO/NGO are changing. During the start-up phase, the founder or charismatic leader called most of the shots. During the early phases of the growth stage he or she plays a big influence on the structure. Now the board of directors is starting to come into its own--and certain standards of accountability are expected. The executive director is spending more and more time with staff and personnel issues and less and less time on the mission and with the people served.

A problem frequently arises with this charismatic first director in the sense that he or she is both the **leader of the staff and the board.** What happens? If the CEO leads the staff, that is an appropriate role. If the CEO is good at the job, he or she should be developing additional leadership on staff so that everyone on staff is defined as a leader, but with different roles. Everyone then moves between a leader and a follower role.

The problem comes when founding CEOs **do not develop board leadership** because he or she continues to lead the board themselves rather than **help the board president and the board itself to lead.** This distinction is critical for effective board leadership. If the board is to develop its own leadership, the board cannot look to the CEO for all the answers. The **CEO must work with the board president** so that he/she can lead.

What started off with a single source of funding is now starting to be very diversified, broad and complex. The NPO is spending lots of time raising money and there are conflicts over how it should be spent. A common conflict would include raising staff wages or salaries versus direct program expenses.

Usually at this stage, the organization **changes its CEO.** If the founder left on good terms and recognized that it was time to leave, the board will look for someone with similar qualities. If the director was fired or left on negative terms, the organization may hire a "transition manager" rather than a leader. This person usually lasts only a few years and then the organization will hire another director who is more like the first but has better management skills.

During this stage the balance between leadership and management changes. The organization begins to look more to management of people and systems rather than leading a vision. The organization begins to hire a development director and other staff responsible for raising the money necessary to sustain itself.

STAGE FIVE | Institutional Phase

Most organizations never get to this point and many organizations never even try to. At this stage, the NPO is established in the community, has a prestigious board made up of people who principally **can bring money** into the organization. The **workers** (original founders) are long gone; the **wisdom** side of the board (technical experts) is not needed because the organization can buy whatever expertise it needs. The majority of board discussions – whether public policy, mission, etc. – is discussed through the filter of **money**. At this stage, the **means** and **ends** are reversed, and the end goal becomes one of "maintaining the institution, because without the institution there would be no services."

The leadership on the board tends to be very strong in this phase because both the board members and the organization itself are very visible in the community. **Board service has prestige,** and members take their roles seriously--even though their main roles are fund raising, public relations, damage control and institutional maintenance. The most common leadership style is **READY-AIM- maybe fire.** A lot of the decisions are made to minimize risk and to study, evaluate and make measured movements toward the mission and institutional support.

In this phase, the CEO is frequently more of a manager operating in a much decentralized system. Many times organizations that are sidetracked by a scandal (such as United Way of America in the early 1990s) get this way because the **board is totally out of touch** with the ultimate constituency of the organization's programs and services. Once again, the organization is at great risk for mission drift because its energies and time are directed almost solely to raising money--and focusing more on the question "How do we maintain this institution in its current form?" rather than "How do we best fulfill the mission?"

Turnaround stage

Another phase that sometimes happens in the organizational life cycle is when an agency in the governance or maturity stage goes into an organizational crisis. This sometimes manifests itself in when the organization is notified that the government will be cutting back 30%+ of their funding, or they are in a public scandal because their bookkeeper stole $250,000 and the donor community has lost faith in the leadership. When these circumstances happen, the organization may shrink, lose supporters/sponsors/staff, and needs to be **turned around into a growth phase organization** before the crisis proves fatal.

During this critical time, the organization needs to find a **turnaround champion** to lead the organization into a new growth phase. Frequently the person who is acting as CEO or executive director of the governance phase is a manager type and not a leader—and thus does not have the skills or personality to make the tough decisions that turnarounds usually require. The leader that can turn around the organization needs to be very strong and possess an ability to make hard decisions, reduce staff, and build trust and confidence. This type of leader must be secure enough to have very honest communications with the board and staff of the organization. Usually the entrepreneurial person is the correct personality and leadership style that has steered the organization during its growth phase and is the right type to lead the organization from the turn-around stage back to the growth phase of the life cycle.

Why life cycles matter

These are just some of the changes that nonprofit and nongovernmental organizations go through during their life cycle. In many cases, small grassroots organizations never get out of the start-up phase and operate as all-volunteer organizations. In other cases, organizations that have a strong vision, energy and resources begin to enter the growth stages and those that continue to grow enter the governance and maturity stages of their life cycle.

One of the **sweetest spots for organizations** is the **intersection between the growth stage and the governance or maturity stage of the organization.** This is a very healthy place to "hang out" because you have the energy, passion, and time to focus on mission that is reflected in the growth stage characteristics plus you have the infrastructure, systems, and planning functions in place that are reflected in the more mature stage organization. Alas, no phase lasts forever.

- **What life cycle stage is your nonprofit /NGO in? Is there consensus around this fact—or disconnect between points of view on the board or staff?**
- **Is your board the "right" board for this phase in the life cycle? Is it time for a board SWOT and reorganized board recruitment process?**
- **Do you recognize the characteristics of a particular phase in your own organization?**
- **Do you see transition points where your organization is going through crisis?**
- **Can you do more now to anticipate (avoid, minimize, mitigate) them?**