



NONPROFIT  
**LIFECYCLES**  
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# Investing in NYSARH's Nonprofit Capacity

## Strategic Plan Work Session #1

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# Benefits of Using a Lifecycle Approach to build organizational capacity

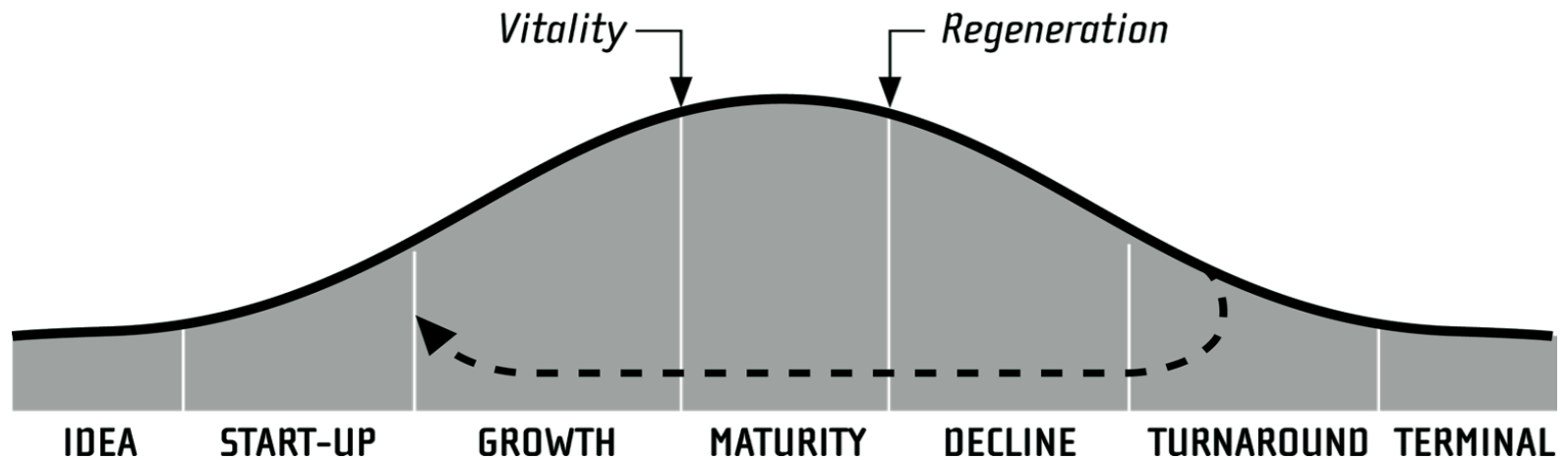
- Creates a common language and approach to building NYSARH's capacity as part of a planning initiative.
- Uses a neutral, non-evaluative framework with which to assess NYSARH's strengths and opportunities to improve.
- Builds a shared understanding of the various lifecycle stages that all nonprofits experience and helps the team to diagnosis NYSARH's specific Lifecycle placement.

# Capacity Matters

Strengthening the **organizational platform** which supports nonprofit Mission and Programs



# Nonprofit Lifecycle Stages



# Benefits of Lifecycle Thinking

Vocabulary to understand “where you are”

Recognize that where NYSARH is as an organization is “normal” and not out of the ordinary

Offers a way to talk to funders honestly about where you are and what you need

Depersonalizes structural weakness of an organization

# Lifecycle Prerequisites

- No exact number of lifecycle stages
- Diagnostic, not deterministic
- Not necessarily sequential nor evolutionary
- Not age or size dependent
- No shortcuts
- Holistic
- Expectations
- Alignment

# LIFECYCLE STAGE 1: IDEA

**Overview:** Perceived community need sparks a founding idea or vision of what could be

## CHARACTERISTICS

- **Program:** Programs are not yet defined, only an intense, personal mandate to fill a societal gap
- **Management:** Originators are believable, action-oriented people with commitment to proposed purpose
- **Governance:** No board exists at this stage, only supporters with a personal connection to mission
- **Business Model:** Sweat equity is the usual self-funding device, unless originators have deep pockets or an outside “angel” backs the project
- **Systems:** Although generally lacking in systems, in-kind services, equipment, and other goods may exist

## CHALLENGES

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

# LIFECYCLE STAGE 2: STARTUP

**Overview:** The beginning stage of operations when energy and passion are at their highest, but systems generally lag far behind

## CHARACTERISTICS

- **Program:** Programs are simple, experimental, and generally have more breadth than depth
- **Management:** Leader is a “spark-plug” and the group’s most experienced staff person
- **Governance:** Members almost always have a personal connection to mission or founder
- **Business Model:** Usually a low-budget, boot strap operation unless seeded initially by a major start-up grant
- **Systems:** Financial and administrative functions and systems are generally weak and may be out-sourced to others

## CHALLENGES

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



# LIFECYCLE STAGE 3: GROWTH

**Overview:** Program opportunity and service demand exceed current systems and structural capacities

## CHARACTERISTICS

- **Program:** Organization begins to understand and define the distinctive methods and approach that separate its programming from others
- **Management:** Organization is led by people who see infinite potential for services
- **Governance:** Board structure begins to appear
- **Business Model:** More sources of income create greater accounting and compliance complexities
- **Systems:** Current systems, never good to begin with, must now be substantially improved to meet demands of continual program expansion and rising compliance expectations

## CHALLENGES

- Too much to do, too little time
- Identifying distinctive competence
- Developing board ownership
- Beginning to formalize organizational structure
- Creating a program and strategic focus that doesn't trap creativity and vision
- Becoming comfortable with change
- Diversifying revenues and managing cash flow

# LIFECYCLE STAGE 4: MATURITY

**Overview:** Nonprofit has a reputation for providing steady, relevant and vital services to the community and operates with a solid organizational foundation and an overall sense of security

## CHARACTERISTICS

- **Program:** Programs are well-organized; results focused; and in touch with community needs
- **Management:** Executive leadership is often second or third generation from the originators
- **Governance:** Board sets direction, is policy oriented and leaves management to the executive director
- **Business Model :** Organization has multiple sources of income and is not dependent on one source of funding
- **Systems:** Organization operates from an outlined course of action for routine client, board and personnel matters

## CHALLENGES

- Remaining client-centered, rather than policy-bound
- Keeping staff motivated around the mission
- Building financial footings of endowment or reserves
- Maintaining their programmatic “edge,” cycling programs in and out based on continued relevancy
- Becoming “position” rather than “person” dependent

# LIFECYCLE STAGE 5: DECLINE

Overview: Organization makes status quo decisions based on internal factors rather than external client needs. These decisions result in diminished client status and insufficient current income to cover operating expenses

## CHARACTERISTICS

- **Program:** Programs are losing clients to others whose approach is more accessible, and possibly less expensive
- **Management:** Organizational slippage is either unseen, denied, or blamed on external sources
- **Governance:** Board is unaware there is something wrong; they think things are running smoothly and often don't take action until money starts running out
- **Business Model:** Budgets are fixed-cost and expense heavy, with income projections reflecting past experience rather than current reality
- **Systems:** Systems, although developed, are often antiquated, and physical space may be deteriorating

## CHALLENGES

- 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

# LIFECYCLE STAGE 6: TURNAROUND

**Overview:** An organization that is at a critical juncture because of lost market share and revenues, but, through self-awareness and determination, has taken decisive action to reverse prior actions in favor of market relevance and organizational viability

## CHARACTERISTICS

- **Program:** Programs are reassessed and modified in light of current market needs and financial viability
- **Management:** Turnaround leader is a gutsy, strong-willed person with a clear sense of direction and the ability to inspire confidence in others
- **Governance:** A core of committed board members are ready to do what it takes to restore organizational integrity
- **Business Model:** Willingness to cut expenses to reflect realistic income and cash flow
- **Systems:** Existing policies and procedures may be too complex, expensive, and “mature” for the turnaround organization

## CHALLENGES

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

# LIFECYCLE STAGE 7: TERMINAL

Overview: An organization that has lost its will, reason or energy to exist

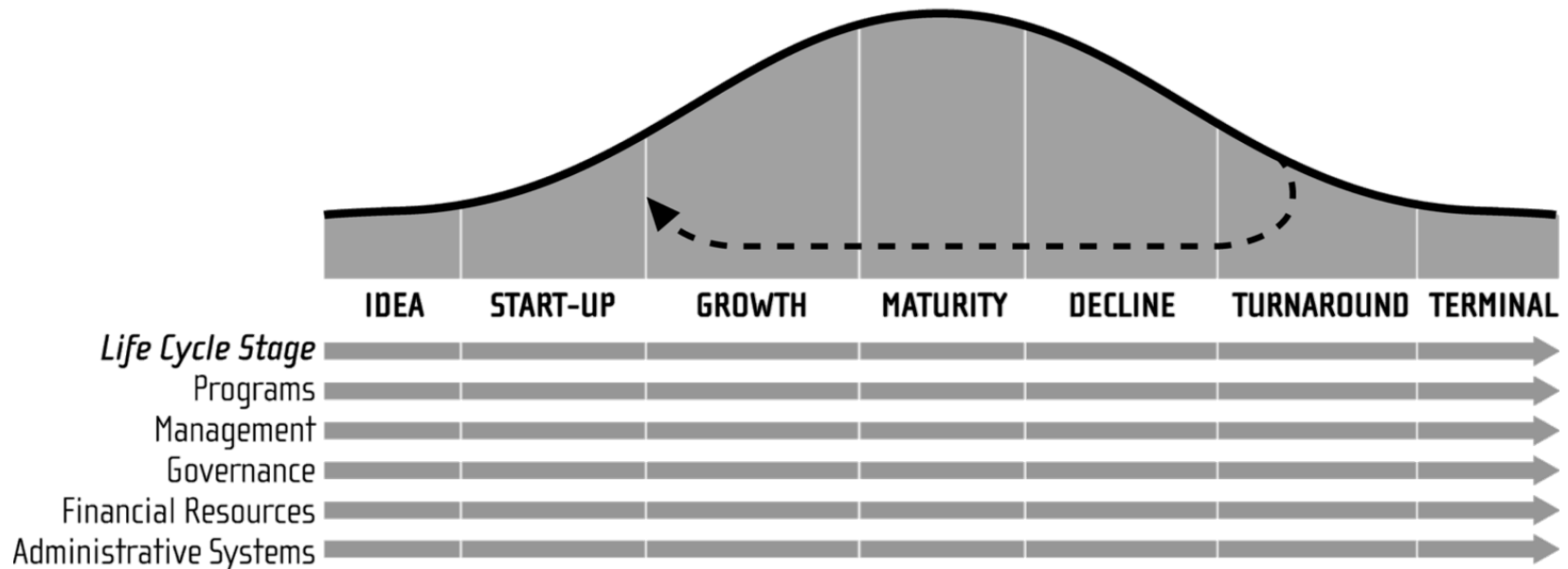
## CHARACTERISTICS

- **Program:** Programs are unreliable, unsteady, and seriously under-funded
- **Management:** Staff and management have dwindled to a handful and possibly may be working without pay
- **Governance:** Board has lost its collective drive to continue and may exist in name only
- **Business Model:** The organization is most likely out of money and may have accumulated deficits
- **Systems:** Systems have been abandoned. Organizational decisions and general workflow happen on an ad hoc basis

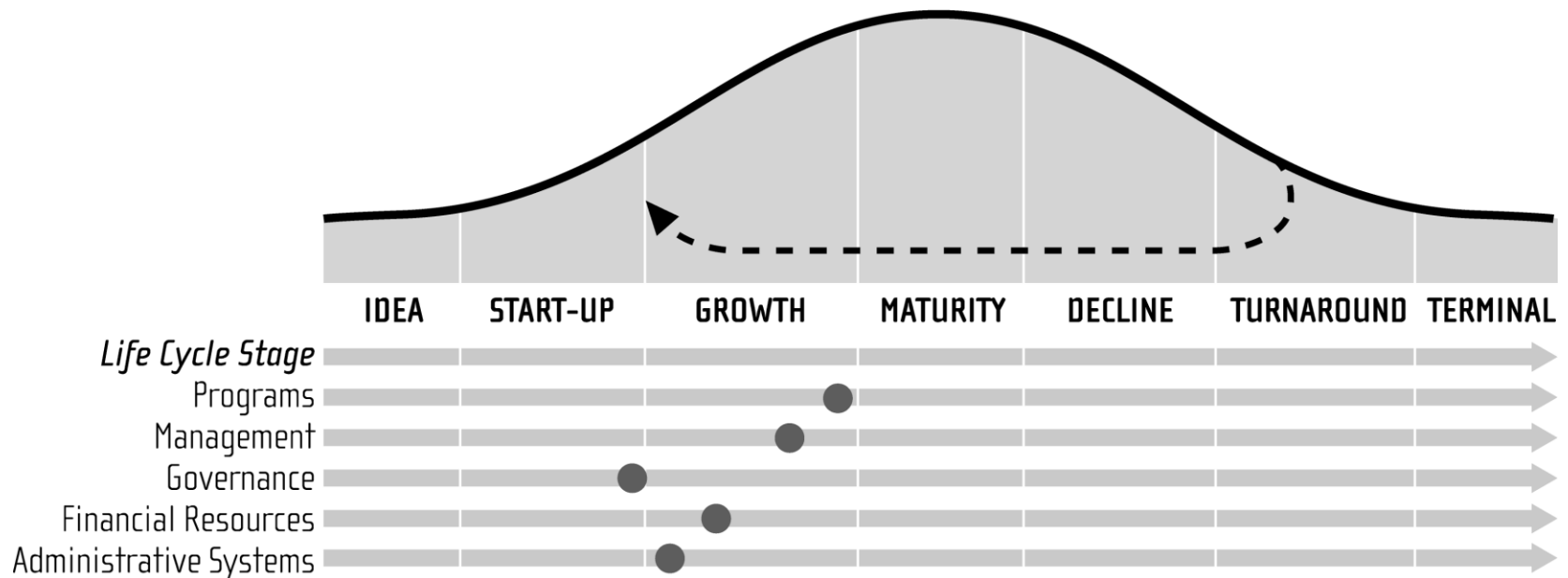
## CHALLENGES

- 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

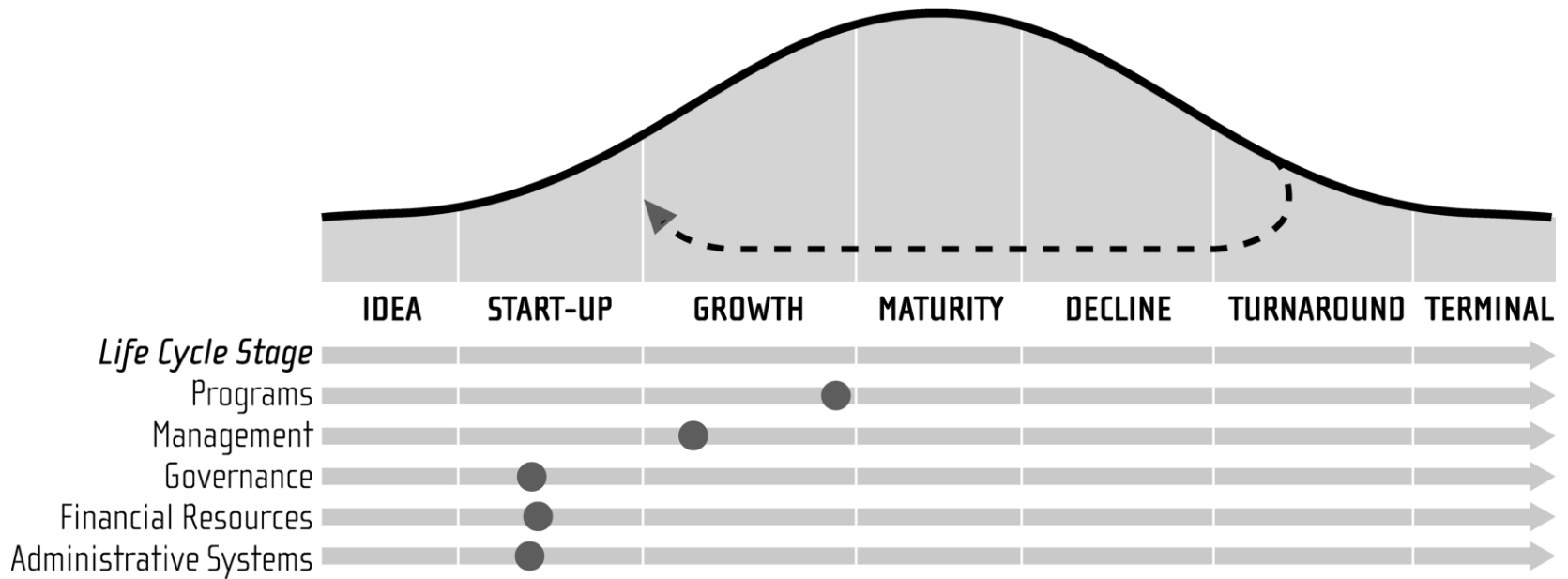
# Lifecycle Capacity Placement



# Nonprofit Capacity in Alignment

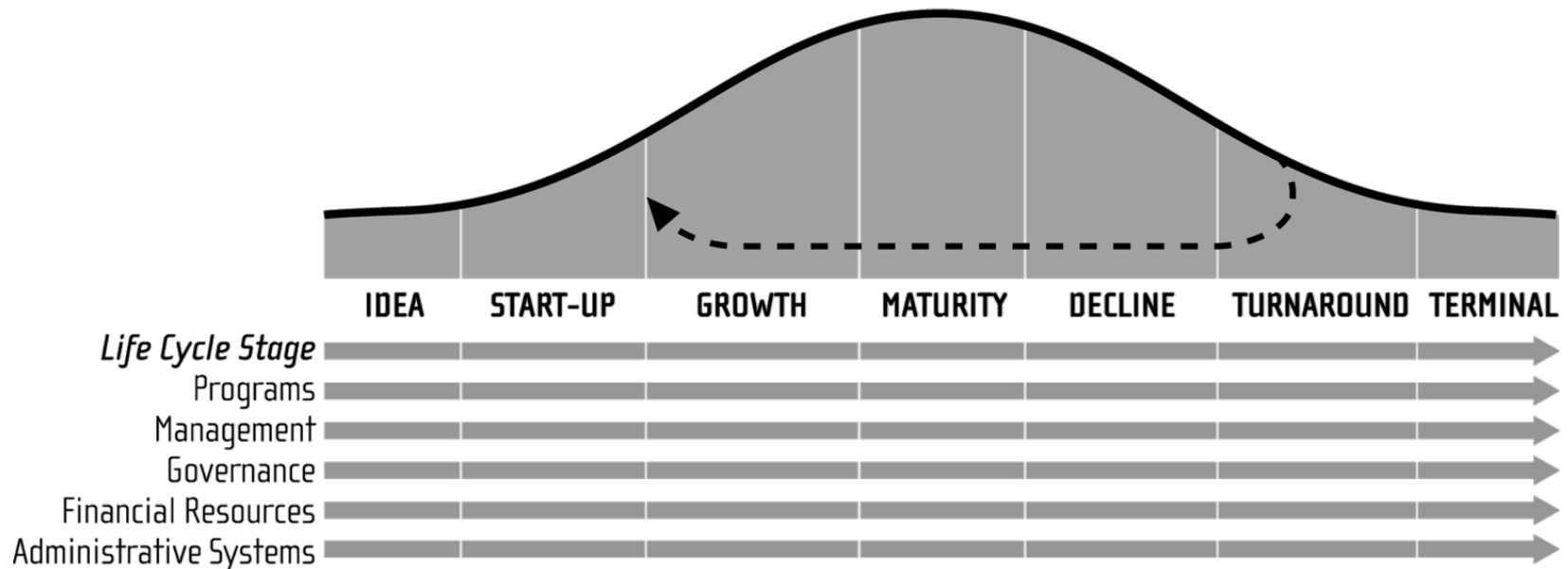


# Nonprofit Capacity Out of Alignment





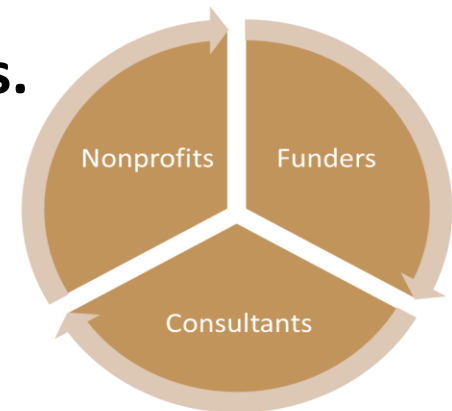
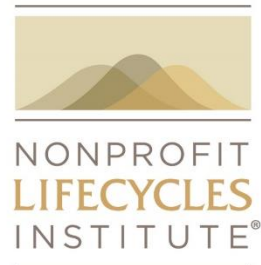
# Lifecycle Capacity Placement



# Nonprofit Lifecycles Institute

An expanding community of nonprofits, funders and consultants driving organizational capacity in the nonprofit sector to build stronger communities.

**Strong Nonprofits. Stronger Communities.**



# Contact Information

**For Further Information about the Nonprofit Lifecycles Institute**

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