Revisiting your Organization's Lifecycle to Inform Planning

Presented to Massachusetts Cultural Council as a part of the Recover, Rebuild, Renew Workshop Series

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SectorWind

NONPROFIT FINANCIAL STRENGTH
& STRATEGIC RESILIENCE

About me

Sandi McKinley
President & Founder

Working with nonprofit leaders and funders to build financial strength and strategic resilience through customized financial management consulting, strategic business planning, and facilitated decision-making support.

As in nature, where wind has an essential — but invisible — role scattering seeds, aiding in pollination, and disbursing the sun's heat, the work needed to build resilient and strong organizations is frequently unseen but no less essential.

Today's Goals

Understand characteristics of nonprofit organizational lifecycles

Be able to assess where your organization falls in lifecycle stage

How to use the lifecycle tool to inform planning

Consider the impact of 'disruption' on an organization's lifecycle and needs

Agreements

A primary touchstone in all my work is that of equity and power. As a social sector professional, I recognize and call out structural and racial inequities in the nonprofit sector, just as they exist in the broader society.

I commit to anti-racist practices in my life and work, including in today's webinar. I embrace generosity, rather than judgment, and practice inclusive and reflective facilitation and invite you to hold me accountable to those standards.

- This is a learning space; all experiences are honored
- Questions are welcome and expected
- Please be comfortable and take care of yourself and your body

Land Acknowledgment

Even though we are not in the same physical space, we are gathered in this virtual space, and recognize our connection with one another through the winds, earth, and waters.

We acknowledge that where we sit and the ground beneath our feet is historically the home of Indigenous Peoples, many of whom have been forced to leave for other lands.

We also recognize that Indigenous Peoples are not a people of the past but are here with us now. If there are Indigenous People attending today, you are invited to share your community/ tribe so that we may recognize you.

https://nativeland.ca
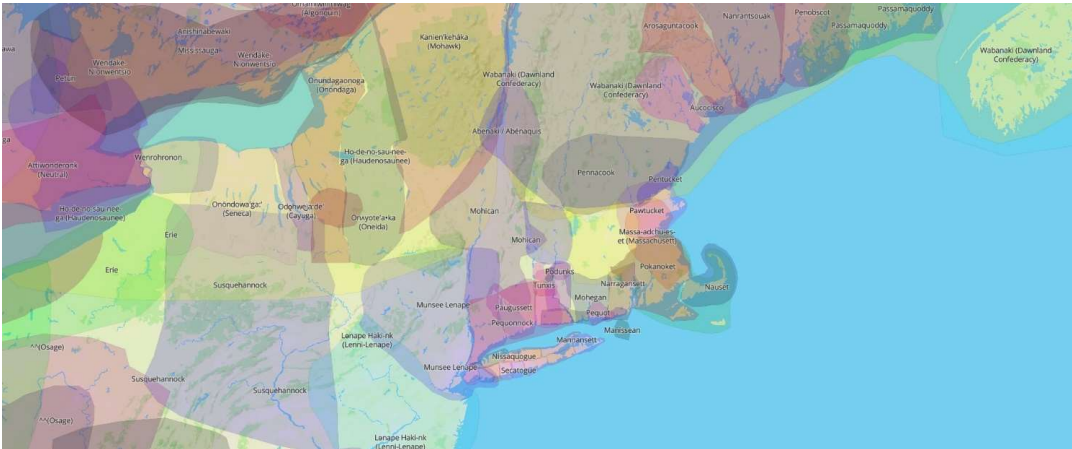
Guiding Aspiration:
Financial Strength & Strategic Resilience

FINANCIAL STRENGTH:

Having the types and amounts of money to cover the full cost of operations while being able to handle risk and pursue opportunity

STRATEGIC RESILIENCE:

The ability to anticipate and adapt to fluidity in the operating environment while maintaining focus on your organization's mission and long-term vision

Why does a strategic business consultant care about nonprofit lifecycles?

- Budget size, sector, age of organization, financial performance, audience/ donor engagement are important but...

- All organizations are standing in different stages of organizational development...

- Which informs the way an organization delivers its programs/ services, how it is staffed and governed, its culture, relationships to others, including donors, its systems, as well as the types and amount of money it has access to and needs.

- Understanding and organization's lifecycle helps to define an organization's capacity and set internal and external expectations

For further reading about nonprofit lifecycles

- Susan Kinney Stevens, *Nonprofit Lifecycles, Sage-based Wisdom for Nonprofit Capacity* (2001)

- Judith Simon, The 5 Stages of Nonprofits, (2005)

- Larry E. Greiner, *Evolution and Revolution as Organizations Grow*, May-June 1998, Harvard Business Review

- Nonprofit Lifecycles Institute

Start from a Position of Strength

The Foundations of Nonprofit Strength

Programs & Services:
What we do, why we do it, and how we know we're doing a good job

People, Culture & Time:
Those who do and support the work, the way it's done, and the capacity that exists to get things done

Community & Relationships:
People, groups & organizations who help to support and advance our work

Systems & Operations:
Technology, processes, infrastructure & facilities

Money & Finance:
The types & amounts of resources that we can access and use, and how it is managed

How the Dimensions of Strength Relate to Planning

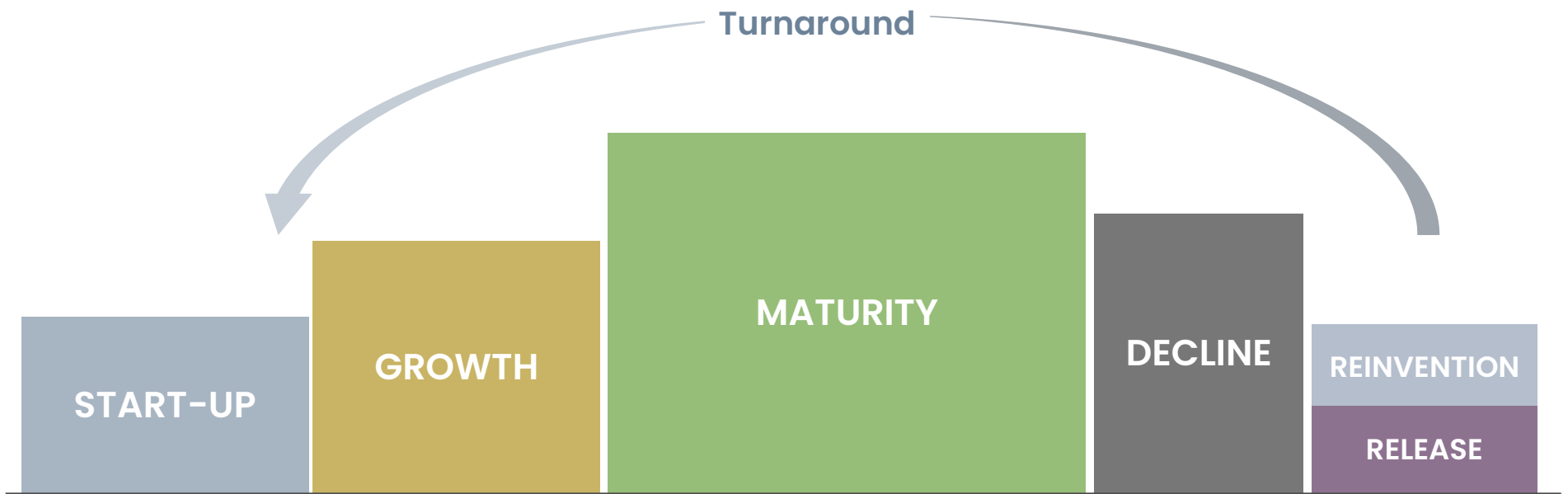|	What is it	How it informs planning
Programs & Services	The capacity to design, deliver and improve programs that are guided by mission and valued by your constituents and community	Does your work meet a (current) need? For what are you known and valued? Are you focused/ aligned among staff, board, constituents, community?
People, Culture & Time	The board, leadership and staff's capacity to effectively enact the mission in a way that is aligned with principles of equity and the organization's aspirations for its people.	What are the team's strengths? Where might there need to be investment? (in staff, board, culture change) Is the organization governed and led effectively? Can it make decisions? Does the organization manage within the limits of its capacity?
Community & Relationships	The capacity to develop and maintain relationships with those (external) individuals and groups that help to support mission and champion the organization's value	Who are the organization's advocates? What kind of support do they provide? Where might there be resistance, opposition or threats? Where is the organization in context of sector or geography?
Systems & Operations	The capacity to ensure that staff have adequate technology do their job, work in physical spaces that are appropriate, safe, and well maintained. The ability to gather, retain, secure and learn from our data	Does the operational infrastructure support the current program and administrative structure? How will that change as the organization changes? How will the organization know?
Finance & Money	The capacity to access and plan for the types and amounts of financial resources to cover the full cost of day-to-day operations and ensure that the organization can handle risk and pursue opportunity	Where does the organization stand financially? Can the organization demonstrate that it is able to manage financial resources? Can it use financial data effectively to plan and respond to internal and external circumstances?

Using Nonprofit Lifecycles Stages

Why Lifecycles?

- What you need to be a healthy start-up is not the same as for a healthy mature organization… it can even be dangerous!

- You realize you're "normal" and not the only one going through this

- You now have a way to talk to constituents about where you are – and what you need to make progress and helps to set expectations

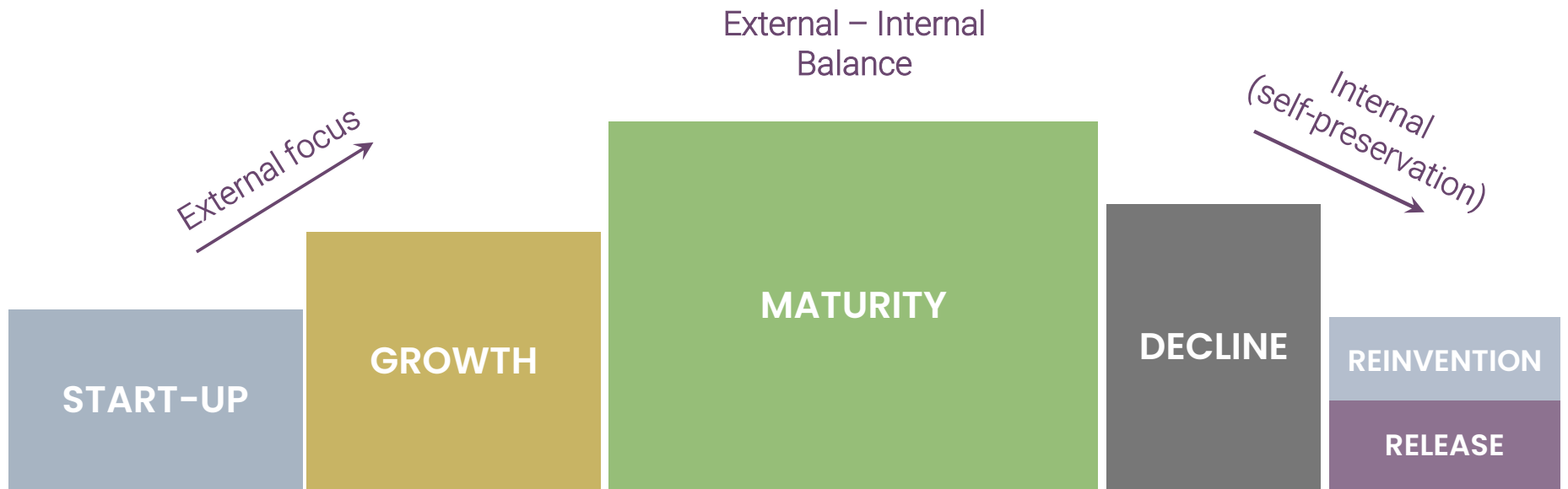- Gives additional vocabulary to understand "where you are" and puts your challenges in perspective

What Lifecycles are NOT

- Exact

- Deterministic

- Sequential or evolutionary

- Related to age

Nonprofit Lifecycle Stages

Turnaround

START-UP

GROWTH

MATURITY

DECLINE

REINVENTION

RELEASE

Nonprofit Lifecycle: Focus

External focus

External – Internal Balance

Internal (self-preservation)

START-UP

GROWTH

MATURITY

DECLINE

REINVENTION

RELEASE

Startup: Profile and Planning Considerations

Profile	Planning Consideration
Passionate, committed to meeting community needs	Ensure that there is clarity and evidence about the 'why" and the need for persistent and ongoing service. Are your setting a standard of community-informed programming?
Culture of excitement and can-do anything. Flat structure, founder-led; governed informally. Long hours.	What is needed to lay the groundwork to develop a routine, ensure that staff share knowledge and that roles are clarified? What is the capacity of staff, what is the tone or culture that has developed?
Informal, on the ground relationships, building funder and community relationships	Who are your champions of your work? Do you have detractors? Who are the connectors in the community? What established networks are crucial to what you are doing? What is the landscape of your community, sector?
Generally lacking formal systems, what exists is homegrown, may be outsourced, or in-kind	Weigh benefits of reputable internal or outsourced services vs. homegrown systems; as you move beyond pure program/ service-delivery, establish 'mission critical' systems first (safety, HR, IT, compliance, controls)
Raise-it/ spend it model, may be dependent on in-kind or volunteers. Frequently operates on cash basis.	Create a culture that values clear, timely and transparent financial reporting and information. Project and manage cash flow; establish an inclusive budget process. Understand your full costs and create open and candid conversations with donors and funders about the types and amounts of money that is needed

Growth: Profile and Planning Considerations

Profile	Planning Consideration
Consistent programs, informed by the community; demand is rising or may exceeding current capacity	Clarify strategic focus. What is it that you are known for doing well? What is the impact that the community most values from you? Without being opportunity averse, what will you, and won't you pursue?
Management sees endless potential; staff sees endless to-dos; board is larger and facing decisions about focus and strategy	Set organizational priorities and work plans. Formalize roles and responsibilities. Ensure work environment and culture retains quality staff and avoids burnout. Make decisions based on priorities rather than passion. Transitioning to a governance board.
More established in the community and with donors, funders and peers but has yet to settle its 'seat at the table'	Manage and steward relationships in the community; consider using board to promote and bridge key constituencies. If not already established, consider in-house external relations role beyond executive director (development/ communications)
New and developing systems and structures such as accounting/ HR/ operations/ communications	Ensure that administrative systems are established. Begin to establish basic program policies and manuals.
More sources of revenue require more management; focus requires us to think about balance sheet needs	Ensure that there are formal compliance/ fiscal policies in place. Is it time for an in-house finance staff? Develop a multi-year budget. Understand both near-term and mid-longer term capital needs. Financial planning aligns with strategic goals.

Maturity: Profile and Planning Considerations

Well-run and centered on community needs; results and improvement oriented; not afraid of risk in response to community change/ demands	How are your monitoring and managing the relevance/ value of programs/ services to your community? How do you ensure quality over the long term? What is the vision/ strategy to keep programs/ services relevant in the long-term?
Division of labor and clear accountability; leadership is (generally) not the founder. Board is policy and strategy focused	Is the Executive Director is well-rounded, externally-focused with strong leadership team to whom they can delegate authority and accountability? Typically, a management structure. Does the organization have clear values and culture that is explicit? Staff is diverse and specialized? Board committees, accountability? Board training and evaluation.
Is a sought-after thought leader in its field and community; established relationships with predictable outcomes	Reputation is established. The organization is highly regarded. Formal marketing/ PR/ communications function. There is an expectation, externally, of the type of work/ service that can be expected of your 'brand'
Established policies and systems that are necessary for timely decision making and management	Existing systems are improved and 'right sized' to size of the staff. Technology plan, risk and security plan. Internal communications systems, policies. Data/ CRM. Associated staff.
Can accurately forecast, budget and report. Manages to break-even or better most years; ideally, has healthy balance sheet	Organization can anticipate and course-correct. Has ready access to working capital. Establish reserve goals including for risk/ opportunity and facilities, technology or other assets that need replacement or repair. Monthly reports to finance committee of board.

Decline: Profile and Planning Considerations

Difficulty in delivering programs/ services and reaching goals; disconnected from community. Focus is on programs, not strategy.

→ Engage stakeholders in a review of past efforts and community need to determine if there is a current match between what you can provide and demand; restructure programs relative to market and mission relevance

Staff are stuck, disengaged and morale is low. Board is frequently disengaged or unaware of issues. May lose staff and board members.

→ Small and committed group of board leadership forms task force to move the organization forward; assesses leadership. The executive director is a turnaround champion capable of inspiring both internal and external constituents, accountable to the board. Staff is streamlined and organized in such a way that reflects resources and strategic direction.

Peers and partners are not as engaged; Fewer invitations to collaborate. Frequently makes promises it can't keep.

→ "Radical candor" with key relationships and stakeholders including funders, partners, civic leaders, community members, etc. Solicit advice and help as well as share timely updates.

Systems are frequently out of date; needed repairs or upgrades are absent

→ Systems must reflect current realities; compliance and safety take priority and policies and procedures should be streamlined to match the current operating circumstances.

Frequent spend-down of reserves. Budgets reflect past experiences rather than current realities.

→ Board and leadership fully understand the current financial situation; a financial analysis has been conducted. Cash flow, expenses and budgets are closely managed and monitored; fundraising plan is in place with clear goals and accountability and timelines associated with multiple scenarios.

Reinvention: Profile and Planning Considerations

"All options are on the table" programs are reassessed with mission and market viability in mind	Having reviewed programs for market and mission relevance, establish credibility with constituents/ audiences, create a program plan and strategic vision for the next 2-3 years. Set up feedback/ evaluation loops.
Organizational leader is a dynamic, fierce strong-willed person who can inspire staff, board and volunteers. Board is willing work to restore org	Reconnected and engaged board is actively advising and working with management to move the organization forward. Organization has been restructured to support new direction. Staff, volunteers, and board are aligned and are working within capacity and with shared vision.
Leadership repairs or establish relationships to build trust and confidence in organization; community must be involved to inform ongoing needs	Communicate realistic expectations with funders and community members. Build network of champions and advocates. Solicit feedback and be open to it; engage in collaborative efforts.
Mis-aligned with what is needed for the future of the organization, frequently out of date or too mature for a reinvented or leaner organization	Systems reflect current realities, which may mean that they have advanced or evolved in a different way. Revise to be adaptive and nimble
Organization is usually financially constrained. Willingness to realign budget to means and raise change capital for recovery and reinvention.	The board and management understand the need for a strong operating budget and the potential need for change capital to help with the transformation. Management can tell the organization's financial story, freely and without apology, owning its history and future. Finance and financial management is central to day-to-day management.

Release: Profile and Planning Considerations

	Profile	Planning Considerations
	On pause, stalled or skeleton of former programs. Unreliable, inconsistent and underfunded. Loss of credibility.	Plans to close are drawn up; past programs are honored and celebrated respectfully; remaining programs are shepherded to other organizations
	Staff working reduced hours, have been furloughed, or working with reduced salaries or as volunteers. Board is disengaged and lost its energy and vitality	Board fulfills legal and fiduciary requirements; management informs staff and volunteers of timeline.
	Frequently absent from community or sector conversations. Lost touch with legacy funders or no longer invited to apply.	Management communicates plans to community, funders, constituents
	Systems are largely ignored, facilities underinvested/ backlog of deferred maintenance. May be unable to meet compliance requirements.	Compliance with State and federal laws (IRS/ State Attorney General)
	Frequently out of money, current donors tapped out and few prospects for new sources of revenue. At times, in debt and unable to pay. Depleted balance sheet.	Analysis of remaining funds, debt, assets is conducted; creditors are contacted. Plan is created to pay staff, bills, and terminate contracts, leases and distribute/ dispose of assets, typically under the direction of an attorney and in conjunction with the Attorney General.

What happens after a disruption? (like a pandemic?)

- Disruptions ask us to be flexible/ adaptable

- Many organizations had to quickly 'go into startup mode'

- Re-entry/ reopening is asking us to reconcile start-up with our legacy operations

The critical task for us after such a disruption is to find the right set of practices that will become the basis for managing in the current environment

Lifecycles and Planning

How Lifecycle Analysis Can Help

- Help diagnose current situation
- Identify what is helping up thrive and what is holding us back
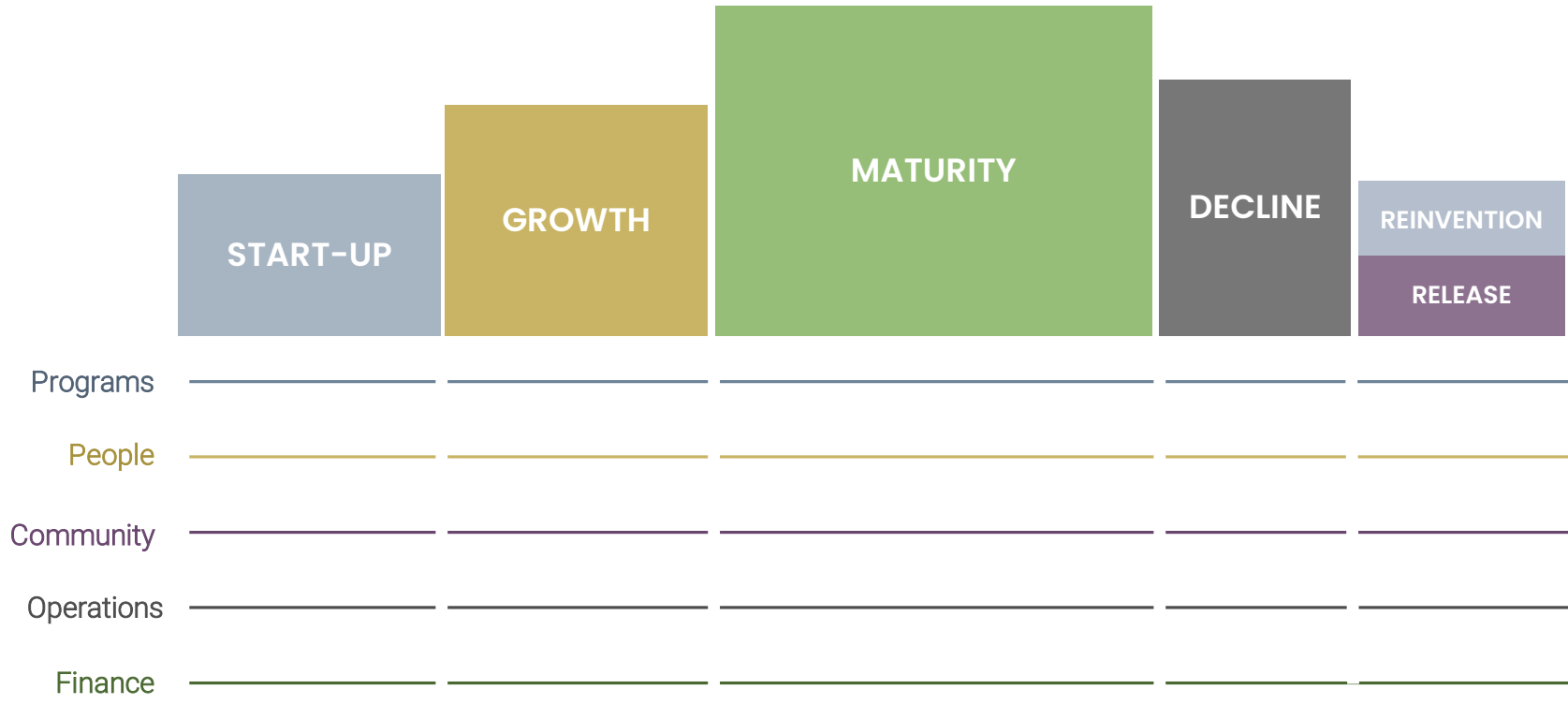- Set realistic goals, both programmatic and financial

Using the Lifecycle Tool

- Summary sheet and blank template
- Work in small group within your organization to determine life stage in each of the 5 areas (approximately 1 hour)
- Consider what that means for planning/ next steps (refer to slides)

	STARTUP	GROWTH	MATURITY	DECLINE	REINVENTION	RELEASE
PROGRAM	Simple service-oriented in response to a need	Known and established in community/ market. Programs are consistent	Well-run and centered on community needs; results and improvement oriented; not afraid of risk in response to community change/ demands	Difficulty in delivering programs/ services and reaching goals; disconnected from community	"All options are on the table" mentality and programs are reassessed with client, funder and constituent input in addition to market needs and financial viability	On pause, stalled or skeleton of former programs. Unreliable, inconsistent and underfunded. Clients/ audiences have found other venues/ places
PEOPLE	Founder-driven (frequently), flat structure, fast-paced, board members frequently doing work	Increased division of labor. Board provides guidance and decisions made at org level	Division of labor and clear accountability; leadership is (generally) not the founder. Board is policy and strategy focused.	Staff are stuck, disengaged and morale is low. Board is frequently disengaged or unaware of issues. May lose staff and board members.	Organizational leader is a dynamic, fierce strong-willed person who can inspire staff, board and volunteers. Board is willing to restore organization's reputation and work for turnaround	Staff may be working reduced hours, have been furloughed, or working with reduced salaries or as volunteers. Board is disengaged and lost its energy and vitality
RELATIONSHIPS	Informal on-the-ground relationships, developing presence and place in community	Established relationships with peers, funders and within the community but may not be predictable	Is a sought-after thought leader in its field and community; established relationships with predictable outcomes	Peers and partners are not as engaged; may be referring or partnering less frequently. Fewer invitations to collaborate. Frequently makes promises it can't keep	Leadership may have to repair or establish relationships to build trust and confidence in organization; community must be involved to inform ongoing needs	Frequently absent from community or sector conversations. Lost touch with legacy funders or no longer invited to apply.
SYSTEMS	Less formal systems and processes; everything is new	New and developing systems and structures such as accounting/ HR/ operations/ communications	Established policies and systems including administrative, accounting, facilities, HR that are necessary for timely decision making and management	Systems are frequently out of date; needed repairs or upgrades are absent	Typically, mis-aligned with what is needed for the future of the organization, frequently out of date or too mature for a reinvented or leaner organization	Systems are largely ignored, facilities underinvested/ backlog of deferred maintenance. May be unable to meet compliance requirements.
MONEY	Make-it/ spend-it; perhaps project funding; in-kind. Few if any discretionary resources	More sources of revenue require more management; focus begins to think about balance sheet needs.	Can accurately forecast, budget and report. Manages to break-even or better most years; ideally, has healthy balance sheet to absorb risk and pursue opportunity	Reluctant to change, there is hesitance to cut expenses, so organizations frequently spend down reserves. Budgets reflect past experiences rather than current realities.	Financial crisis is usually the catalyst for reinvention, the organization is usually financially constrained. Willingness to realign budget to means and raise change capital for recovery and reinvention.	Frequently out of money, current donors tapped out and few prospects for new sources of revenue. At times, in debt and unable to pay. Depleted balance sheet.

Nonprofit Lifecycle Analysis: Where is your organization?

START-UP	GROWTH	MATURITY	DECLINE	REINVENTION
				RELEASE

Programs

People

Community

Operations

Finance

Questions for Reflection

- What immediate changes would improve your organization's capacity at this lifecycle stage?

- What long-term changes would help support your organization's capacity and sustainability?

- Which of these changes can you make on your own?

- Which require additional resources?

Case Study

Boroborough Residency

- 25+ year old artist residency program that hosts an exclusive cohort of writers each year.

- Located in a mountain resort community in an historic home, during the summer it opens its doors for classes and seminars for all levels (novices to professionals)

- Previous residents are a who's who of writers; it is a very successful program

- Financially successful. Summer program subsidizes residency, board designated reserve that acts as an endowment provides a nice cushion against risk. Former residents are generous donors.

- COVID : All programs, events are cancelled. All sources of earned revenue are cut off

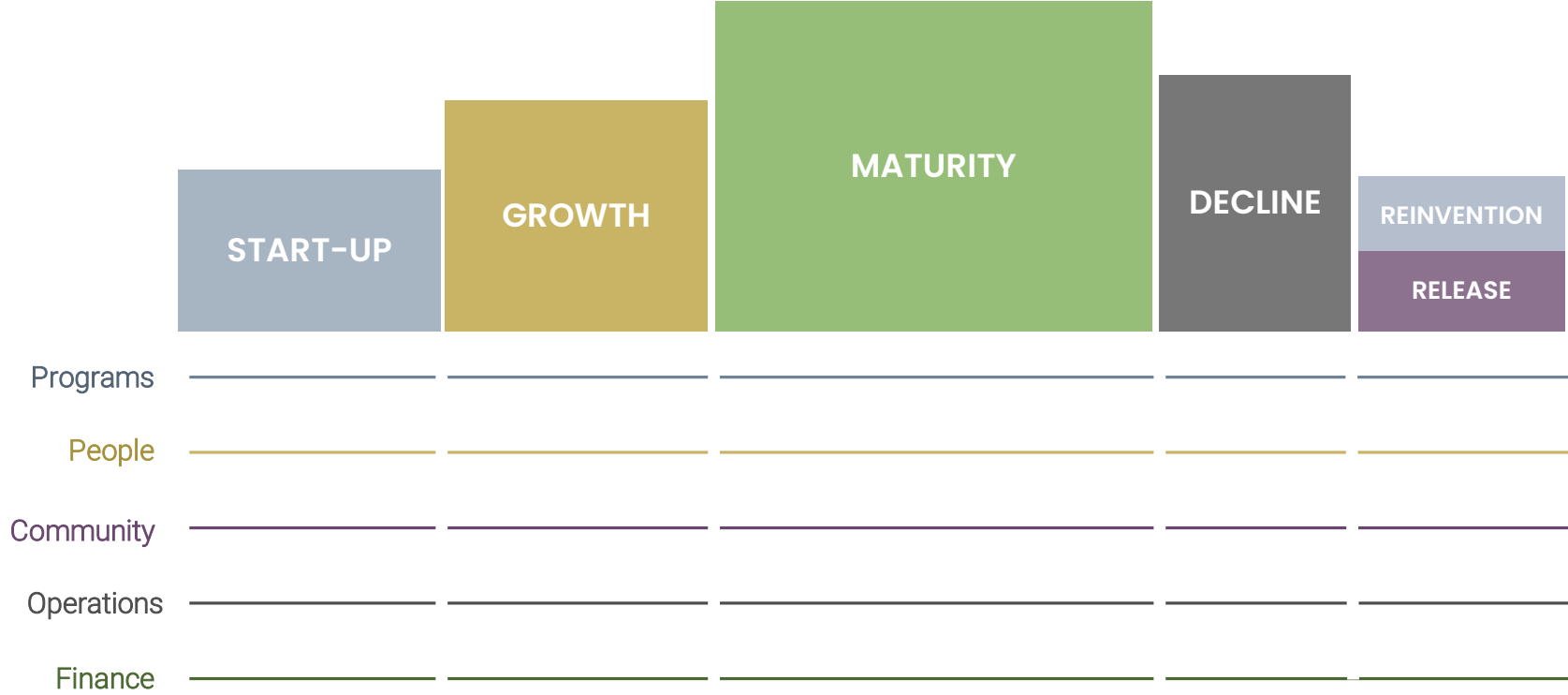- Potential impact for two years

COVID-19

- Facing the prospect of returning all prepaid class revenue; an enterprising half-time operations manager suggests to move classes online

- However, systems and operations can't support the infrastructure for virtual programming

- Board and ED are VERY reluctant (we've never done that); no capacity except for half-time ops manager

- Phone starts ringing: writers (teachers) and students – there is a HUGE demand for summer virtual classes. Teachers want to get paid, students want to learn.
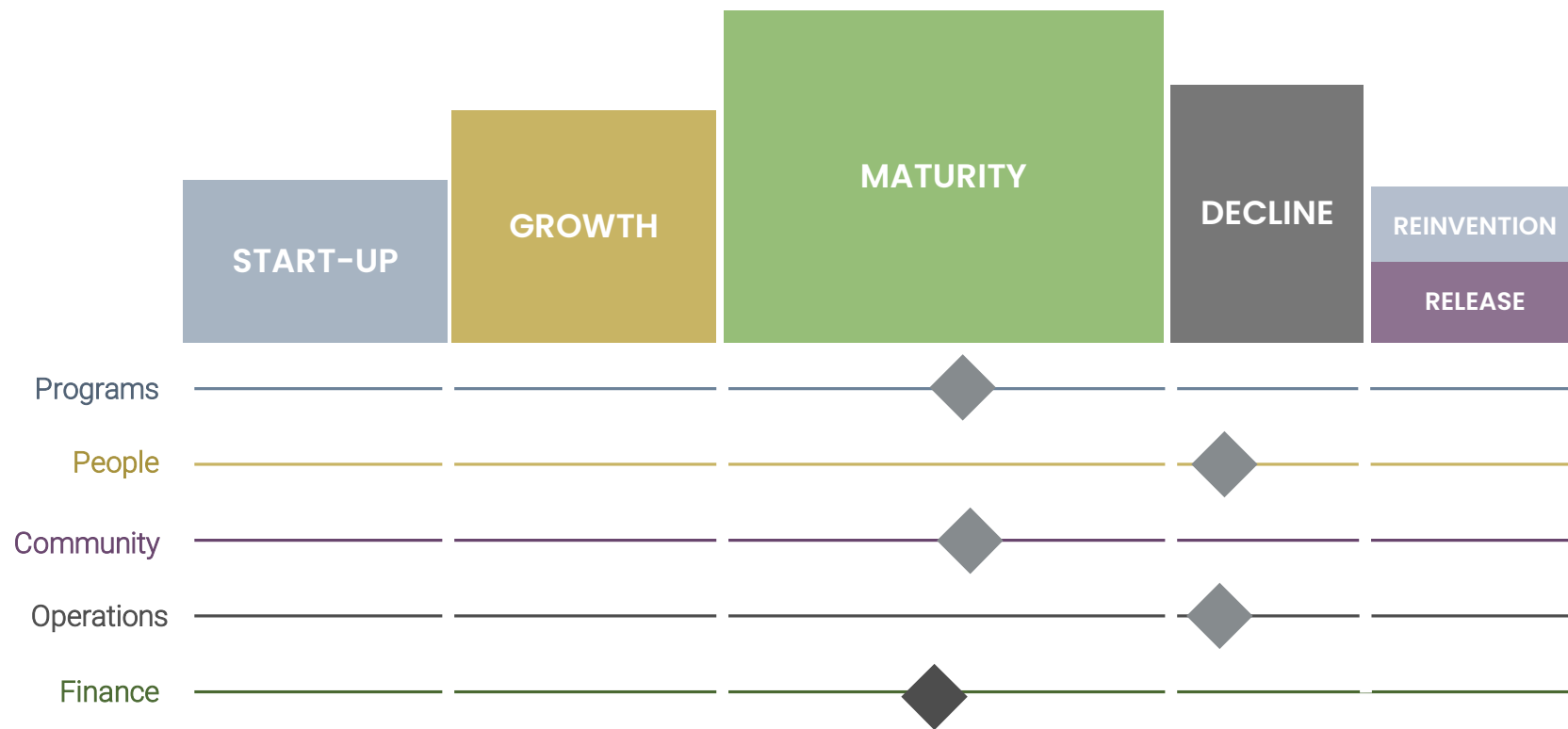
Case Study: Boroborough Arts Community

MATURITY

GROWTH

START-UP

DECLINE

REINVENTION

RELEASE

Programs

People

Community

Operations

Finance

Case Study: Boroborough Arts Community

What happened?

- ED/ Board agreed to virtual 4-week pilot program with investment of $40,000

- Raised $230,000 revenue; $70,000, net

- Agreed to run additional sessions in fall – winter

- Surveyed students and teachers; set new strategic vision for non-fellows program

- Virtual programs will become a permanent part of course offering
  - Re-engage with past fellows
  - Audience reach beyond those who can travel to physical location

- Part-time Ops Manager was promoted

Case Study: Boroborough Arts Community

Questions?

Thank you

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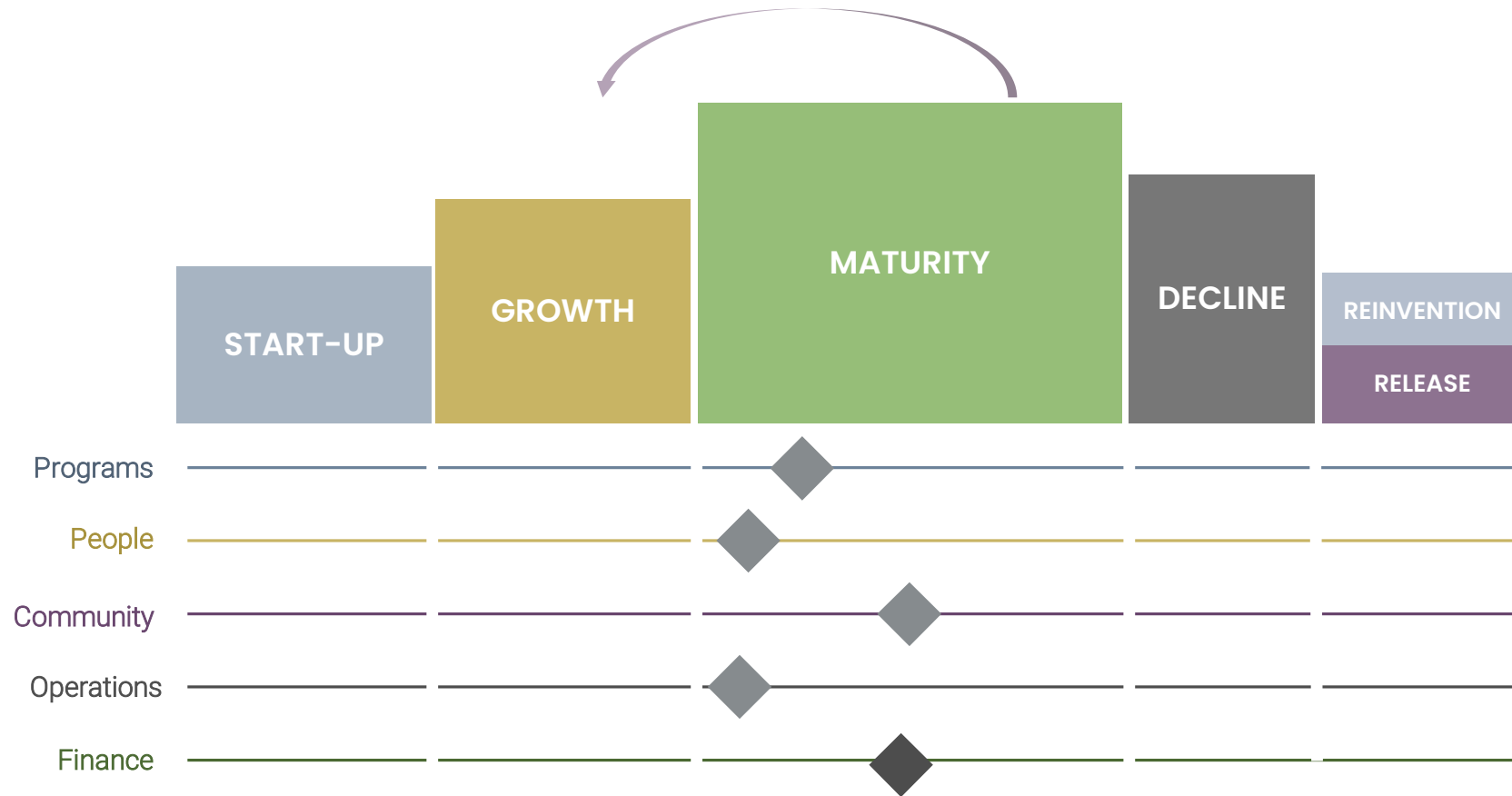
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