

Setting the Stage

Change as a Defining Force in the Nonprofit Sector

First, introductions. We have between us over twenty-five years of experience working as consultants to nonprofits, foundations, and corporate funders. John is the owner of a firm called Cuidiu Consulting and is a senior fellow at the Support Center for Nonprofit Management, both based in the New York City area. Anne is an associate director and codirector of the strategy practice at TCC Group in New York City. Both of us spend our days helping nonprofit organizations understand how to increase their impact. We do this by providing a set of services loosely defined as “capacity building,” which helps nonprofits (or the entities that fund them) function more effectively and efficiently, so that they can be as successful as possible in achieving their missions.

Between the two of us, we have worked with many nonprofits at various stages of development, presenting a wide range of strengths and challenges. We’ve both been fortunate enough to be part of efforts to get nonprofits off the ground. John has a great deal of experience at the other end of the lifecycle as well, having helped engineer nonprofit mergers to preserve the mission and value of programs after it had become clear that the organizations themselves were no longer sustainable. And both of us have worked with dozens of nonprofit organizations at all points in between “start-up” and “shutdown.” Whereas Anne works more with established groups that seek to strengthen or grow, John

does a heavy amount of his work with organizations that are either in the start-up phase or with groups that are in decline or turnaround. These groups include organizations with annual operating budgets of less than \$100,000 and those with budgets of \$50 million or more. As noted, we've worked with start-ups, and we've also consulted with nonprofits that are well over one hundred years old. Although we probably have the greatest depth of experience working with organizations that meet some kind of human service or educational need, our clients have also included art nonprofits, membership associations, and advocacy groups. We've learned a lot, and we're both keenly aware that we still have a lot to learn. What we enjoy most about our work is that it is never dull, stagnant, or repetitive.

In other words, it keeps changing.

To paraphrase a cliché, change is the one constant we can all count on, for better or worse. Has this ever been truer than during the present time, as we enter the second decade of the twenty-first century? Technology, globalization, a devastating economic recession that most would agree has put tremendous strain on nonprofits in the United States—these are just a few of the seismic shifts that have increased the pace of change for our sector. When we are called to help a nonprofit deal with some aspect of change, whether it's ostensibly positive (“We got the grant! Now what?”) or negative (“Our executive director just gave two weeks' notice, and we have no clue how we're going to survive without him”), it's remarkable to us that our clients are frequently unprepared to anticipate, prepare for, or manage change, let alone serve as a catalyst of it. By and large, nonprofits are left to their own devices to manage the challenges and opportunities inherent in a change process, and, more significant, most are ill equipped to do so.

And to be sure, change isn't always something that is thrust upon an organization. Every day, nonprofit leaders are engaging in deliberate change efforts that they believe will enhance their ability to achieve mission—implementing a strategic plan, building a new layer of management, or adding a new program. For many of our clients, growth is a deliberate goal, often manifested in the expansion or replication of programs. Here too, it is our experience that many of our clients lack the tools or frameworks to help them succeed in their efforts.

Our intent in writing this book is to explore how to bolster the sector's capacity not only to weather change, but also to recognize the importance of change as part of a larger process of continuous improvement.

LIFECYCLE: A FRAMEWORK FOR INITIATING, ANTICIPATING, MANAGING, AND UNDERSTANDING CHANGE

There are many frameworks to help understand the concept of organizational growth and change; we decided to use the *lifecycle* as the model for this book. When we talk about a lifecycle, we mean a predictable pattern that most nonprofits will follow over time. Similar to the human lifecycle, the organizational lifecycle serves as a model for identifying and understanding a nonprofit's characteristics at a given point in time, assuming that most organizations will pass through a set of developmental stages. In this way, the lifecycle normalizes the difficulties of growth and change, putting them into a larger context, helping us understand where we are in a way that describes rather than judges.

The lifecycle model prescribes as well as describes, but also assumes that there is an optimal destination that all nonprofits should strive to achieve, and helps leaders understand what needs to be done in order to make the journey from point A to point B as successful as possible. It helps people focus on what needs to be done by putting strengths and weaknesses in context, normalizing them and saying that in fact the challenges of one phase might just be leading to further improvement.

We have both used variations of the lifecycle framework in our work, and here we offer an overview of those that we use in this book.

Susan Kenny Stevens: Bringing the Lifecycle Framework to the Nonprofit Sector

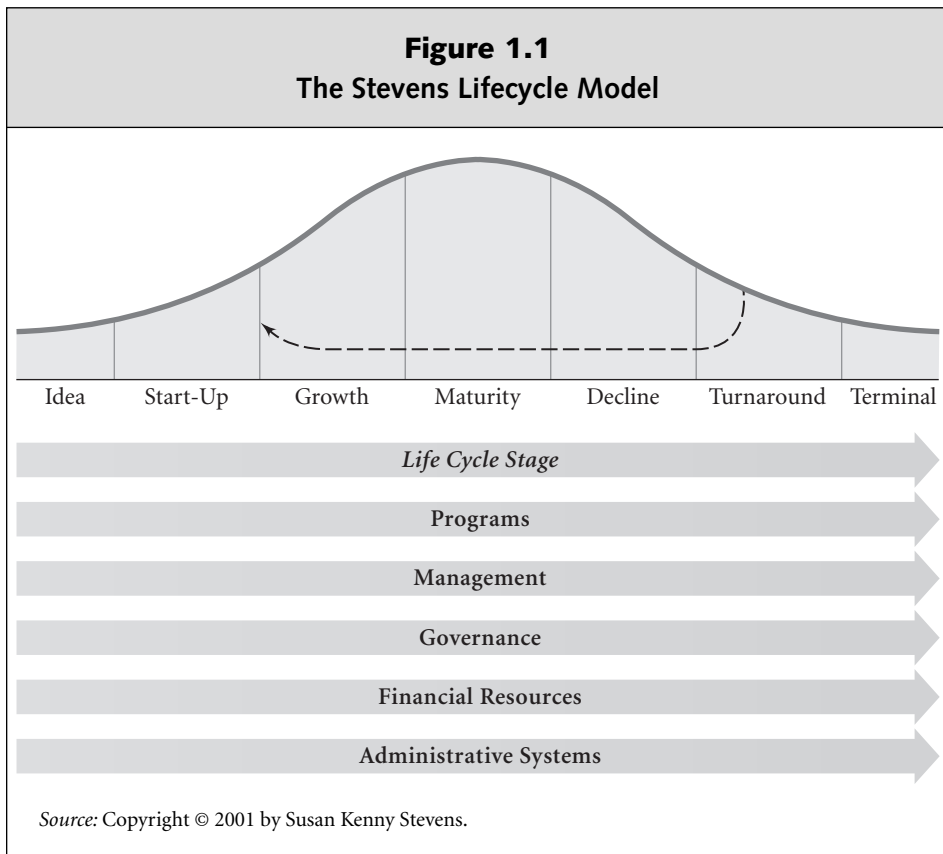
The organizational lifecycle is not a theory that originated with the nonprofit sector. The concept first emerged in the 1970s in the corporate sector, beginning with an article by Greiner in the *Harvard Business Review* titled “Evolution and Revolution as Organizations Grow” (1972). Over the next decade, the theory gained credibility. It wasn't until the 1990s that lifecycle theory took hold in the nonprofit sector. Susan Kenny Stevens began writing about nonprofit lifecycles in the early 1990s, and in 2001 published a book on the topic, *Nonprofit Lifecycles: Stage-Based Wisdom for Nonprofit Capacity*.

The Stevens lifecycle framework identifies seven stages, outlined here and illustrated in Figure 1.1:¹

1. Idea: “There is no organization, only an idea to form one.”
2. Start-Up: “An organization that is in the beginning phase of operation.”

3. Adolescent (or Growth): “An organization whose services are established in the marketplace but whose operations are not yet stabilized.”
4. Mature: “An organization that is well established and operating smoothly.”
5. Decline: “An organization that is operating smoothly but is beginning to lose market share.”
6. Turnaround: “An organization that is losing money, is short of cash, and is in a state of crisis.”
7. Terminal: “An organization that no longer has a reason to exist.”

Stevens’s book represents perhaps the most influential thinking on the subject of lifecycles. In applying the lifecycle concept to nonprofits, Stevens



provides the sector with an important organization development framework. She was an early proponent of “right sizing” technical assistance and other types of capacity building activities, in that she recognized that this type of work is perhaps more complex than previously thought. Depending on where an organization is in its lifecycle, it will require different types of interventions or support. The changing nature of boards over time is a classic example: the board of a start-up tends to be more involved in the day-to-day work of the nonprofit and may be mostly made up of friends of the executive director (ED); as the organization matures, it becomes the board’s job to pull back from operations and focus more on such tasks as fundraising and setting policy for the organization. There is no “board for all seasons,” and understanding where an organization falls on the lifecycle can provide important clues as to the type of board that it needs, or needs to build.

Stevens also recognized that the lifecycle concept, though readily digestible, is fairly nuanced and complex. It is not a linear model: some nonprofits may follow the continuum Stevens establishes; others will not. Moreover, although most nonprofits can place themselves in a particular stage, it is also quite likely that aspects of an organization, such as programs, will fall into one phase of the lifecycle, whereas others, such as governance structure or management systems, will fall at a different point of development.

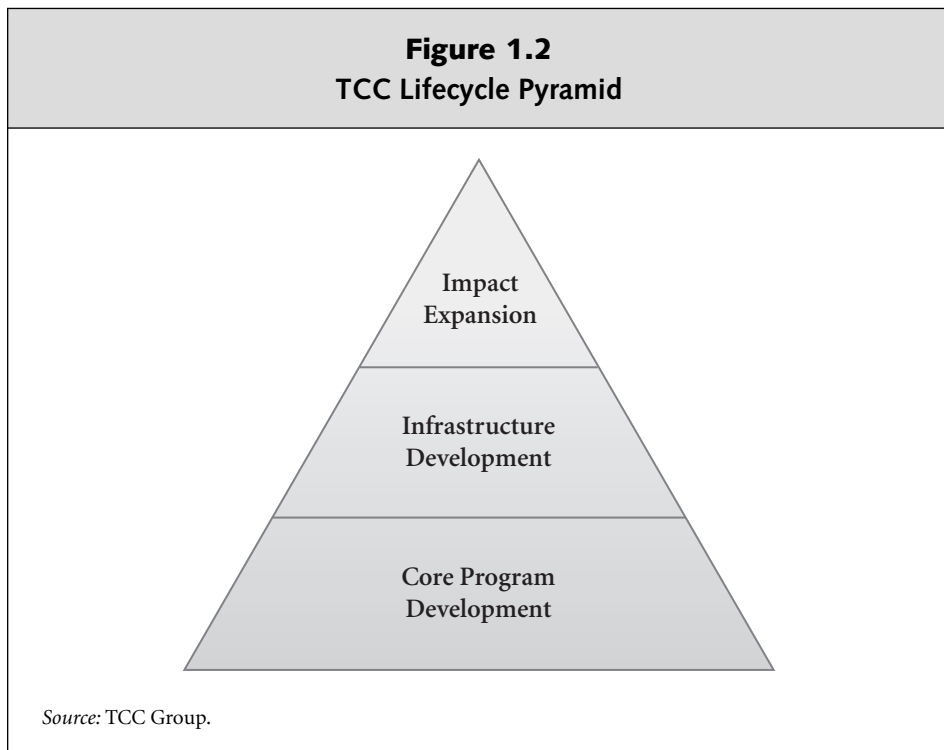
TCC Group: Lifecycle as a Journey Toward Increased Effectiveness

Early into the 2000s, TCC Group took a critical look at the lifecycle model, represented most frequently by the Stevens framework. In 2006, Paul Connolly, a senior vice president at TCC, published *Navigating the Organizational Lifecycle: A Capacity Building Guide for Nonprofit Leaders*, in which he noted that “A fully actualized, mature organization 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.”² A chronological trajectory is important and relevant, but misses at least one critical topic: organizational effectiveness, defined by TCC as *progress toward achieving mission*. If one considers achieving mission as the sector’s prevailing “bottom line,” programs and services are the primary ways in which nonprofits make that bottom line. High-quality, high-impact programs can be consistently

delivered only if the organization has the proper infrastructure—board, staff, management systems, IT, financial systems, systems for evaluation and improvement, and so on.

Soon after the publication of Connolly’s book, Peter York and Jared Raynor of TCC Group led the development of a lifecycle pyramid, implying an upward trajectory; its tiers correspond to phases of the Stevens model (see Figure 1.2).

The first phase is called “core program development”; an organization at this phase of the lifecycle needs to focus on the fundamentals—mission, organizational vision, and a coherent program strategy that reinforces mission in such a way that programmatic effectiveness is maximized. Think about it as organizational genomics—what is the DNA of a successful nonprofit, and how does one separate its core components? In the TCC Group model, core program offers an intrinsically linked system of mission, vision, and strategy. That is to say, programs relate directly to a shared set of organizational outcomes and reflect the most recent knowledge about “best practice.” Core program takes up the most area of the pyramid by design. That is because nonprofits exist to fulfill their missions



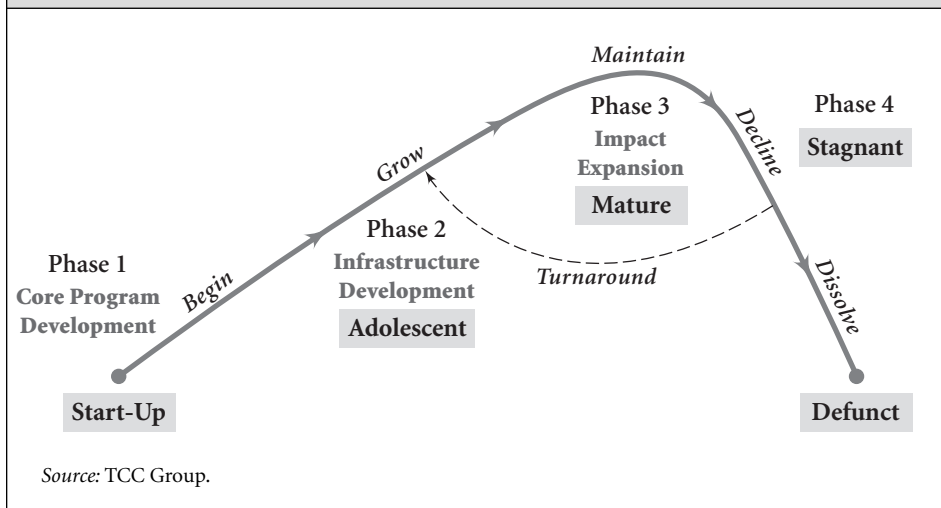
through high-quality, high-impact programs. No matter where a nonprofit falls on the lifecycle, staff and board leadership need to continually monitor and, as necessary, modify mission, vision, and program strategy in order to ensure maximum quality and effectiveness.

It is worth noting here that placement at the core program phase is *not* associated with an organization's age. Certainly, these are issues that start-ups grapple with, but we all know organizations that are far beyond start-up yet rightly belong in the core program lifecycle phase. These organizations would likely fall into the decline phase on the Stevens lifecycle; the TCC lifecycle assumes that in order to engage in effective turnaround, such an organization needs to first take a close look at its core program.

The second phase is called "infrastructure development" and assumes that once core programs have been established, the organization should make it a top priority to develop the infrastructure needed to sustain and perhaps even grow its programs. This phase is comparable to the adolescent phase of the Stevens model. The emphasis during this second phase is to ensure that the nonprofit has the systems and structures it needs to properly support its programs. The nonprofit that finds itself in the infrastructure phase isn't ignoring core program, but its program strategy is stable and successful enough that the organization can focus its attention on building its capacity. Capacity building efforts at this stage often focus on development of needed systems, such as human resources or IT. The infrastructure phase is a time when nonprofits can think about evaluation systems that will meet their internal programmatic needs because the models themselves are stable enough to allow for meaningful measurement of quality and impact. Organizations might be growing and need to develop more hierarchical organizational structures.

The third and final phase is called "impact expansion"; in this phase, organizations have reached a certain level of capacity at both the program and infrastructure levels and now can focus proportionally more time and resources on external questions, such as: *How can the lessons we've learned be leveraged to benefit the field? Are there evaluation findings to share? Is our ED spending appropriate time outside the office, developing relationships with funders, advocating on behalf of the issues that are most important to our constituents, and otherwise engaging activities that somehow grow the field?* This phase is analogous to the maturity phase of the Stevens model. Both are aspirational, and both assume an upward trajectory. Figure 1.3 brings the TCC and Stevens models together.

Figure 1.3
Overlay of the TCC and Stevens Lifecycle Models



To help nonprofits assess and increase their organizational capacity, TCC Group developed the Core Capacity Assessment Tool (CCAT), an online organizational self-assessment that is taken by staff and board leaders of an organization to rate a number of indicators of organizational effectiveness. The CCAT measures capacity in four areas, assesses organizational culture, and places the organization at a phase on the lifecycle pyramid, based on how stakeholders rate the organization.³ We will refer to certain CCAT scores and lifecycle placements at different points in this book.

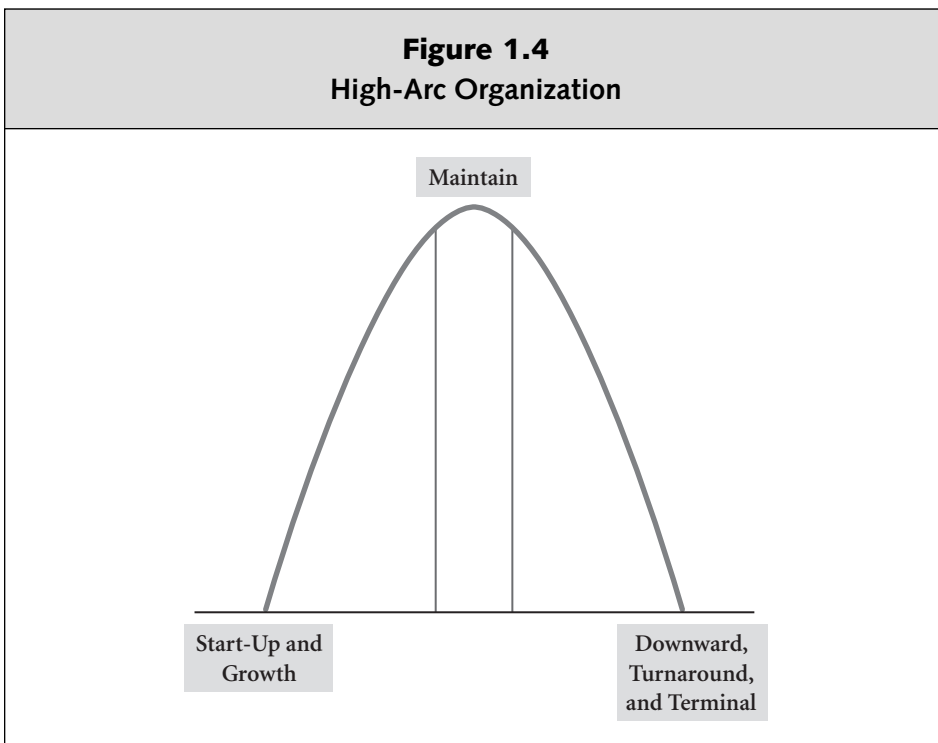
The TCC model does address certain shortcomings in the Stevens model, but leaves other important questions unanswered, particularly those related to decline, turnaround, and dissolution. How does an organization get to these phases? Inattention to core program issues is certainly part of the equation, but there are other factors at play. Are there ways to predict (and thus prevent) decline?

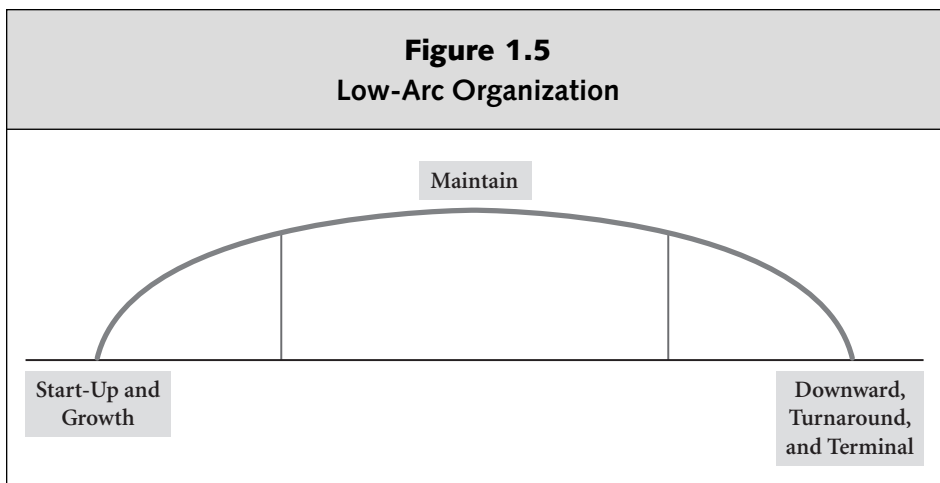
John Brothers: The High-Arc/Low-Arc Model

In his earlier work with nonprofits, John found that although his clients understood the lifecycle, many of them—particularly those whose organizations were on the downward side of the curve—felt that the model did not adequately describe their

trajectories. He started to notice a pattern among many of them, particularly those that had been on rapid growth trajectories (growth defined as significant expansion of programs provided, people served, sites established, operating budget, and so on): organizations that had a rapid growth pattern often experienced a similarly rapid decline. These he came to think of as “high arc.” Low-arc organizations, in contrast, are those that are more cautious or deliberate in their growth trajectories and tend to both build and decline at similar rates. John started to believe that the rate of growth can define a nonprofit’s future, *depending on the level of investment and attention the organization had given to lifecycle development*. Figures 1.4 and 1.5 illustrate the trajectories of high-arc and low-arc organizations, respectively.

An organization that attempts to do too much, too fast, can be positioning itself for an almost certain decline that will occur about as quickly as its growth and development. John developed the high-arc/low-arc model as a way to help nonprofits in decline understand how the rate of growth may have contributed to their difficulties.





OUR PERSPECTIVE

As we stated at the beginning of this chapter, we believe that change is important and in fact essential. We chose to use the lifecycle because it is inherently dynamic—it assumes that organizations are, by definition, always evolving. Think of the scene from *Annie Hall* when Alvy is trying to break up with Annie on the plane back from California. He turns to her and says, “A relationship, I think, is like a shark. You know? It has to constantly move forward or it dies. And I think what we got on our hands is a dead shark.”

Annie and Alvy’s relationship died because it stopped moving forward. There is a certain parallel with nonprofits. The dying nonprofit, one might argue, is the one that simply cannot adapt and change in the ways it needs to, or doesn’t understand the imperative to change until it is too late. Or it may be the organization that grew too quickly, without adequate attention to building its core program and infrastructure.

This question of arc becomes even more significant if we stop to think about the increasing importance of growth in the discourse on the role and purpose of the nonprofit sector in our society and think seriously about scale and what it means. There will always be problems in our society; identifying the means of taking successful programs to scale may be the way to address some of those problems more efficiently and effectively.

At the same time, there are many good reasons for nonprofits *not* to seek significant growth (even before the Great Recession changed the way many of

us in the sector think about growth and sustainability). Some nonprofits, such as neighborhood associations, may have missions that are not consistent with growth. Others believe that “small is beautiful” and that the impact of their work will suffer if they grow beyond a certain critical point. Nonetheless, much of the thinking and investment related to nonprofit development has relied, to a greater or lesser extent, on assumptions about the inherent desirability of growth.

It is our hope that this book is relevant both to the organization that seeks to increase its reach as well as to the one that is deliberate in its decision not to expand. Both kinds of organizations must be conscious of the decisions they make with respect to growth, and both must be purposeful in how they plan to advance from one phase of the lifecycle to the next.

WHAT’S IN THIS BOOK?

The purpose of this book is to *help nonprofits become stronger by approaching lifecycle advancement as a type of change management* and to help leaders in the nonprofit sector figure out how to effectively shepherd a change process in their organization. Our intention is to provide a resource that

- Makes the case for a deliberate change process yet also acknowledges the very real challenges inherent in such efforts
- Normalizes and contextualizes the struggles that nonprofit leaders face
- Offers success stories
- Offers frameworks and tools that leaders can apply in their own organizations

Chapters Two through Six examine the five lifecycle phases, including a discussion of how an organization in decline can navigate a turnaround. Chapter Seven concludes the book with a summary of the key concepts and their application. Throughout the book, we draw on each of the three frameworks presented in this chapter, giving varying weight to one or another model, depending on the phase. What we have attempted to do with this book is articulate some of our assumptions about what is behind a successful nonprofit.

