

Organizational Life Cycle: Getting Over Growing Pains

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Getting Over Growing Pains: Life-cycle analyses help charities deal with the challenges of aging

by Holly Hall

This Management Briefing is excerpted from an article that appeared in The Chronicle of Philanthropy, April 6, 2006. The article features the work of Qm2, showing how life-cycle analyses help organizations improve their abilities to raise funds and achieve their missions. If you would like to learn more about this powerful concept and use it with your own organization, [contact Qm2](#).

Life-cycle analyses help charities deal with the challenges of aging

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Life-cycle analyses are structured in many different ways, using an array of developmental stages and approaches to help charities evaluate where their organization is in the cycle.

But the approaches all stress the idea that charities can get stuck at one or more stages in their development, and that the strengths that an organization relies on in one stage often become problems in the next. For example, most growing, young charities get to the point where they need to adopt new record-keeping requirements and other controls to manage their operations, but those same systems can squelch innovation and slow the group's ability to provide services.

What's more, the types of managers who are best at leading an organization through one stage are not always the best for a later stage, so many of the life-cycle assessments look not just at the organization, but also at the charity's executives and board members...

Slipping Into Decline

Turning around a charity that is in decline can be especially challenging, say some consultants.

John W. and **Anita Nowery Durel**, consultants with Qm2, a Baltimore management-consulting group, say it can be difficult or impossible to turn around a declining organization that has reached the stage they call "late bureaucracy."

At that point, they say, employees are alienated from the organization's cause, rules are more important than results, morale is low, revenue is declining, and outsiders find it hard to connect with the organization.

The Durels use a corporate life-cycle model adapted from an approach developed by Ichak Adizes, a management consultant who wrote *Corporate Lifecycles: How and Why Corporations Grow and Die, and What to Do About It*.

In the Durels' approach, organizations may be in one of seven stages, starting with the "infant" stage, moving to a "toddler/go-go" stage, eventually reaching the optimally functioning "prime" stage, and declining into "aristocracy" and "bureaucracy." The Durels determine a charity's life stage by asking 15 board and staff members, if possible, to complete an 80-item questionnaire.

Obtaining multiple perspectives is key, says Mr. Durel. "The leaders of an organization often paint a rosier picture than everyone else. They are often surprised about what people see in the organization," he says.

Working Styles

The Durels sometimes couple their life-cycle diagnosis with an evaluation of four working styles among individuals on a charity's board and staff.

They say that certain styles are more important than others at each stage in the organization's development and that a balanced blend of all four is essential for groups to reach their prime. While assessing work styles is nothing new, they add, doing so in the context of an organization's development stage can help people better understand why things are not working smoothly.

"Entrepreneurs," often the founders of charities, create ideas for new products and services; "administrators" excel at establishing and maintaining internal systems and procedures; "producers" get things done by delivering services and products; and "integrators" spur others to work together.

Bureaucratic organizations that manage to reverse course, Mr. Durel says, are always revived by entrepreneurial new leaders. He points to Anita Walker, director of the State Historical Society of Iowa, who has moved her institution — which the Durels say was in the bureaucratic stage — into a growth mode.

Ms. Walker hired Mr. Durel two years ago to perform a life-cycle evaluation and to assess the working styles of her staff. She says she was frustrated by the stagnant environment she had inherited from her predecessor. "We were so burdened with rules and regulations, it felt very sluggish," she says. "I knew we needed a cultural change, but I couldn't figure out how to motivate change."

The historical society's senior staff members learned from Mr. Durel what it meant to be in a bureaucratic stage, "and why it was dangerous to be there," Ms. Walker says. They also learned that the staff was dominated by administrators who excel in carrying out policies and procedures — "not surprising for a bureaucracy," Ms. Walker says. Those findings convinced the group that change was sorely needed.

Soon the historical society was shifting its approach. It recently started generating revenue, for example, by enabling curators to work on loan to other institutions for a fee and by starting a History Hunter Vault Tour, for which people pay to see areas not normally open to the public.

And, to recruit more entrepreneurial and other candidates to balance out the administrators on the staff, the society now uses a questionnaire to determine the work styles of potential employees. "We need to put the right person in the right spot," Ms. Walker says.

Conflicting Perspectives

Another life-cycle issue that causes people problems is when a charity's staff and its board are at different stages of development. When the board and staff realize they have conflicting perspectives, Mr. Durel says, "it sometimes comes as a shock."

Working with the Durels, Alex Sydnor, deputy director of development at the Winterthur Museum, in Delaware, concluded that his board and staff were at opposite life stages and dominated by people with different working styles.

The board, he says, was an "aristocracy," defined by declining innovation, complacency, and a focus on the status quo; meanwhile, a new executive director, who was unmistakably entrepreneurial, was raising eyebrows among trustees by pushing for innovations more commonly found in high-growth "toddler/go-go" organizations. For example, the director wanted fund raisers to work with curators on special events to bring new meaning to the gatherings and raise more money.

Looking at his organization through the life-cycle lens, Mr. Sydnor says, he has helped recruit entrepreneurial board members who support efforts to revitalize the museum.

"I have found it extremely useful to understand which parts of the organization are in what stage, and which volunteers might keep us from continuing to grow," he says. "The life-cycle model gives us the language, so I am able to talk to volunteers in a meaningful context about where we are trying to go."

Defusing Tensions

Kathy Fleming, executive director of the St. Augustine Lighthouse & Museum, in Florida, worked with the Durels four years ago to determine her organization's life stage, her own working style, and the styles of each of her 29 staff members.

To defuse tensions among staff members, Ms. Fleming invited employees to share the results of their work-style assessments.

"We encouraged everyone to put theirs on the wall," she says. "You see why people drive you crazy or why you get along. It really works."

Determining that her charity was in the "toddler/go-go" stage was just as helpful, says Ms. Fleming, noting that the stage is characterized by high-energy growth, people being spread thin, and risk taking. "We were trying a bunch of new things; it was fun because we didn't have much to lose," she recalls. At

the same time, the board was considering a plan to expand the lighthouse museum's facility by 5,000 square feet.

"One board member commented that if we were in the go-go phase, we should go ahead and do this now," says Ms. Fleming. "Expanding was a risk, but it doubled our budget."

Robin Prothro, executive director of the Towson, Md., affiliate of the Susan G. Komen Breast Cancer Foundation, says her charity was at the same stage of development as the lighthouse museum — but experiencing more conflict — when she arranged a life-cycle evaluation four years ago.

"We were in the go-go stage, where there was a lot of passion, few policies and procedures, and conflict between board and staff," she says. "The board was too hands-on."

The organization, she explains, had been entirely run by a group of dedicated volunteers for its first eight years before hiring any employees, and some board members felt that they should keep organizing the foundation's signature fund-raising event, the Race for the Cure, while the staff handled other projects.

As the staff and board met to discuss the life-stage evaluation, Ms. Prothro says, "everyone agreed we were in go-go, and this got the conversation going about who we wanted to become."

The founding board members disagreed with Ms. Prothro and others, who argued the charity needed to integrate all of its fund-raising efforts and better publicize how it uses donations.

In the end, a majority agreed to the approach Ms. Prothro advocated, "but it was painful," she says. "We lost board members."

Now, she says, there is no conflict between employees and the board.

"We still have a lot of work to do," Ms. Prothro says, "but we are moving into our prime."

Never Be Complacent

For organizations in the peak-performance stage, a life-stage evaluation contains one big lesson for its leaders, says B. Michael Zuckerman, director of the Mid-Atlantic Center for the Arts, in Cape May, N.J.

"You can see that being in prime is a very unstable position," he says. "If you just coast, it will lead to inevitable slide. You can never be complacent."

GROWING UP: THE STAGES A CHARITY CAN EXPECT TO GO THROUGH AS IT AGES

Following are the stages of a nonprofit organization's life cycle developed by Qm2, a consulting group.

A. Infant. The founder is in charge of the new charity, and there is a lot of activity as the founder and other supporters try to make the founder's idea work. There are few systems and policies, management is often in a crisis mode, and there is little or no long-term planning.

The organization survives on the founder's commitment. There is no paid staff, and the founder and a volunteer board composed of the founder's friends do all the work. They also raise all the money or donate it themselves. The organization may be able to boost contributions in this stage by showcasing the founder's vision and personal energy in presentations to potential donors and community leaders. There is an opportunity for the charity to gain publicity while it is still regarded as new.

B. Toddler/go-go. As the charity grows and has some successes, it often hires its first paid staff members in this stage. Day-to-day crises no longer require all of the founder's attention, which allows new ideas to develop.

The organization is characterized by high energy, the founder and board are eager to explore new paths, and there are growth spurts. Everyone is busy, and activity takes precedence over results. The charity often commits to new ideas without exploring them fully and takes risks without being fully aware of the potential outcomes.

Everything seems to be a priority, and everyone is spread thin. The organization adds new staff members long after the need for them is recognized. Many people are involved in fund raising, but there is little or no coordination. There is a heavy reliance on events and grant writing. Programs may be added without adequate funds being secured, and the organization may accept contributions for programs that fall

outside its mission. If a fund raiser is hired, it is usually a junior person. Late in this stage, people begin to feel overwhelmed; there is a sense that it's time to get organized and to do more planning.

C. Adolescent. As people begin to feel overwhelmed and the need for more organization emerges, the charity enters adolescence. There may be internal conflicts between those who want continued unfettered growth and those who want to get organized.

At this stage, the charity begins to craft strategies and goals, often in the form of a written plan, and adopts systems and procedures for efficiency and accountability. In some cases, its leaders recognize the need to cut projects that do not work well or fit the charity's mission.

The organization may continue to rely heavily on the founder, who brings energy and, often, financial resources. If the organization is to grow, however, the board must assume more responsibility and control.

The founder may see this as a threat, but he or she needs to shift focus from the daily work to building an organization that will thrive on its own. If the founder cannot make this shift, the charity stays stuck in this stage.

New systems and procedures help ensure that fund raising is more organized, but contributions may slow as the charity adopts them. The board and volunteers still lack an in-depth understanding of fund raising. While consultants may help them embrace expanded efforts to raise money, the founder and others may resist following systems of control and accountability.

D. Prime. If the organization successfully resolves the internal conflicts typical of the adolescent stage and brings order and discipline to its work — without sacrificing innovation and risk taking — it moves into prime. The characteristics of this stage include talented employees and volunteers who work well together with mutual respect. Innovation takes place within established systems. The organization is results-oriented, and there is predictable, reliable growth based on the charity's mission. Risk taking is based on sufficient knowledge and experience. Any conflicts are resolved in the best interests of the charity. People in the organization enjoy their work. The development office has achieved stature within the organization and is seen as crucial to its success. Fund raising is integrated into most activities, and staff and board are fully engaged in appropriate fund-raising roles. Fund raisers are on top of trends in their field.

E. Stable. The charity's programs, products, and services are popular and supported by contributions and other income. People in the organization take pride and satisfaction in their work. Maximum financial strength and growth have been achieved. Working conditions include good salaries and benefits, and people are happy with the way things are.

At the same time, a degree of complacency sets in, and growth begins to slow. The organization points to past achievements rather than future plans, and there is a declining investment in new ideas.

At this stage, leaders and fund raisers need to challenge the notion of good enough and stay alert to opportunities. Fund raisers should explore the potential for expanding contributions by staying abreast of demographic and economic changes and fund-raising innovations. They should stay in close contact with donors, listen carefully to their ideas, and make efforts to keep them excited about the charity's work.

F. Aristocracy. Unless leaders take the organization into a new growth curve after achieving stability, the organization begins to age, becoming an aristocracy. At this stage, money is used for comfort and image rather than new programs and services.

The charity is characterized by formality, in people's dress and in its offices and procedures. Money and time are invested in systems of control. There is an emphasis on how things are done, rather than what is done. There is continued slowing down; some decisions seem to take forever. People inside the organization may become concerned, but most accept the status quo.

Participation in the organization's programs and services begins to decline, and often fees are raised to artificially maintain profitability. There may be a temptation to dip into endowed funds to cover shortfalls. A large endowment may trick leaders into thinking there is no urgency, and the board is likely to resist new fund-raising strategies and sources of revenue.

Often, little time is spent on replenishing donors who make lower-level gifts, and most of the focus is on the top contributors. The challenge for leaders is to help reinvent the organization by pushing for change and bringing in fresh ideas from outside the group.

G. Bureaucracy. Eventually, the charity uses up so many resources that it declines into a bureaucracy. The focus of the organization continues to be inward, but formality and politeness give way to passive resistance and, in some cases, back stabbing among the staff and board.

Energy is spent on fighting one another rather than fighting for the charitable cause. People begin to blame one another for declining circumstances, and the chief executive may be fired and replaced. Additional layoffs may occur, causing morale to plummet. Employees are alienated and paranoid; some begin to look for other jobs. There are many complex, slow internal systems, and outsiders find it hard to connect with the organization.

A few committed donors may provide "bailouts," which often only prolongs the agony. The outside world begins to learn of the charity's problems, making it harder to raise money. Fund raisers' suggestions for change are likely to be resisted; they may even be blamed for financial problems. They may be able to make small changes, bring in outside consultants, or ignore the problems and focus on modest achievements. If no leader emerges to turn the charity back toward a growth path, which is very difficult for a late-stage bureaucracy, the organization will eventually close its doors. It will linger as long as the money holds out, which may be a number of years.

CHARITY LIFE CYCLES: HELPFUL RESOURCES

Following are books that are mentioned in this article about charities and their life cycles, as well as information about their publishers and price:

Corporate Lifecycles: How and Why Corporations Grow and Die, and What To Do About It by Ichak Adizes
Publisher: Prentice Hall Press
Price: \$49.95

The Five Life Stages of Nonprofit Organizations: Where You Are, Where You're Going, and What to Expect When You Get There by Judith Sharken Simon and J. Terence Donovan
Publisher: Amherst H. Wilder Foundation
Price: \$32.95

Navigating the Organizational Lifecycle: A Capacity-Building Guide for Nonprofit Leaders by Paul M. Connolly
Publisher: BoardSource
Price: \$45

Nonprofit Lifecycles: Stage-Based Wisdom for Nonprofit Capacity by Susan Kenny Stevens
Publisher: Stagewise Enterprises
Price: \$34.95

If you would like to learn more about the Life Cycle concept and use it with your own organization, [contact Qm2](#).