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Internal Revenue Service-IRS - Information on filing for tax-exempt status through the IRS, filing requirements, and accountability.

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TOPIC WATCH

Each month we will feature a different topic; expanding the knowledge, resources, and peer networking in targeted areas. These target areas will include workforce development, transition, supported education, leadership, organizational development, sustainability, and others as they are identified.

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Organizational Development: Getting your Nonprofit Status is Just the Beginning

Many organizations think that developing a nonprofit is about getting their 501c3, the IRS nonprofit status often required for eligibility to apply for federal and private funds. In reality, getting nonprofit status is only one tiny step among many that are required as an organization grows and strives for sustainability. The process of developing and running an organization includes multiple layers of responsibility, and requires many actions that all have to contribute to the overall mission and vision of the organization.

A nonprofit corporation is a special type of corporation that has been organized to meet specific tax-exempt purposes. To qualify for nonprofit status, your corporation must be formed to benefit (1) the public, (2) a specific group of individuals or (3) the membership of the nonprofit (Legal Zoom, 2008). "Sustainability" is the ability of an organization to develop a strategy of growth and development that enables it to continue to function indefinitely (Nonprofit Good Practice). An organization can achieve its nonprofit status and never reach a plateau of sustainability.

Nonprofit leaders and board members are realizing the importance of the relationship between a nonprofit's organizational competence, or capacity, and its ability to accomplish its mission and deliver important services. Yet, current definitions of capacity generally describe one-size-fits-all practices and protocols for mature organizations. The fact is that not all nonprofits are mature. Some are start-ups, others are in rapid growth, and still others are undergoing organizational regeneration. The "development" of an organization is an ongoing, fluid, and ever-changing process.

In 2001, Susan Kenny Stevens introduced a developmental concept on nonprofit capacity and its relationship to increased organizational performance. Her book, *Nonprofit Lifecycles* outlined seven nonprofit lifecycle stages and the predictable tasks, challenges, and inevitable growing pains that nonprofits encounter and can hope to master on the road to organizational sustainability. From the lifestyle perspective, optimal capacity is defined as the organization's ability to achieve balance across five dimensions: 1) programs, 2) management, 3) governance, 4) resources, and 5) systems. If an organization is performing at the appropriate level for its stage of development in each of these five functional areas, it is generally deemed "healthy." Otherwise, the "stalled" capacity area holds the organization back.

Developmental Stages of a Nonprofit

There are many resources detailing the different developmental stages for nonprofits. In general, they relate to the following:

- *Vision*: This is the idea stage, when there is no formal organization. There may be a small group of individuals who share the same vision and passion.
- *Start-up*: The organization begins to emerge and formalization helps create the necessary parameters so that leadership can develop an infrastructure.
- *Development*: This is the stage where the mission and organizational programs have begun to take hold, nonprofit status has been achieved and there is a functioning board of directors and resources to meet basic needs.
- *Maturity*: The organization is well-established and following mission-based management practices. They are generally well known within their peer network and among the populations they serve.
- *Deterioration*: This stage features an organization that is struggling to have enough resources to meet the demands of their mission and services. Sometimes an organization has drifted from their mission and begun a period of decline.
- *Turnaround*: This is the stage where leadership strategically responds to a decline and begins to reverse their direction in an effort to save the organization.
- *Terminal*: The terminal stage is final; the organization no longer has the will, purpose, or resources to continue their existence.

Most of the stages are not progressive; in other words, an organization does not move from one to the other. Often, organizations will float back and forth, depending on resources, leadership, capacity, and population needs.

Examining Organizations by Stages:

- ✓ Enables you to see where you are starting from, and moving to;
- ✓ Allows realistic expectations based upon organizational developmental stage;
- ✓ Helps flag behaviors that may be irregular for the maturity level of the organization;
- ✓ Depersonalizes weaknesses and helps leaders see the organization as a developing body; and
- ✓ Promotes direction based upon the stage and progressive nature of the organization.

The organization will have areas within their programs that will be at different stages as well. These areas might include:

- Board Development
- Vision and Mission
- Cultural and Linguistic Competence
- Consumer and Emerging Adult Driven Practices
- Program Development
- Financial Management
- Human Resource Accountability
- Program Evaluation
- Sustainability
- Infrastructure



For example, an organization may be in an overall mature stage and have a plethora of resources to assist them in accomplishing their mission, but, they may just be getting started in developing a cultural competence program that introduces a new approach to serving consumers. Although they are a mature organization, this particular component will still be in the startup phase.

All organizations should develop a consistent approach to assessing their developmental stage and creating a strategic plan that prepares them for the capacity to grow while monitoring their need to avoid landing in the terminal stage. Watch upcoming editions of Focus for more information on building the capacity of your organization.