HISTORICAL LOOK AT LIFECYCLE THOUGHT: DOWNWARD
AN EXCERPT FROM THE BOOK *NONPROFIT CAPACITY BUILDING*

John Brothers*, *MBA, MPA, LP.D, CFRE is a Co-Editor-in-Chief of the Journal for Nonprofit Management, Senior Fellow with the Support Center for Nonprofit Management.

Organizations that are in crisis are commonly discussed in all three nonprofit lifecycle models. In Susan Kenny Stevens' lifecycle model, the downward phase is most commonly referred to as the "decline" and the "turnaround" phases. In the decline phase, organizations may have the following challenges:

- Program participation has been reduced and there are other programs in the marketplace that are both appealing to and relevant to the service community.
- As signs surface regarding organizational challenges, leadership has ignored the problem, denied it, or assigned blame to other places.
- The Board of Directors is disconnected from the challenges of the organization until the challenges become much too big.
- The organization's budget is not versatile and not well thought out, usually revisiting past efforts and not steeped in current realities.
- Organizational processes often steer the organization into ineffective practices and infrastructure severely limits the organization.

Overall, Stevens believes that in the decline stage organizations make decisions based on internal interests that are continually repeated rather than an understanding of the needs of their program participants. This challenged dichotomy eventually strains the organization's financial model, causing significant challenges to the organization's cash flow. The turnaround phase, also outlined by Stevens, outlines an organization that is in a special place in its history. As the organization has declined, so too has its place in the market significantly driven down both its demand and its revenue. Stevens believes that in this space, organizations become "self-aware" and use determination to reverse themselves through the lifecycle and into a more favorable position in the market, thus driving up revenue to become more supportive of their new status. According to Stevens, organizations in the turnaround phase commonly reflect the following attributes:

- A reassessment of programs occurs and due to this assessment programs are recast or realigned to more closely meet the needs of the market.
- An organizational leader grabs control of the organization, utilizing a variety of skills needed to move it through the crisis and into a healthier environment.
- A subsection of the committed board members re-engages to help propel the organization to a better place.
- The organization is utilizing a more realistic budget, showing a greater relationship between expenses and income.

- Current organizational processes do not match the needs of a changing organization, and work might begin toward bringing them more in alignment.

In Simon's book, the organization in the downward phase of the nonprofit lifecycle might be placed in Stage Five, or the "Review and Renew" stage. Essentially Simon believes that at this stage the organization is feeling the need to remake or redesign itself. Organizations that are in this stage begin by reviewing their efforts and subsequently use that review to redesign new areas. These redesigns can be significant or minimal, but once fulfilled the organization begins to recognize its ability to have an impact in its community.

High-Arc and Low-Arc: How Organizations in the Downward Phase Are Impacted

As stated in earlier sections, the nonprofit lifecycle should not be viewed as a model that can be applied equally to all organizations. While there might be indicators that can give a safe assessment of where an organization may fall on the lifecycle spectrum, overall this usage of the lifecycle is flawed, specifically when trying to understand organizations that are in the downward phase of the lifecycle. For example, when looking at an organization that is over 50 years old and has an annual operating budget of over $75 million, the downward phase might be much different than a much smaller organization with a less-developed history. Can you apply the same board development techniques to the larger organization as you would to the smaller organization? Is the financial management different between the two? How agile is the larger, how advanced in its procedures, compared to the smaller group? In all of these cases, the organization's DNA is much different and therefore requires a much different look as it relates to its lifecycle. To this, we have created the concept of high-arc and low-arc organizations, where high-arc organizations follow a different set of circumstances and therefore a different set of solutions than do low-arc organizations. The arc relates closely to how the organization will move along the trajectory. We will begin by highlighting the decline phase in high-arc organizations followed by a similar analysis with low-arc organizations.

It is important to note (and is discussed further in the closing chapter) that movement along the organizational trajectory is not based solely on impact; impact actually might be one of many factors that represents the organization's place on the lifecycle. While movement of the organization along the lifecycle closely relates to impact and those organizations that are obtaining a high level of impact probably are moving through the lifecycle successfully, there are a number of organizations that, while they may have more significant program impact than another organization, the organization with less impact does better in other areas like fundraising and public relations, thus possibly helping it navigate the lifecycle more successfully. Again, the debate between growth and impact will be an important closing point relating to the inherent contradictions that exist for nonprofit organizations.

High-Arc Organizations – Decline Phase

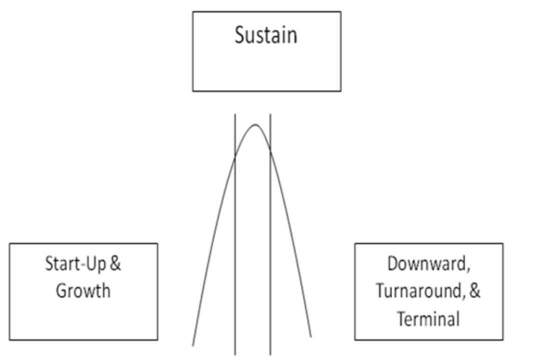

Figure 1 High-Arc Organizations

High-arc organizations are those that had a long period of growth and a short period during which they sustained the organization in a constant state. Essentially organizations grow to reach a state in which they can deliver a product that "works." For instance, an arts organization might find that it has established a firm footing in its community, has a consistent buying audience, has a stable facility for which to display its product and is not necessarily looking to become larger. It just wants to continue to develop and refine the effort that it spent years growing into. In high-arc organizations, this period is often the shortest time for the organization on the lifecycle, as seen in the above diagram.

The sustain phase is the period of an organization's life in which building its infrastructure is supremely important. In a successful sustain phase, an organization typically engages in the following capacity building activities:

- Recalibrating its board of directors, creating relevant committees that establish infrastructure, solidify resources, and align closer to the organization's services.
- Executive leadership takes on a different form, whether through new leadership or through a new amalgam of the current leadership. Either way, executive leadership is committed to developing systems, processes, and structures.

As jogging takes over for sprinting, so does sustaining for growing. It is what happens in the sustain phase that dictates the organization's trajectory; oftentimes fast-growing organizations do not have the "metabolism" for a long sustain phase and quickly find themselves on the downward side of the lifecycle. Per the arc shown above, the organizational cycle is long on both start-up/growth and on the downward phase of the lifecycle.

There might be many reasons for this arc structure, but more than likely the start-up develops an idea with great energy that outpaces the needed infrastructure to support the organization. The organization is likely a relatively new organization circling through its first time within the lifecycle. As an example, the organization could be a microfinance group that has recently been inspired by the recent upsurge in focus on this area. Building on the public momentum of this cause, there may be an effort that is an offshoot of other like-programs that exist in other like-areas. People become excited, programs are created and implemented, resources and momentum are generated, all causing the organization to feel that the demand for its mission far exceeds the supply.

There is a downside to this growth, but often the downside might not be significantly felt for a long while. The work toward growth can often overtake all other functions. Some call this "growth for growth's sake." Usually the growth is a part of additional funding resources that can often determine decisions, referred to by some as "chasing dollars." Because of the initial high demand of the product, building internal infrastructure often takes a secondary role to the work of harnessing growth. The easy test to see where there are cracks in the organizational infrastructure might be to look at whether the organization has relevant job descriptions that somewhat match the roles being performed by staff or whether financial management reports reflect current status but do not project a long-range financial direction. These two only reflect a few of a much larger number of infrastructural cracks that could be appearing. Bypassing these cracks, or "putting Band-Aids on bullet holes," is a fatal mistake that many organizations in fast or high growth commit.

Bypassing these important areas is a large reason why organizations experience a shortened sustain phase and a rapid and longer-term downward phase. The infrastructure that the organization needs to assist it in the downward cycle is unfortunately not available. This lack of infrastructure often causes the challenges of the downward phase to become much more difficult, so that this phase, along with growth, dominates the organization's history. In traditional writings on the lifecycle, the sustain phase is the longest period in the organization's lifecycle, potentially lasting up to 30 years. Without a long sustain phase, organizations are forced to build needed capacity during the challenges of a downward movement.

It is also important to note that while the organization may be building infrastructure during this time, it might also be re-addressing infrastructure that was either designed or implemented ineffectively. Long-serving organizations especially might have been using certain systems for decades. You might hear, "We have always issued an annual appeal at the end of the summer" or "the standard operating procedure is one that was designed years ago and seems to work just fine." The trick to this is to understand which areas need updating and which areas are void of the proper infrastructure and need a new system.

The following are important areas of capacity that high-arc organizations must build while also managing a downturn. Many of these areas are often practiced only when a crisis is presented, but high-level organizations look at these areas below as part of their ongoing organizational assessment process. They are as follows:

- *Cash Flow Planning* – Often for organizations in crisis, the first time they see a cash flow statement is when cash flow becomes a serious issue. Getting an overview of an organization's cash position should not be an activity that is only reserved for organizations experiencing a cash crisis. Like many things, cash flow planning is a function that takes time to master. In addition, looking at a cash flow document when in immediate crisis is not the best time to be introduced to such a document or process. Organizations should introduce a cash flow document as a normal part of financial reporting and certainly no later than when the organization realizes that it is entering a downward phase.
- *Enhancing Board Bench Strength* - When a Board of Directors finds itself in the midst of a downward trend, a variety of challenges occurs relating to the board's connection to the

organization. Boards may enhance their involvement in day-to-day activities or they may begin to personally move away from the organization as the efforts become more challenging. One of the major reasons is that the skill set represented by the board members in the room is not the skill set needed to help the organization through a crisis. The board member who is great at visioning and partnerships through growth might not have the transferable skills to help during a more challenging time. Managing financial resources or human resources might be a skill set that is more needed during this time, and therefore it is important to find board members that can complement these needs. The earlier Board Report Card example is a great tool to use and would be an exercise that could help the board see glaring gaps that exist within both the board as a whole and with individual board members.

- *Contingency Planning* – As an organization starts to accept that it is in challenging times, it must plan for the work needed to help itself to successfully move out of the downward phase and figure out what mechanisms will be needed to eventually lead it out of this crisis. In all parts of the lifecycle, the movement along the continuum happens in phases. These phases look different depending on the decisions happening in the prior phase. This is especially true in the downward phase. For example, say an organization decides to approach its closest funders in an attempt to obtain needed revenue to help it get through a difficult time. It has estimated a certain amount of money that will be obtained through this work. If it receives 50% less than planned, its next steps will be significantly altered depending on the original plan. Scenario planning in a downward phase involves looking at major actions that will be employed during the crisis and assigning levels of possibilities, or triggers that will dictate the next steps of the organization. On the following page is a simple example of a scenario planning tree.

The Mind Frame of High-Arc Organizations in the Decline Phase

An organization that is in the deep decline phase may be suffering from many infrastructure challenges, but the overwhelming challenge is one that might be entitled "organizational self-esteem." The decline phase of high-arc organizations often hits the organization like a "ton of bricks." It is shocking and unexpected because just a short time ago the organization was in the midst of rapid growth. Board members, community partners, and funders are often the most shocked at the infrastructure challenges because the organization publicly is still regarded as a growth organization. The buffer between an organization in the growth phase and an organization in decline is the sustain phase. When that phase is shortened, it is common for the feelings of the growth phase to still be very present as the decline starts. These feelings at some point come into direct conflict with the realities of the decline phase and ultimately organizational self-esteem begins to plummet. Like the infrastructure issues that significantly challenge the organization, organizational self-esteem becomes a major challenge that the organization must both deal with and overcome to be able to successfully navigate this phase.

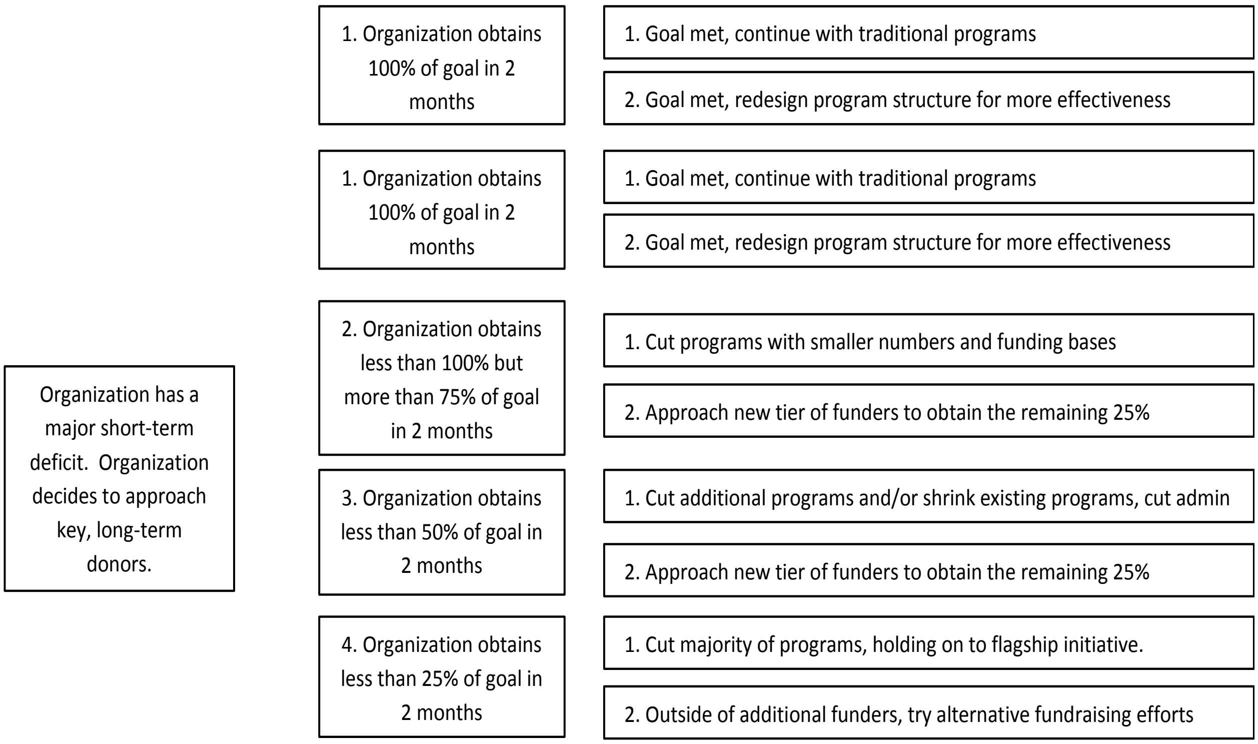

Figure 2 The Planning Tree

Understanding organizational self-esteem is not that much different than understanding individual self-esteem. According to leadership expert Mitch McCrimmon, those suffering from low self-esteem might feel the following:

- Feeling like a failure relative to everyone else and doubting they can achieve anything
- Playing it safe, not trying anything new
- Overly depending on others to look after them
- Escaping unpleasant realities
- Putting themselves down constantly

Applying the same characteristics to high-arc organizations in the decline phase, these organizations often exhibit the following relating to those characteristics:

Feelings of Failure/Doubt – The shock of being in this downward stage can immediately cause organizations to feel both failure and doubt. These feelings can easily become the dominant feelings within the organization.

Risk-Averse – The current trajectory has caused the organization to be in this stage. The organization must change. The organization may realize that change is needed but moving away from even standard organizational practices proves to be difficult. You might hear the phrase, "This is the way things have always been done" uttered repeatedly.

Dependency – Dependency relates directly to the organization's relationship to leadership. If the board has been the dominant voice within the organization and its decisions have largely contributed to the organization's challenges, logic might lead someone to think that there must be a change in the dominant leadership individual or group. But often the organization recommits to the challenged leadership structure because it has developed a level of dependency on that model that clouds the necessary steps needed to change the leadership structure.

Reality Aversion – One of the biggest challenges in the downward phase, especially for groups in high-arc organizations, is that the time of organizational growth is still so fresh in their minds that it can often blind them to current realities. The challenge comes when organizations don't accept that they are facing tough times and act as if they were still in the high growth phase. *Negativity* – In tough times it is common for individuals to start to abandon the teamwork that they may have experienced in growth and start assigning blame to those they feel are responsible for the current challenges. This causes the organization to shift its focus from alleviating the structural issues to concentrating on the emotional and relational issues. Focusing on these is very important, but the negativity will force the emotional and relational challenges to expand rather than to contract, requiring now more time and energy.

As you can see from the above outline of the organizational self-esteem characteristics of high-arc organizations in the downward phase of the lifecycle, the challenges of the feelings and confidence of an organization can have a major impact on its future. The following are individual solutions relating to each characteristic that an organization can use to help change negative self-esteem to positive, a Tony Robbins-esque approach to dealing with low organizational self-esteem. The solutions are as follows:

Overcoming Feelings of Failure/Doubt– When the organization starts to get down on itself, an activity that allows the organization to look at itself in its current form can be very valuable. One way to do this is to conduct a SWOT analysis, which is the "Ghost of Christmas Present" exercise that allows the organization to see how it looks at the current day and time. In the appendix is a standard SWOT Analysis template, which helps the organization outline its challenges and strengths to build a common understanding of the issues, remind itself of its strengths, and work out solutions to current issues.

Risk-Averse – Risk-averse does not mean that at the time of crisis the organization is going to take a radical turn in an opposite direction. If you're a community gardening organization, don't all of a sudden become an association of scientists. Risk-averse is more about letting go than about moving forward. The practices that have gotten the organization into trouble are the practices that need changing. One of the best ways to move out of current ineffective practices is to see how others are performing and latch onto the practices that are effective and make most sense for the organization to adopt. Organizational shadowing or mentoring is a great way for an organization to see the inside functioning of another organization and then adopt the best practices from those visits. It becomes less risky of a proposition if the risk is being practiced by like-minded groups.

Dependency – One of the major reasons an organization might experience a sharp decline along the lifecycle is when their executive leaves suddenly. The organization's dependence on the leader is showcased strongly when the organization falters in his or her absence. A strong board of directors that embeds itself into the day-to-day operations of the organization, especially in times of crisis, does so to the potential detriment of staff buying into the direction of the organization laid out by the board. Both situations outline the levels of dependency of the organization on its leadership and relate to the organization not diversifying its leadership. Later in the chapter we will outline a tool, entitled the Internal Management Dashboard (IMD), that addresses the issue of diversifying both leadership and management approaches while concentrating tactics and perspectives on the most pressing and relevant issues facing the organization.

Reality Aversion – Reality aversion deals mainly with two different scenarios. The first scenario is that individuals within the organization are unknowingly avoiding the organization's current reality because they are generally unaware of the state of the organization. In this situation there are dual views of the organization's reality. The second scenario is that there is a common understanding of the organization's current challenges but one or more of the individuals or parties does not subscribe to the reality and operates according to a prior reality. As we discussed earlier, many individuals within a high-arc organization in decline may not want to admit that the organization is in decline, particularly when the organizational growth is still in recent memory. The solution to dealing with the first scenario, having multiple viewpoints on the status of the organization, is having the organization go through an assessment like the CCAT assessment. The results of an organizational assessment can help all within the organization gain clear footing on what the status of the organization is. The second situation becomes more difficult because there is knowledge of the organization's challenges but one party disagrees with the assessment and wants to act counter to the necessary path for the organization. The solution to this is to center on the creation of avenues for dialogue and discussion. Through communication, having a goal aimed at finding common ground on the organization's current reality can help the organization move forward toward new realities.

Negativity – It is easy in an environment of challenges, some of them major, for individuals not only to begin to feel negative but also to convey this negativity to small and/or large groups of individuals. This negativity can start among a small group of people and grow to be felt among more and more people each day. It is important that this negativity is addressed through an open process, that organizational values are established that address the base, and that those individuals having a hard time use the mechanisms in place to talk about their negative feelings or perceptions. The solution to creating this environment is to have a facilitated discussion on the values of the organization during organizational change. Creating norms that outline how difficult feelings and perceptions will be discussed and dealt with will create avenues of accountability and mechanisms to deal with the negativity before it impacts the effort.

LOW-ARC ORGANIZATIONS – DECLINE PHASE

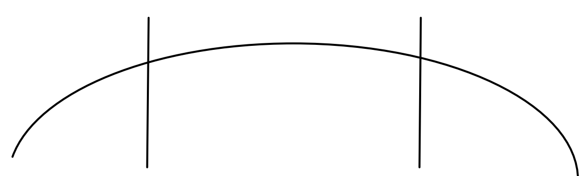

Figure 3 Low-Arc Organizations

As we have explained, organizations might be operating from a variety of different organizational trajectories and arcs. We previously discussed the attributes of a high-arc organization, whose organizational history has been concentrated in high growth and steep decline. The central difference between high-arc and low-arc organizations is the sustain phase. As we've noted about high-arc organizations, the sustain phase is the shortest time in the history of the organization. In low-arc organizations, the sustain phase occupies the longest part of the organization's recent trajectory. Low-arc organizations are often much older and have probably cycled through the lifecycle more than once. Movement within the low-arc organizations can appear to be much slower because most of the work is being done within the sustain phase, when the organization programmatically is close to a central theme or premise and is essentially delivering on that premise.

High-arc organizations and low-arc organizations are often similar in one large respect, usually apparent during the time when the organization realizes that it is in decline. They both most likely feel surprised by their current state. The difference is that high-arc organizations are surprised by the infrastructure issues that were never addressed because of a lack of a sustain phase while the low-arc organizations are surprised that there has been a slow tearing of the infrastructure of the organization that has suddenly been revealed. The best example of this can be seen in program effectiveness. A low-arc organization may have a series of programs that have been delivered for a long period of time. Human service agencies with storied histories might have one or more signature programs that have been within their program mixture for years. Using the human service example, the program upon creation might have been unique, high-impact, and innovative. As times and communities change, perhaps the program became less relevant, or the evaluation criteria became stale, or the impact was reduced. Many times the organization is delivering a program simply because the program has always been delivered. As this happens over time, competitive programs become more effective in meeting the needs of the same population and the funding community shifts along with the competitive programs. The end result is that the organization's key programs have found themselves on the "outside looking in" as they relate to the funding community and program participants have made the transition to the organization with the more effective delivery system. If the organization's primary programs represent 40% of the budget, because of the shift by funders and the community there might be a 10% or more shift in program funding. This can present a major challenge to the direction of an organization.

The above challenge can also apply to a low-arc organization's Board of Directors. As anyone who has visited a number of Board of Directors meetings would note, they often can be steeped in ritual. Members sit in the same seating arrangements; certain people deliver the same messages, and the agenda that was created is exactly the same with only the date updated. In this type of organization, you might see board members with over 10 or 20 years as part of the group. Like performing certain program activities because they have always been performed, board members fit into patterns that are replicated at every board meeting. Bob is the financial expert and Jean is the individual with direct experience in our program areas and they will perform these roles in the play called "Board of Directors." As the programs begin to tear and the board continues to perform the same play, there becomes a widening gap between the product and the governing structure. The long period that is the sustain phase for the low-arc organization eventually causes the Board of Directors to become very far removed from the mission of the organization, which in turn affects its ability to both obtain resources and publically advocate for the organization. A far-removed Board of Directors can have major challenges for an organization in the decline phase of the lifecycle, including having a significant impact on future funding and a frayed role in guiding the organizational leader.

The prime advantage that a low-arc organization has over a high-arc organization is that low-arc organizations have time to make adjustments to their trajectory whereas high-arc organizations are reacting to a steady decline along their trajectory. Similar to the organizational self-esteem characteristics experienced by high-arc organizations, low-arc organizations experience characteristics often seen in those that are complacent. Characteristics of complacency might include:

Trusting to a Flaw – Trust is at the base of routine. Using the same hairstylist or buying fruit from the same farmers' market for years are examples of how routine filters into our daily lives. We trust that we will receive a good haircut or fresh fruit each time we visit. The same trust applies to leadership in the organization. As the organization looks and feels the same each and every day, over time everyone develops a sense of trust that the organization will look and feel the same tomorrow. This blind trust can have a lasting negative impact on the organization because it does not shift even though outside the organization there are a variety of factors changing every day, including philanthropy, community needs, and socioeconomic demographics.

"Not Broke, Don't Fix It" - If the impulse arises by some to tinker under the hood and fix certain areas within a low-arc organization, there might be push back among others who argue, "If it's not broke, then don't fix it." The challenges with this notion are twofold. The first is that there are differing views on what "broke" means. This viewpoint assumes that the organization must be in a much more challenging position before the organization should "fix it," essentially advocating for the organization to nearly be broke financially or broken structurally before taking action. The second challenge, which is more cultural, is that the leadership has taken a position of not dealing with issues as they become issues. The ability to deal with organizational issues is important for all levels of leadership, and tabling these efforts limits the leadership's ability to address challenges. The ability to effectively deal with organizational challenges is a muscle that needs to be worked out or the ability to eventually deal with challenges will be jeopardized.

Macro, Macro, and More Macro – Oftentimes organizational leaders believe that a macro-perspective is the primary perspective they are able to adhere to. Numerous books, management schools, and leadership theories encourage leaders to enhance their ability to look at an organization from a macro-level. Aside from theory, a macro-level overview dissuades leaders from using energy to look at efforts from a micro-level. Micro-level analysis takes a great deal of time and energy, and leadership often resorts to focusing solely on a macro-level viewpoint. Board members also fall victim to this, deciding that a micro-level view might mean that they are involving themselves too closely in the day-to-day or that there are not opportunities for board members to have a micro-level view.

Passion to Mission Equation– One of the main differences between growing organizations and those efforts in the sustain and decline stages is that organizations in the growth stage often exhibit a high level of energy toward their mission. This is the main reason why these organizations are growing--the momentum and excitement that is felt causes partners, staff, and funders to continue to be engaged. If you are sitting in a board meeting or walking into the lobby of an organization in the sustain phase, you would never suspect that the effort is geared toward a specific mission. There is minimal excitement for the effort and one might feel that the organization is merely "going through the motions." The loss of energy or the perception that energy is lost, around the mission of an organization poses a variety of potential challenges to the organization, including the negative impacts to staff morale and negative interactions with partners and clients.

The above characteristics of organizational complacency outline how a low-arc organization can leave the sustain phase and enter the decline phase because of the organization's inability or unwillingness to step up and address minimal issues that later become much larger. The following are individual solutions relating to each characteristic:

Trusting to a Fault – Having trust in an organization is an earned status. Getting to this point was an awesome but difficult journey and having enough faith in the organization without having to be embedded in its every fiber is a great experience due to much hard work. Essentially, the engine has been built and now the organization can drive. The challenge is that every once in a while you have to take the car in for a diagnostics. Low-arc organizations should create a battery test that outlines the functioning of the organization, an internal audit that outlines a variety of areas. An example of an organizational diagnostic is attached in the appendix.

"*Not Broke, Don't Fix It*"– This can almost be equated to a disease or a syndrome. The symptoms include consistently repeating the same patterns and blocking new ideas or efforts at the expense of these patterns. The solution to this problem is to break up the process that dictates the patterns. If board members sit in the same seats in board meetings or flow through the same agenda patterns, then have a standing policy that board meetings will have features that change with each meeting, like an issue speaker or a client presentation. Change the meeting location. If an executive comes in each morning and immediately goes to the office to pour through e-mails, have the executive step out of the office each day and spend some time walking through the programs and visiting with staff. The walk-through can change both the perspective and approach to the executive's work.

Macro, Macro, and More Macro – When a low-arc organization realizes that it is beyond the sustain phase and is in decline, the worry of many executives is the reaction of the board. A board may immediately become more hands-on--or it may decide to be more hands-off. Finding the right mix of involvement becomes the work of both the board and the executive. One of the signs that a low-arc organization is in the decline phase is that there has been a gradual peeling off of board members. The organization is different from when they started and their roles have become stagnant. Boards often replace these board members with exact replicas of the previous person, meaning we lost a zookeeper and so we need to find another zookeeper to fill this gap. This is a flawed strategy and misses an opportunity at a critical time to gain the board member that the organization truly needs. The board member that you needed in the growth phase is much different than the board member you need in decline, and therefore having someone who is a special-event expert might not be as relevant as you watch your cash flow more closely. Maybe someone who is an expert in human resources or real estate financing might be more optimal in the current state. A board matrix is a common tool used to gain understanding of what the organization's board needs in terms of members versus what the board currently has in terms of membership skills and resources. Attached is a common board matrix. One solution to moving from an entirely macro perspective on the board is to change the board roles, allowing new member roles that look closely at specific areas that are most pertinent to the organization in the decline phase. The board is an amoeba-like entity, changing to best meet the needs of the organization, and therefore should change to meet the needs in the decline phase.

Passion to Mission Equation – A common statement that one might hear from ground-level staff during a crisis is that the board and the executives don't care about the work of the organization. Attend a board meeting during times of decline and ask individual board members what the organization is doing on the ground: if it is an 11-member board you will probably get 11 different responses. The problem here is not a question of passion, but a problem of connection--a connection to the work, a connection to the staff, and a connection to the mission. This disconnect can be seen as a lack of passion. The disconnect can be solved, but being regarded as dispassionate is a hard challenge to overcome. The solution becomes taking those regarded as dispassionate and creating space for them to again become connected and to develop relationships to those who are probably mischaracterizing them. It is always hard to find ways to showcase the great strengths and qualities of board members to others outside of senior leadership. During times of crisis or decline, the solution to the passion challenge is to shrink the space between those on the front line and those at the executive and board levels to show that there is a common affinity toward the mission.

THE ARC DURING CRISIS

In September of 2008 the United States economy began to experience a very serious economic crisis. This economic downturn changed the landscape of a number of arenas, including the nonprofit and philanthropic landscape. Philanthropic giving has shifted, foundations have re-prioritized, and government contracting has become more burdensome. This has caused major financial challenges for a majority of nonprofit organizations. This has also changed the arc of nonprofit organizations, especially those approaching the decline phase. The length of time that an organization can be in the decline phase can be anywhere from 3 to 10 years. During tough economic times, because of the challenges mentioned above and others, this time frame can be significantly reduced, for reasons outlined below. In addition, several solutions are offered within each of the challenge areas. The challenges and solutions are as follows:

Cash Flow Challenges – When a funder changes its giving strategy due to the economy, it often has to make very difficult decisions that can have a sweeping impact on a nonprofit organization. Similarly, when a government agency, many times a state agency, is forced to alter its payment structure or reduce payments toward its contracts, this can have a huge negative impact on the organizations the agency contracts with. These revenue challenges can force organizations to confront tough financial decisions, and if cash flow is in a position that is very serious, decisions often reserved for the "turnaround" phase are forced to be discussed much earlier. Low-arc organizations may have had arcs that show a much higher arc during times of crisis, and high-arc organizations have an arc that looks more like a cliff, mainly due to cash flow challenges presented by negative revenue changes.

In looking at an organization's cash flow, one of the areas in which significant resources are allocated is payroll. In fact, the majority of organization expenses go toward human capital. While staffing cuts can be expected, the staffing allocations should also be revisited to see if there might be areas of movement that could be considered to help alleviate the need for future cuts. For example, administrative and technical staff are often left out of the program staffing mix when in fact these staff members do spend their time working directly on behalf of the programs. Work with a government contract to re-shift the contract to include these staff members might prove fruitful to the organization.

Board Readiness– As discussed earlier, boards in low-arc organizations that are approaching or are in decline may not have either the skill set or the makeup to fully take on a decline that is now more rapid. Essentially, they got out of shape during the sustain phase and now are being asked to compete in the 400M sprint. It is just not going to go well. The board needs to be a real asset in helping the organization navigate a decline phase that is at a steeper arc, and often as the tough times have pushed the arc up, the board is left flat-footed.

A potential solution to this issue might be to have a board re-orientation that reacquaints board members to the state of the organization and what their role or responsibility needs to be to help the organization in this new economic climate. If a strategic plan exists for the organization, have a working session that revisits the assumptions laid out in the strategic plan; discuss the new assumptions and realities that exist and decide how the strategic plan should be operationalized based on this new view.

Staff Readiness – While staff may not have become complacent during the decline phase, the way they went about their work is much different during the sustain phase than it is during the decline phase. The sudden movement from one phase to another can bring a great level of confusion to a staff that may align more closely to the phase that they were most recently in. This becomes exacerbated when the phase they are moving into is the decline phase, in which the organization is cast in a challenging light. Where staff members were once talking about program efforts they are now talking about staff cuts. This sudden shift can bring a number of challenges ranging from staff morale and trust of leadership to the re-shifting of roles and limited resources to implement.

Similar to the solutions offered regarding the board, staff should also be engaged in a process that discusses how their work should change, understanding the new economic realities in play. In addition, because often the majority of staff may have not been involved in some of the top-level discussions, create an open space where staff can discuss their current feelings about the organization and have an opportunity to offer feedback about its future. Oftentimes leadership closes up the lines of communication, essentially feeding the staff information as if they were feeding a bird, offering a small pellet of food when needed. Leadership should take the opposite approach by creating avenues for staff dialogue and feedback that will allow them to recommit themselves and create buy-in to the tough decisions necessary to make it through difficult times.

Mission Impact– If you're a doctor and you're going into surgery, one would assume that the surgery table has all the tools necessary to perform that surgery. Now imagine taking away the scalpel or the EKG machine. Can you do the work as effectively? In times of crisis, the use of all the tools that were available during the sustain phase is naturally recalibrated during the decline phase; when an economic crisis is thrown on top of the decline phase, the tools that an organization has to achieve its mission are reduced even more.

In thinking about the solution, move the medical team to a community where the same surgery is routinely conducted with much less of the resources that are seen in resource-rich communities. For instance, say you ship the operating room at the Mayo Clinic to a less resourced hospital. The doctors in the less-resourced community may be amazed at the resources that are available at the Mayo Clinic room, but they ultimately will resort to a majority of the tools in their room because they have been able to successfully meet the needs of their patients with these tools. Sure, they may be able to use some of the resources offered by the Mayo Clinic room, but as they are able to meet the immediate needs of the community and have been successful with their model, they may adjust only slightly with the addition of the new tools. Organizations should not be thinking about achieving less impact during tough times but about recalibrating the way in which the work is conducted to achieve the same level of impact and potentially achieving even greater impact.

Funder and Partner Relationships – When guests are scheduled to come and visit, it's a common practice for the hosts to clean up the house to give the impression that the house always looks immaculate. The same follows suit for when organizations are in the decline phase. When a funder does a site visit, many nonprofits put on their "Sunday best" as staff members may stand a little straighter, hallways look a little cleaner, and programs look a little crisper during these visits. The discussion of an organization's challenges becomes a risky proposition due to the potential of funding being lost. This is not a situation entirely created by the nonprofit organization. In fact, it is a problem that has been created by funders as real dialogue has often been punished later by a funder's decision. The same also holds true when we meet with community partners, partly for the same reasons as the funders but also because the organization must sustain an impression that it is strong and that "all is well." The inability of organizations to engage in a peer-to-peer dialogue on organizational challenges cuts out important best-practice exchanges and opportunities for mentorship. In addition, as funders are "hubs" for many like-minded organizations, funders are often missing the opportunity to engage organizations in real peer-to-peer learning.

Solutions to this issue are numerous, but one of the main solutions is to allow partners and funders into the conversation about successfully pulling through this tough economic environment. In relation to partners, outline all the resources of both partner organizations to discover potential gaps that exist between each partner and how the partners might be able to assist in meeting each other's needs. For example, one partner might outline a real need in technology staffing while the other might suggest that it has a great full-time technology manager that has time that could be dedicated to the needs of the partner. The partner could essentially share in the costs and abilities of this previously underutilized technology staff.

Much has been discussed about the resources that funders have outside of financial resources. One of their resources is their access to information. If a funder receives a couple dozen mid-year reports on the progress and results of their grantees, is it possible that this information might be of interest to other like-minded organizations. Foundations could develop a mechanism to share this information while also facilitating dialogue among their grantees on best practices and approaches to tough economic times. Funders can be an excellent "matchmaker" for organizations looking for new approaches to their work.