


# **The Philadelphia Foundation**

## **Characteristics of High Performing Nonprofits**

### **Based on Organizational Life Cycle<sup>1</sup>**

---

<sup>1</sup> The nonprofit organizational life cycle characteristics found in this document are derived from the 2006 Board Source Publication by Paul Connolly titled "Navigating the Organizational Lifecycle: A Capacity-Building Guide for Nonprofit Leaders" and paired with Organizational Lifecycle stages as defined by TCC Group, Inc. in their Core Capacity Assessment Tool (CCAT).



**Core Program Development** – a stage at which organizations have developed a set of programs that are central to mission success and have begun achieving a consistent level of desired results for those being served.

### **High Performance Standards**

#### **Leadership Capacity**


- Organization establishes a small homogenous board.
- Board develops a clear purpose and vision that is understood by itself, staff, and volunteers.
- Board plays a hands-on role in overseeing and managing the organization.
- Board conducts an informal performance review of the chief executive.
- Volunteer or staff person founds organization or board hires staff leader.
- Staff leader is entrepreneurial and adept at establishing and growing the organization
- Board hires chief executive.
- Board appoints board chair.


#### **Adaptive Capacity**

- Organization has informal, hands-on ways to identify constituent needs, such as by talking extensively to a network of community leaders and potential clients.
- Organizational leaders have periodic reflective conversations about how the organization is performing and identifies basic ways to improve the management and governance of the organization.
- Program volunteers and staff have periodic reflective discussions about what seems to be working with the programs and why, and keep track of anecdotes and stories that relate to outcomes.
- Staff and board have periodic reflective conversations about what was learned during informal needs assessment, organizational assessment, program evaluation, and other sources, and how it relates to possible organizational improvements.
- Organization develops simple systems for storing, organizing, disseminating, and using its knowledge.
- Organizational leaders create a strategic thinking piece with a 2-year horizon that explains how it will start up the organization.
- Organization has a simple plan for generating revenues from at least one major funding source.
- Organization forms relationships with other groups and begins informally cooperating with some of them, such as by sharing information and making cross-referrals.


#### **Management Capacity**

Organization has a small number of volunteers or staff and there is little or no organizational hierarchy.

- Organizational leaders establish roles for staff and volunteers and recruit and hire people.
  - Volunteers and staff are informally oriented, trained, and evaluated.
  - Staff decision-making process is informal.
  - There are few or no formal personnel policies.
- 

- 
- Organization communicates informally among staff, such as by having sporadic conversations and meetings.
  - Organizational leaders create a basic annual budget and meet regularly to discuss how to allocate financial resources.
  - Organization establishes a basic accounting system, which may be cash-based, and creates annual financial statements that are audited internally and approved by the board.
  - Organization has adequate human resources, such as a part-time bookkeeper, to handle the financial management function

### **Operational Capacity**

- Organization establishes basic skills to effectively provide simple programs that meet the needs that it identifies.
  - Organization has fundamental skills to have reflective conversations about program outcomes and informally evaluate programs.
  - Organization builds basic skills to develop strong connections with constituents and effectively perform outreach and advocacy.
  - Organization has adequate ability to market its programs and services and communicate about its activities in simple ways, such as through word-of-mouth and written program descriptions.
  - Organization has legal skills necessary for the organization, such as for creating bylaws and articles of incorporation and obtaining tax-exempt status.
  - Organization has skills to secure contributed revenue from at least one main source.
  - Organization has skills to begin planning possible earned-income activities.
  - Organization has accounting and financial management skills needed to set up payroll, create and manage an annual budget, establish and implement a simple accounting system, and create annual financial statements.
  - Organization has fundamental skills to manage, operate, and maintain its facilities, such as borrowing, subleasing, leasing, and maintaining office and program space.
  - Organization has basic skills to use and manage technology, such as telephone, fax, and computer hardware and software.
- 

**Infrastructure Development** – a stage at which organizations that have developed an organizational infrastructure necessary for supporting core programs and are growing to scale.

## High Performance Standards

### Leadership Capacity

- Organization expands the size of the board.
- Board's role is formalized and there are job descriptions for board members.
- Board articulates a clear mission, vision, and set of values and they are well understood by board, staff, and volunteers.
- Board clarifies its role in relation to chief executive, increases its planning function, and develops a deliberate decision-making process.
- Board conducts a formal annual evaluation of the chief executive and talks about a succession plan.
- Board discusses how it is performing and how it needs to improve.
- Chief executive's role is distinct in relation to the board.
- Chief executive disconnects personal and organizational needs as the organization ages and expands.
- Chief executive has the ability to manage the growth of the organization
- Board ensures that chief executive has the ability to manage the growth of the organization, and, if necessary, hires a new chief executive who is more able to do so.
- Succession plans exist for staff and board leadership.

### Adaptive Capacity


- Organization develops moderately broad and deep connections with community leaders, funders, and constituents and learns about needs through these relationships.
- Organization conducts moderately comprehensive needs assessment using some market research methods.
- Organization undertakes a formal self-assessment process annually (perhaps using an organizational self-assessment instrument), identifies needs for improving the management and governance of the organization, and incorporates this thinking into a strategic planning process.
- Program staff develops simple systems for gathering and using data about programmatic outcomes.
- Staff and board develop simple systems for integrating and using data from needs assessment, organizational assessment, program evaluation, and other sources, and how it relates to organizational improvements.
- Organization develops simple systems for storing, organizing, disseminating, and using its knowledge.
- Organization develops connections with other organizations and forges more formal collaborations with some of them, such as by coordinating program delivery and sharing resources.



### **Management Capacity**

- Organizational leaders develop recruitment and hiring plan, write job descriptions for volunteers and staff, recruit and hire them, and establish a simple organizational hierarchy.
- Staff orientation and training becomes more formal and annual staff evaluations are established.
- Staff decision-making process becomes more formal.
- Simple personnel policies are established.
- Organization develops more formal methods for communicating, such as by holding regular staff meetings and documenting and disseminating what is discussed at them.
- Organizational leaders create a multiyear budget and meet regularly to discuss how to allocate financial resources, manage cash flow, and live within its means.
- Organization develops an accrual accounting system and creates quarterly financial reports (which show budget vs. actual figures) and an annual financial statement that is audited by an outside Certified Public Accountant and approved by the board.
- Organization has adequate human resources, such as a full-time financial manager, to handle the financial management function.

### **Operational Capacity**

- Organization has skills to expand responsive and credible programs that respond to changing needs and maintain their quality.
  - Organization has skills to establish and implement simple systems for program evaluation.
  - Organization builds strong skills to develop and maintain solid connections with constituents and effectively perform outreach and advocacy.
  - Organization has ability to market its programs and services and communicate about its activities in moderately advanced ways, such as by creating simple brochures.
  - Organization has legal skills necessary for the organization, such as for employment, leases, and insurance.
  - Organization has skills to secure contributed revenues from several main sources.
  - Organization has skills to generate a limited amount of earned income.
  - Organization has accounting and financial management skills to create and manage a multiyear budget, manage cash flow, implement a moderately advanced accrual accounting system, and create quarterly financial reports and annual audited financial statements.
  - Organization has skills to manage, operate, and maintain its facilities, such as by leasing and maintaining additional space for expanding programs.
  - Organization has moderately advanced skills to use and manage technology, such as telephone, fax, a networked computer system, and basic applications.
- 

**Mission Impact-** a stage at which organizations are achieving mission impact through programmatic offerings and organizational leadership and evidence of strategic partnerships, advocacy efforts, and collaboration.


## **High Performance Standards**

### **Leadership Capacity**

- Organization has a formal nominating process and adds people to the board who represent the community that the organization serves and have skills that the organization requires, such as program, financial, and legal expertise.
- Organization affirms or revises its mission, vision, and values, and they are well understood by board, staff, and volunteers.
- Board clarifies its role in relation to the chief executive, reduces its operational role, and increases its policy and fundraising function.
- Board has committees, work groups, or task forces and, possibly, advisory councils.
- Board conducts a formal annual evaluation of the chief executive and creates a succession plan.
- Board formally assesses itself and creates a board development plan.
- The chief executive and board have distinct roles and they hold each other accountable.
- Chief executive is adept at managing a large staff and complex finances and sustaining the organization.
- Chief executive forms a strong senior management team, including possibly a chief operating officer.
- Board ensures that chief executive has the ability to sustain the organization and, if necessary, hires a new chief executive who is more able to do so.
- Succession plans exist for executive and staff leadership.

### **Adaptive Capacity**


- Organization establishes very broad and deep connections with community leaders, funders, and constituents and learns about changing needs through these relationships.
- Organization conducts comprehensive needs assessments using market research methods.
- On an ongoing basis, organization assesses itself (perhaps using an outside consultant to facilitate the process), identifies comprehensive needs for improving the management and governance of the organization, and incorporates this thinking into a strategic planning process.
- Organization develops formal system for regularly evaluating programs.
- Program model is documented so that it becomes more transferable.
- Staff and board develop formal systems for integrating and using data from needs assessment, organizational assessment, program evaluation, and other sources, and how it relates to organizational improvement.
- Organization creates a detailed updated theory of change.
- Organization creates a strategic plan with a 3-5- year horizon that has clear goals and annual objectives, and develops annual operating plans and program plans based on it.



- 
- Organization has a plan for securing diverse and stable revenue sources, possibly including business plans for earned income and fundraising campaigns for capital projects.
  - Organization considers developing or creates a plan to develop a cash reserve or endowment.
  - Organization develops strong connections with other organizations and considers developing or does develop such formal collaborations as joint ventures or shared back-office space and functions.

### **Management Capacity**

- Organization hires additional staff, including program specialists and professional managers, and creates a more centralized and hierarchical organizational structure that has a clear division of labor and reporting relationships.
- Organization has a formal staff orientation, training, and evaluation process.
- Well-developed personnel policies exist.
- Organization has formal methods for communicating among staff, such as by having a management reporting system, staff meetings at the departmental and organizational levels, and a regular staff newsletter.
- Organizational leaders create a multiyear budget and discuss how to allocate financial resources and live within its means.
- Organization maintains a well-developed accrual accounting system, creates quarterly financial reports that include projections, and produces an annual financial statement that is audited by an outside Certified Public Accountant and approved the board.
- Organization creates monthly cash flow projections and manages its cash flow well.
- If necessary, organization has ability to manage a capital budget, cash reserve, and/or an endowment.
- Organization has adequate human resources, such as a chief financial officer or comptroller, to handle the financial management function.

### **Operational Capacity**

- Organization has skills to refine comprehensive programs based on changing needs.
  - Organization has skills to evaluate programs regularly, systematically, and formally, and document the program model.
  - Organization maintains and further improves skills to develop strong connections with constituents and effectively perform outreach and advocacy.
  - Organization has ability to market its programs and services and communicate about its activities in advanced ways, such as through a Web site, newsletter, and annual report.
  - Organization has advanced legal skills necessary for the organization, such as for joint ventures, trademark and licensing issues, and construction contracts.
  - Organization has skills to secure contributed revenues from diverse sources and, if necessary, effectively conduct a capital campaign for a capital project, cash reserve, or endowment.
- 

- 
- Organization has skills to generate a moderate to high amount of earned income.
  - Organization has accounting and financial management skills to create and manage a multiyear budget, manage cash flow, implement an advanced accrual accounting system, create quarterly financial reports and annual audited financial statements, and, if necessary, manage a capital budget, cash reserve, and/or endowment.
  - Organization has advanced skills to manage, operate, and maintain its facility, such as by purchasing, building, upgrading, leasing, and managing additional program and office space.
  - Organization has advanced skills to use and manage technology, including telephone, fax, a networked computer system, and a wide array of sophisticated applications.
- 



**Transition/Renewal** – a stage at which an organization is either undergoing a significant leadership transition, constituency or contextual shift that necessitates the reevaluation of its organizational structure, mission, and purpose.

### **High Performance Standards**

#### **Leadership Capacity**

- Organization retires some veteran board members who are not engaged and adds new board members who support the renewal effort.
- Organization affirms or revises its mission, vision, and values, and they are well understood by board, staff, and volunteers.
- The board plays a hands-on role during the renewal effort and ensures the financial viability of the organization.
- The board reviews the performance of the chief executive and, if necessary, terminates the person and hires a new one to lead the renewal effort.
- Chief executive is adept at managing a turnaround process.
- Board determines if chief executive is able to renew the organization and, if necessary, hires a new chief executive who is more able to do so.

#### **Adaptive Capacity**


- Organization re-establishes connections among community leaders, funders, and constituents and reassesses needs among constituents.
- Organization conducts comprehensive needs assessments using market research methods.
- Organization candidly assesses itself, recognizes the need for organizational renewal, identifies critical areas for organizational improvement, and incorporates this thinking into a renewal process.
- Organization conducts program evaluation and uses the results to inform and revise programs as part of renewal effort.
- Staff and board revamp and improve systems for integrating and using data from needs assessment, organizational assessment, program evaluation, and other sources, and relating it to the organizational renewal effort
- Organization affirms or revises a theory of change.
- Organization creates a turnaround plan that has clear goals and objectives and creates an annual operating plan based on it.
- Organization has a plan for restoring the confidence of dedicated funders and enlisting the support of new ones so that the organization stabilizes financially.
- Organization maintains relationships with other organizations, develops new relationships, and considers collaborations and partnerships as a part of its renewal effort




### **Management Capacity**

- Organizational leaders revise staff job descriptions and restructure staff to reflect plan to renew the organization.
- Organizational leaders freely share information with all staff about the organizational renewal efforts.
- Organizational leaders assess the financial situation frequently, strengthen financial controls, and ensure that the organization is living within its means.
- Organization continues to maintain a well-developed accrual accounting system and creates quarterly financial reports and annual audited financial statements.
- Organization has adequate human resources to handle the financial management function during the renewal effort and may need to hire a new staff person to handle the financial management function and/or replace the outside auditor.

### **Operational Capacity**

- Organization has skills to revise programs to be responsive to needs as part of organizational renewal effort.
  - Organization has skills to evaluate programs to inform decisions about program revisions.
  - Organization has skills to effectively maintain and develop strong connections with constituents, and revise outreach and advocacy efforts as part of organizational renewal effort.
  - Organization has ability to market its revised programs and services and communicate honestly and clearly with constituents about the renewal effort.
  - Organization has legal skills necessary for the organization, such as for renegotiating debt with creditors, restructuring, or terminating contracts.
  - Organization has skills to reassure current funders and maintain their support, and enlist new ones to support the renewal effort.
  - Organization has ability to maintain or increase any earned income during renewal effort.
  - Organization has skills to manage, operate, and maintain its facilities, such as by consolidating space, selling property, or subletting.
  - Organization has skills to use and manage technology to support the organization's renewal efforts.
- 



**Dissolve/ Merge** – a stage at which organizations that, due to mission drift or becoming irrelevant in their current context, may become ready to dissolve. Alternatively, these organizations may be better served by merging with another, healthier organization in order to make better use of their resources.

### **High Performance Standards**


#### **Leadership Capacity**

- Board ensures that the organization's dissolution process is responsible and orderly.
- Board dissolves itself.
- Chief executive completes his or her duties and leaves the organization.
- Chief executive leaves job and board dissolves itself in an orderly manner.

#### **Adaptive Capacity**

- Organization assesses needs of remaining clients and refers them to other programs and discusses the possibility of handing off any residual programs to other organizations.
- Organization assesses itself and recognizes that it needs to shut down.
- Organization identifies resources, assets, and programs that other nonprofits in the community might be able to use or acquire.
- Organization stops investing in program evaluation, documents what it has learned, and shares this information with key constituents.
- Organization shares evaluation tools and processes with other nonprofits in the community.
- Organization reflects on what it has learned and shares this information with key constituents.
- Organization creates a plan to dissolve itself in a responsible and orderly manner.
- Organization ends any collaboration with other organizations and considers handing off some programs to other groups and referring clients to them.
- Organization meets with other nonprofit leaders and funders to discuss ways to address client needs in an ongoing manner.

#### **Management Capacity**

- Organizational leaders terminate staff respectfully.
  - Organizational leaders clearly communicate with staff about dissolution plans.
  - Organizational leaders distribute any remaining assets and fulfill any outstanding financial obligations.
- 



## **Operational Capacity**

- Organization has skills to responsibly end programs and refer clients elsewhere.
  - Organization has skills to document outcomes and lessons learned, and communicate this information to stakeholders.
  - Organization has skills to responsibly end outreach and advocacy efforts.
  - Organization has ability to communicate with stakeholders about its accomplishments and dissolution.
  - Organization has access to basic legal skills necessary for the organization, such as for terminating leases and bankruptcy.
  - Organization has skills to responsibly end relationships with funders and donors.
  - Organization has skills to broker relationships between other nonprofits working with the same clients and their funders in order to meet the ongoing needs of their clients.
  - Organization has ability to responsibly end relationships with customers who generated earned income.
  - Organization has accounting and financial management skills to distribute any remaining assets and fulfill any outstanding financial obligations.
  - Organization has basic skills to manage its facilities, such as by terminating leases and selling property.
  - Organization has skills to shut down and end any technological systems that the organization has used.
- 