Four Stages and Four Challenges of Organizational Development

This paper aspires to:

- *Describe one model of the way that many organizations develop and the problems and challenges that are likely to arise at various stages;*
- *Encourage leaders to assess where their own organizations stand, among the stages;*
- *Help them judge which of the challenges they're currently facing are "developmentally determined," as it were, and what challenges they may expect in the future.*

In many ways, taking on the responsibility for managing and building an organization is like assuming the duties of parenthood. It's often easy (too easy) to accept the mantel of responsibility, whether or not we're really prepared for the job. And what it means to be *really prepared for the job* usually only becomes evident in hindsight, when we realize that leading an organization often requires not only good will and average ability (which we were told) but also patience and commitment verging on the superhuman (which we were not). And so many of us find ourselves in positions of leadership, painfully committed to the organizations we're nurturing, stretched to the limit of our own capacities, and wondering how our involvement can be so rewarding and so exhausting at the same time. It's no wonder that when problems arise within the organization, they feel painful and personal. And that makes them harder to solve.

How can leaders best help their organizations resolve problems? Like good parents, it often helps leaders to remember that many of these difficulties are "phases" of sorts, and that many organizations will pass through them and move on, if the challenges are handled well. First, this approach helps leaders calm down and take a long-term view. And second, in our experience, there is in fact a general pattern of maturation that many (although not all) organizations follow, and that helps to predict the kind of difficulties that may arise. We call this pattern the "Four Stages and Four Challenges."

The "Four Stages and Four Challenges" model is one of many "life cycle" models of organizations. It has its roots in the work of psychologist B.W. Tuckman, who noted that groups:

- form – clarify their goals and membership;
- storm – test relationships and power dynamics;
- norm – set roles and process;
- perform – work toward their goals;
- transform – adjust to new circumstances.

Richard Weber extended Tuckman's theory to non-profits, and suggested that non-profit organizations pass through:

- an "infancy," in which they're formed;
- an "adolescence," in which they work through some initial conflicts and establish basic norms, such as mission, membership, and process;
- an "adulthood," in which they produce results; and
- subsequent senility or transformative renewal.

A particularly useful version of the life-cycle model is that of Karl Mathiasen III, a leading non-profit expert with a long career in the social services sector. Mathiasen focused mainly on the development of non-profit *boards*, and he created a three-stage model to describe what he had observed. He postulated:

- an "organizing" stage in which the board and organization are formed and incorporated and begin their work;
- a "volunteer governing" stage, when the volunteer-based board assumes the role of governing the organization and formalizes its method of working with the staff and others; and finally
- an "institutional" stage, when the board delegates more and more of the actual governance to the staff and a board executive committee, and focuses more on fundraising.

We've found this model stimulates fruitful discussions among the leaders of environmental and conservation non-profits. It doesn't apply to every organization, and there probably isn't even a single organization which fits it exactly. For example, most of the boards we work with don't aspire to the "institutional stage" at all, and some don't even want to move past the "organizing" stage.

Mathiasen's model does help reframe organizational problems so it's easier to think about them productively. It describes them as natural consequences of maturation, challenges which they must meet and learn from as their organization grows. It suggests that these difficulties are parts of natural phases, instead of conflicts arising from personality clashes or incompetence. It gives leaders a language for describing the challenges they face and what they've experienced, especially in relationship to their boards. Finally, it helps to suggest different approaches that may be appropriate during the different stages.

As leaders use the Mathiasen model, they are often able to assess the current situation of their organizations. They may identify the sorts of organizational issues they're likely to confront in the future. Frequently, participants in our workshops take the model back to their own boards to stimulate discussion and help them develop an overview of their own role. Over the years, this model has become one of our favorite training tools, and now, thanks to a generous grant from AT&T, we have the opportunity to extend it.

In essence, the Institute's "Four Stages and Four Challenges" model looks like this:

Four Stages and Four Challenges			
Volunteer-Based	*"The Leap"*	*Shared Governance*	*Institutional*
An individual leader or a small group has an idea and forms an organization, run by volunteers.	Board decides to hire staff– generally the first executive director. –or ... The leader raises $ for own salary & forms board.	The board assumes the governance of the organization and delegates administration of programs to the executive director and staff.	The executive director and staff assume more responsibility for the org's direction. The growing board focuses mainly on fundraising and community support.
Primary challenge: Maintaining programs without on-going funding or professional staff.	Primary challenge: Developing a systematic, effective way for the board to support and work with the executive director and staff.	Primary challenge: Developing effective systems to delegate more authority for growing programs effectively.	Primary challenge: Remaining responsive to the needs of the population served.

This isn't a rigid progression. Many organizations may decide they're happy where they are. Some may wander from Volunteer-Based to Shared Governance and then, having found it too difficult to fund a staff position, return. Some may stay in "the Leap" for years. But the model does raise some interesting questions, and, in doing so, helps leaders better assess their own groups and initiatives.

Let's consider how these stages develop.

Volunteer-Based

Some organizations are begun by a single, visionary founder who leads the way and assembles around him or herself a group of less energetic persons who are willing to legitimate and support the founder. Mathiasen terms this a "following board," in the sense that it follows (and often defers to) a strong leader.

Alternatively, an organization may arise from an energetic group of founders, who function more democratically and share responsibilities more fully. Mathiasen terms this a "leading board."

In the case of a strong leader and a "following board," the brunt of the organization's initial work typically falls on the leader, and assistants whom he or she has recruited. In the case of a leading board, board members and other volunteers usually pitch in, with enthusiasm and without much formal structure. In either case, the group may contract short-term staffers for projects, when funding is available. When the money runs out, the organization returns to its volunteer mode. Many will later remember this "Volunteer-Based" period as a honeymoon, when everyone works together equally, before more complex organizational difficulties emerge. It is often during this informal period that the group bonds and many of its cultural norms are created.

The challenge, of course, is that it's hard to maintain a high level of on-going activities for a long period. Many environmental and conservation organizations are formed in reaction to impending crises–the destruction of a valuable wetlands, the passage of anti-environmental legislation–or to an upcoming opportunity. The urgency of the situation motivates the volunteers, but with time, it becomes harder and harder to find leaders who will dedicate the time and energy necessary to coordinate the activities. Eventually, many organizations begin looking for paid staff to maintain the pace and continuity of their effort.

On the other hand, many organizations stay in this volunteer stage, especially those which have less frequent, easily-planned regular activities which volunteers can organize. Many trail groups (and other outdoor recreational groups) live happily in this stage, maintaining their leaders over many years, and continue indefinitely without ever hiring staff. But if they happen to perceive the opportunity or need to expand their programs significantly, in our busy world, many of these groups begin to think about putting someone on salary.

Moving to "The Leap": Pros and Cons

Reasons to stay in the "Volunteer-Based" Stage	*Reasons to move ahead to "The Leap"*
• We're satisfied with our current activity level. • All the participants share the duties and the decisions. • We probably can't raise the money for staff salaries. • We must remain volunteer-based to be true to our mission.	• We need to increase our activity level. • We need to specialize so tasks are carried out well. • We probably can raise the money for staff salaries. • Having paid staff is consistent with our mission.

"The Leap"

The decision to hire salaried staff radically changes the way the organization works. The board now assumes a very large challenge–to learn to work with and to support its newly-formed staff. The day that it signs its first long-term contract, it must assure a steady enough source of revenue to pay the salary. At the same time, it must now delegate authority to the new staffer, be that person a new executive director, office manager, or administrative assistant, and also share power with that person as a new leader. The financial responsibility usually causes board members most anxiety, but it's often the new working relationship that proves more difficult.

There is one overriding truth about giving birth to a professional, staffed organization: it is hugely rewarding, something like raising a child, and even more demanding. Those who shoulder this challenge will probably never be repaid for their work. The late-night phone calls, the first wrenching staff problems, the personality issues as the board role shifts, all the unforeseen crises that arise as the organization puts systems in place – these demand a level of commitment never compensated by the meager paychecks for the staff or the occasional recognition of the founding board members. Most organizations survive "The Leap" thanks to the dedication of a few leaders, who cover the financial deficit with their own sweat and tears. These people are the keys to their organizations' future, and should look for and accept all the support they can get.

This is often a turbulent phase. As Mathiasen observes, the sorts of problems that arise typically depend upon the organization's history in the previous stage.

With a Following Board

A following board will frequently lend its moral support to the leader who called it together, allowing him or her substantial leeway, often without assuming any real responsibility for guiding the organization. If the leader becomes the new executive director, a following board is usually content to sit by and watch the leader raise funds to meet his or her own salary, but seldom leaps in to help raising the money. Nor does it often provide much oversight, unless forced to do so by a major crisis.

If the strong leader does *not* become the first staff hire, a following board may allow the leader to dictate to the staff member. Conflicts that arise between staff and a strong, founding member are so common that they lead to the resignation of many first-time executive directors. In some cases, an organization may go through two or more executive directors before it finally recognizes the source of the problem and clarifies board and staff responsibilities, so that the board provides direction in a more systematic and productive manner. The executive director can hasten this transition by taking a pro-active, non-threatening role to help the board evolve. The difficulties associated with overly controlling long-term leaders are common and often dramatic, and may crop up at almost any stage of development. Specialists have coined a term to describe them: *founderitis*.

With a Leading Board

Mathiasen notes that leading boards, composed of dedicated activists, usually feel a strong sense of ownership. They may be reluctant to hire staff, since they may not want to share power, or they may simply enjoy the tasks they perform. In some cases, board members may want to *be* the staff. They maintain a strong, even overbearing interest in the details of the organization's program. When they do hire, they may choose not to invest full authority in an executive director, but instead to recruit a "coordinator" or "general secretary" or "administrator." The titles are indicative of the dynamic–a strong board that feels ownership may not truly want a "director," but may imagine that it needs only a person to help with logistics. In fact, in our experience, the first staffer becomes the *de facto* executive director, assuming the responsibilities whether or not the board delegates the formal authority. And this can lead to tensions.

The board's ambivalent feelings about hiring staff are often reflected in the staff's experience. The first staff under a leading board typically resents board "micromanagement," especially since many board members are directly involved in program activities, and may seek to administer those activities as they did in the past before staff was hired. (This situation also often evolves into "founderitis.") Not only does the staff want less board involvement in details, it often desires more "big picture" guidance, the sort of long-term planning which would allow it to prepare for the future and to evaluate the effectiveness of its work. The board, enamored of the on-the-ground work, may not want to do the bigger thinking.

Fundraising

The income to cover the first staff salaries typically comes from some of the organization's first major programs, often grant-funded. Typically, these first grants have short durations. Before long, staff senses the looming threat that the program will end and with it, their paychecks and everything that has been achieved at so much effort. At this stage, executive directors feel intense pressure to fill the future funding gap. They become more anxious, and less selective about the source of funding, as the end date of the present project approaches. This can cause some tensions with the board, which is legitimately concerned that the organization stay on mission and avoid projects not related to its goals. As they search for future grants, executive directors often feel that they've been abandoned by the board, which also bears responsibility for fundraising.

Internal Systems

With their first project, most organizations set up project-based accounting systems. It often takes some time for board and staff to get these systems to produce information in a format the board can use for planning or oversight.

Moving to "Shared Governance": Pros and Cons

Reasons to stay in "The Leap"	*Reasons to move ahead to "Shared Governance"*
• We like to have staff, but prefer to operate on a freer, "ad hoc" basis. • We want the board to operate as a whole.	• Operating well with staff requires clear policies and procedures. • We need the board to operate in committee structure.

Transition

As organizations move through "The Leap," they use the difficulties they encounter to formalize decision-making processes and to clarify the responsibilities of board and staff. Board composition begins to shift from the original, visionary founders to new board members more comfortable with formalities and process. Bit by bit, organizations build a framework of policies which allow it to carry it out its work in a systematic way.

The Shared Governance Stage

After several years in existence, organizations usually reach a certain maturity. They may have one or more successful programs, run by the staff, which covering salaries and achieve some of the goals for which the organization was created. The board is shifting its focus to fundraising, oversight, and setting policies and goals. The executive director administers the staff and programs and exerts increasing influence on the organization's general direction. The executive director and the board president emerge as the organization's "leadership team" – hence our term, "shared governance."

But growth brings with it a new challenge. How can the multiple decision-makers in the organization work together, manage expanding programs and staff and changing circumstances efficiently, and do so without eventually burning out?

The Board

Having learned–more or less–how to work effectively with the staff, and seeing the organization on relatively sound footing, the board typically begins to focus inward on its own performance. Many boards reach out beyond their originally homogenous core to new, important stakeholder groups that need to be represented. Community relations and visibility become a more important board function, as does fundraising, often led by a development or fundraising committee. The size of the board, and the growing number of issues, requires that much of the board's work be done in committee. The leadership role of the board chair, as a coordinator and manager, grows in importance.

The Executive Director

As the organization grows, the executive director's role changes substantially. When first hired, many executive directors of small organizations are directly involved in the program. A small survey of long-term executive directors of conservation and environmental groups revealed that most originally spent an average of around 60% of their time carrying out program functions. Several years later, it was 35%, only slightly above fundraising. Executive directors also spend increasing time in staff management.

For many executive directors, the transition from program to administrative work is difficult and unappealing. The increasing fundraising burden forces executive directors to delegate more of the program work to a growing staff, something some executive directors resist just as much as founding board members. Those who don't delegate it run the risk of burning out, or of driving their own staff crazy with micromanagement. With time, most executive directors pick out staff members in whom they place special trust, and whom then become the first level of a future hierarchy.

At the "Governing" stage, most executive directors still admit frustration with their boards. Board members may no longer be able to keep up with the details (or even the broad brush strokes) of the program, the budget, or the strategic plan. A typical complaint is that board members resist raising funds. But successful executive directors also begin to recognize their own, proactive role in helping the board assume its role. In the best cases, they assume a nurturing leadership of the board, helping it to bond, renew itself, communicate, and keep its committee structure functional.

Fundraising

The growing budget and staff need a larger, steady flow of income. Reliance on any one source becomes too risky. Organizations which began from donations, or membership fees, or government program funding, begin to diversify into grants. In the many organizations which begin with grants, after staffers have suffered enough ulcers waiting to hear whether their life-or-death proposals have been funded, most diversify in the other direction, into major donor, membership, and fee-for-service programs.

Diversification is not easy. It requires integrating fundraising with various organizational activities, which can be a long process. It often runs up against an internal bias on the part of the staff and volunteers. Many people in the environmental and conservation community look upon fundraising as unappetizing, if not downright unclean. Most prefer to segregate fundraising from their programs, a sure kiss of death for the fundraising. We see many organizations hire development directors, give them insufficient support, isolate them from the program work, and then, when they fail to produce new revenue in a short period, let them go. Their investment in these people and the relationships they've built is usually lost. But eventually, the best organizations diversify and integrate fundraising into their work in a way that the its staff and volunteers can accept and support.

Program

Organizations usually arrive at the "governing" stage with growing programs, and there are pressures to continue expanding. The larger staff needs a bigger budget. New opportunities arise. The organization has typically developed an entrepreneurial mindset which moves into new market niches as they open. The board typically views expansion as a sign of success.

However, some board members may begin to worry about the consequences of expanding willy-nilly into new areas, and begin to insist that programs be restrained by the organization's mission. The expansion of the program, or of program opportunities, often triggers a decision to begin strategic planning.

As the program professionalizes, the role of volunteers typically declines, or at least shifts. If staff members aren't dedicated to maintaining volunteer participation, many will find it easier to rely on other paid professionals instead. As a result, many organizations neglect their volunteer programs. One repercussion is that they often develop fewer volunteer leaders, people who might ascend to the board, and consequently board renewal may begin to suffer. Eventually, the best organizations learn, and begin to invest substantial effort in identifying good volunteer activities and providing training and support.

Internal Systems

The expansion of staff and activities usually requires a new administrative superstructure and new management systems, such as personnel and board management policies, insurance, computer networks, and the like. To account for their costs, organizations begin to track staff time, or at least apportion it across multiple projects. As soon as they do, they begin to notice the amount of time and effort dedicated to administrative costs and begin the difficult process of developing systems for estimating and charging overhead.

Transition

Most of the environmental and conservation organizations with which we work are in "the Leap" or "Shared Governance" stages. Relatively few have passed into the "Institutional" phase, more commonly associated with long-established organizations and institutions such as universities, hospitals, and cultural and arts organizations. Perhaps most environmental and conservation groups are still too young to have reached this phase. Perhaps their product isn't one easily marketed, a main-stream service which could bring enough income to build a large staff. Perhaps the kind of persons attracted to most environmental and conservation groups are inherently uncomfortable with large, corporation-like institutions and their levels of administrative superstructure. Some advocacy groups simply don't want to grow into something like the entities they're working against. In any case, with a few notable exceptions, most environmental and conservation groups never reach, or aspire to reach, the size or culture of large institutions.

Moving to "Institutional Stage": Pros and Cons

Reasons to stay in "Shared Governance"	*Reasons to move ahead to "Institutional Stage"*
• We want to remain lean & responsive to our constituency or issue. • We want to stay smaller and avoid hierarchy & rules. • Our mission isn't compatible with dependence on big funding sources or being an institution. • Our funding sources change often.	• We need to grow to achieve our mission. We need a visible, stable presence. • We can manage hierarchy & rules so they support our mission. • Our mission is compatible with income from big funding sources. • We have products and programs we can plan & build over the long term. • We just plain grew!

Those that do grow usually have on a clearly defined "product," aggressive marketing, regional or national scope, and the ability to package their service so that subsidiaries and affiliates can easily deliver it. Many are organizations with missions or issues which they must maintain over the long term, such as environmental education centers, or land trusts, which need a solid financial base over many years. Others may be regional and national organizations which need a substantial institutional structure just to manage their people and financial resources.

The Institutional Stage

At the institutional level, organizations face challenges which arise largely from their size and success. Having developed a large, multi-layered institutional system that efficiently delivers their service, the greatest difficulty becomes reacting quickly to external or internal changes that effect their ability to deliver their services well.

Board

Institutional boards are typically large, numbering up to one hundred people. They usually function in committees. Being elected may be a matter of social status, and some board members may be more attracted by the social opportunities membership offers than by the organization's mission. Institutional boards typically focus on fundraising, and they often set contribution goals for their individual members. They usually delegate supervision of the organization's budget and affairs to a smaller executive committee. It becomes increasingly difficult for the board as a whole to provide effective oversight, especially as the organization grows, and there is the danger that it may lose touch with the program.

Executive Director & Staff

The executive director's time is typically dedicated to administration, fundraising, and the duties of representing the organization. He or she has little time left for program, which is carried out by the staff, under the authority of area directors. The organization's success attracts a new type of applicant, usually a person with professional specialization, possibly also interested in the status and upward mobility the organization now offers.

The diversity of programs requires more specialists, and it becomes a challenge to keep the entire staff focused on the organization's mission. Individual projects are frequently assigned to different departments, which often function somewhat like microcosms of the whole institution, and may compete among one another for resources. As the staff grows and new levels are added, career pressures increase, and these internal tensions can corrode the common sense of purpose and the trust necessary to function effectively. In response, the executive director and other managers must work harder to ensure that lines of communication stay open, and that the staff's activity is always oriented toward the organization's long-term goals.

Fundraising

Having successfully integrated fundraising into its operations, most institutions have overcome the negative perception of money which hampers many smaller groups. Staff becomes comfortable with fundraising, and some staffers specialize in it. (This shift in the organizational culture regarding money is one of the characteristics that most people associate with an "institution.") The institution's fundraising success can sometimes cause jealousies among other environmental or conservation groups which ought to be its allies, but which resent the institution's access to donors.

Program

As the program grows, the organization can have a greater impact. It can address its programmatic goals on multiple fronts, and benefits from the synergy of coordinated efforts. On the other hand, as the program diversifies, it often becomes more difficult to perceive its central thrust, or to measure its cumulative impact. It's harder to set meaningful and measurable goals by which it can be evaluated, and some institutions can move from project to project without learning clear lessons or improving their performance. Since they often have close ties to large government programs and donors, institutions may be tempted to take on new efforts which may or may not build upon what they've done before, in order to cover their budgets. On the other hand, many large institutions make good use of the opportunity to partner with large funders, refining their programs along the way.

Successful organizations develop a "culture of planning." They create tools and systems for capturing information which can tell them if they're achieving their goals. The best organizations link their plans and goals all the way down to staff work plans. This is a substantial administrative burden, but it when carried out correctly, it allows "institutions" to be "learning organizations," and to maintain staff commitment to the mission.

Internal Systems

As organizations grow, so do the internal systems, necessary to gather information in order to keep it on track. Large institutions typically have formal hierarchies, lines of communication, and career paths. These systems sometimes grow to the point that they may begin to stifle creativity. A tension between the organization's culture and its mission begins to arise.

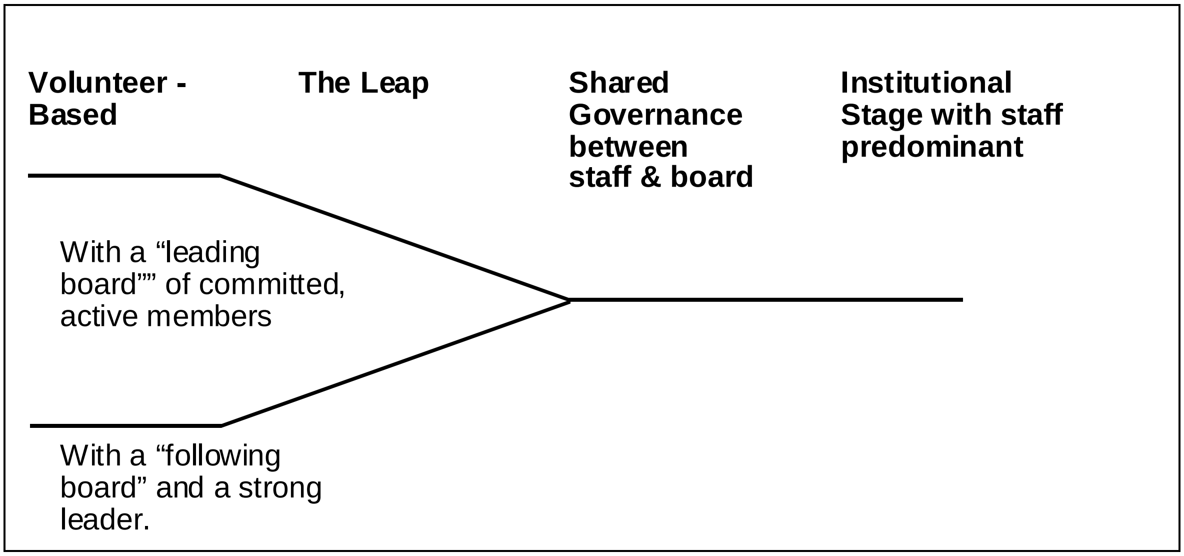
The On-Going Challenge

When organizations find a stage at which they're comfortable, the long-term challenge for most of them is more or less the same: remaining responsive to the needs for which they were created. External changes in the world around an organization will often require internal shifts, if the organization wants to continue to deliver service efficiently. Internal changes will also require adjustments in other parts of the organization.

For small, hungry organizations, this is readily apparent: every major change in funding or program results brings repercussions, which are quickly felt. But as organizations grow, staff become more insulated from on-the-ground results. Consequently, they need to dedicate a conscious effort to regularly measuring their impact, and in turning their measurements into learning and revising their programs based on it. This is usually part of a planning cycle. Large organizations must also begin to develop a culture which enforces its basic norms but does not subdue creative efforts that question its basic assumptions and look for new solutions. For organizations to remain at their peak, they must be able to create elaborate systems, get their staff and volunteers to apply those systems, and at the same time, reward individuals for rethinking and improving those very structures.

Once organizations have reached a certain maturity, it's much less easy to predict what sorts of transitions lie ahead. The only certainty is that something *will* change, however. And organizations which have embraced the challenges during their growth will be better prepared for the new, inevitable, challenges which await.

We often diagram the transitions like this:



Where would you locate your organization on this chart?

What challenges would you anticipate based on your "stage of development"?