Welcome

Please sit at the table close to the organizational chart that most resembles your organization.
Agenda

• Organizational Development Framework
  – Red flags

• Stages of Organizational Development
  – Discussion: Where is your CDFI? What are your challenges?

• Leadership and Staffing Models
  – Discussion: What changes in leadership and staff structure will help your CDFI to grow to the next level?

• Action Plan

Organizational Development Framework

• Four stages of Organizational Development
  – Based on Greiner, Thomas & customized to CDFIs
  – Provides a roadmap to organizational change as you grow

• The OD perspective: *Internal organizational history, structures, and practices have as much to do with success as external forces.*
  – CDFIs’ focus on market is critical, but we must tend to the organization itself if we are to accomplish our goals
OD Framework

- Periods of *evolution* and *revolution*
  - *Evolution*: no major changes in organizational practice or structure
  - *Revolution*: change the way you do business
  - Growth occurs in both phases
  - Each phase builds on the prior one; yet the solutions for one phase will not work in the next one. Reinvention is key to growth.

Organization Development
Company in Medium-Growth Industry

![Graph showing evolution and revolution stages](image)
Stages of Growth: Caveats

• It is not inevitable that an organization will move from one stage to the next.
• This is not a race to get to stage 4; organizations should strive to have an organizational structure that aligns with their programmatic complexity.
• Generally, not all aspects of an organization will be in one stage. The aspects that are lagging will be stressful.
• The roadmap helps a leader know what to expect as the organization enters a revolution period.

In Any Stage . . .

• There are three legs to any organization’s stool:
  – Human Resources (Staff and Board)
  – Financial Resources
  – Systems and Policies

• And for a CDFI: market analysis leading to a product / program that sells
Stages of Growth

• Four Stages:
  – Stage One: Creativity/Startup
  – Stage Two: Direction/Establishment
  – Stage Three: Delegation/Institution
  – Stage Four: Consolidation/Permanence

• Will look at key organizational opportunities & barriers affecting ability to grow

Stage 1: Creativity/Startup

• Leadership & Culture
  – Strengths and weaknesses of organization are the strengths and weaknesses of the top leader
  – Informal systems

• Market Analysis
  – May be intuitive or one identified need
  – Distinguish between need and demand

• Program and Product
  – One product approach
Stage 1: Red Flags

- Inability to distinguish between need and demand
- Picking too narrow a niche
- Lack of entrepreneurial approach
- Entitlement Approach: Inability to say “no”
- Executive Director needs a huge variety of skills
- Need operating support and capital at same time

Stage 1: Red Flags

- If part of a larger organization:
  - Board composition – different skills than “regular” nonprofit
  - Organizational culture: potential clashes over
    - Compensation
    - Personnel Evaluation systems
    - Balancing mission and deal feasibility, saying no
  - Picking a person to be the Executive Director
  - Accounting for loans
Stage 2: Direction/Establishment

• Leadership & Culture
  – Opportunistic, growth in many directions
  – Basic systems in place

• Market Analysis
  – Based on experience and constant scanning the market

• Program and product
  – Expands based on experience
  – Requests and opportunities based on success
  – Leads to “go-go growth”

Stage 2: Direction/Establishment

• Financial Resources
  – Add new capital sources
  – Increased earned income; however increased expenses means still need for operating support

• Systems and policies
  – More formal budgeting
  – Personnel Policies
Stage 2: Red Flags

- Managing go-go growth:
  - Operating Losses
  - Inability to manage problem loans
  - Is the CDFI chasing grants?
  - Inability to resolve a bad / wrong hire

- Board that fails to continue to learn and understand the program beyond the founder’s vision

- Lack of term limits on Board

Stage 3: Delegation/Institution

- Leadership & Culture
  - Delegation now key to success and growth
  - Team based identity

- Market Analysis
  - First “real” strategic plan may include a formal look at the market, including competitors

- Program and Product
  - May eliminate programs / products that were not a good fit from stage 2’s growth
  - Products are formalized: Performance standards, trend analysis may influence product design
Stage 3: Delegation/Institution

- Financial Resources
  - More sophisticated approach to subsidy as lending program nears or is self-sufficient
  - May consider selling loans, off balance sheet relationships

- Systems and policies
  - More formal capital projections
  - Investment in accounting, loan management systems

Stage 3: Red Flags

- Staying the same and not reacting to market changes in terms of products, pricing
- No term limits means lack of fresh ideas and perspectives on the Board
- Unwillingness to hire expertise and deal with work style diversity challenges
- Not instituting formal supervision and evaluation systems (the “read my mind” approach)
- May need a new accountant due to greater complexity
Stage 4: Consolidation/Permanence

- Leadership and Culture
  - Alignment is the key
  - Top leader must be an effective internal and external communicator

- Market Analysis
  - Ongoing collection and analysis of data

- Program and Product
  - By now organization has approach to measuring outputs and outcomes and adjusts products and programs accordingly

Stage 4: Consolidation/Permanence

- Financial Resources
  - More sophisticated capital structure
  - Approaching self sufficiency

- Systems and policies
  - Scenario planning
Stage 4: Red Flags

- Loss of connection to mission
- Lack of succession planning
- Founder’s syndrome
- Lack of investment in communication, internally and externally
- Remaining relevant to funders

Discussion

Where does your organization fit in the framework? Where do you see your organization lagging?

What are some of your organization’s biggest internal challenges?
Changing Leadership & Culture

- CEO / Executive Director
  - Hardest thing for the CEO is constant reinvention
  - Being stuck is a sure way *not* to grow or manage growth
  - Founder’s trap is common but not inevitable
  - Growth in *both* evolution & revolution

- Board of Directors
  - Board should be strategic and not micro-manage
  - Structure of Board should mirror strategic priorities

Human Resources through the Stages

- **Stage 1**
  - Board
    - Founders;
    - Hands on, may perform some staff functions
  - Staff
    - ED and 1-2 more

- **Stage 2**
  - Board
    - Add new expertise and committees
    - Issues of program expansion
  - Staff
    - Greater specialization
    - Executive Director must let go of technical, learn to supervise
Stage 1 – Loan Fund

- Executive Director
- Lender
- Fundraiser
- Bookkeeper / Office Manager

Stage 1 – Credit Union

- Manager
- Lender
- Teller (paid and volunteer)
- Bookkeeper/Office Manager/Human Resources
- IT technician (may be outsourced)
Stage 2 – Loan Fund

Executive Director
- Lender
- Lender
- Administrative Assistant
- TA or Program Manager
- Fundraiser
- Bookkeeper/Office Manager

Stage 2 – Credit Union

Manager or CEO
- Lenders
- Tellers
- Controller
- Admin Assistant
- Financial Education Specialist
- Office Manager/Human Resources
- IT Manager (in house or outsourced)
Human Resources, continued

• Stage 3
  – Board
    • Focus on market, strategy
    • Recruit market leaders
  – Staff
    • Management more formal, may not suit some founding staff
    • Executive Director begins to focus on leadership
    • Succession planning

• Stage 4
  – Board
    • Committee structure is streamlined
  – Staff
    • CEO almost entirely external
    • Formal marketing / communication staff in place

Stage 3 – Loan Fund
Stage 4 – Credit Union

Discussion

• In what ways does your organization’s leader’s role need to change in your current or next stage of growth?

• How can the Board support that change?

• In what ways does governance need to change in your current or next stage?
Action Plan

• You can approach organizational change in 3 ways:
  – Let it happen (passive)
  – React to it (reactive)
  – Lead it (proactive)

• Action plan lets you lead change

• Key criteria for action planning:
  – Specific and detailed
  – Ambitious but achievable
  – Based on understanding of environment, stakeholders
Final Conversation

• What insights do you have based on the stages of growth about your organization’s ability to pursue its best opportunities?

• What are some of the key barriers under your control that need to be cleared away?

• What are the key next steps?