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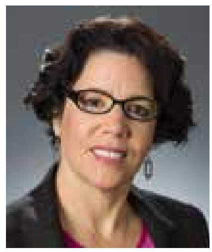
commentary

Exiting is a Natural Part of Philanthropy — Learning From it? Not so Much.

By Debra Joy Perez, Ph.D.



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The purpose of this commentary is to share my personal reflections on what makes exiting from long-term philanthropic investments so challenging.[1]

As a funder, I took part in the design, implementation and evaluation of dozens of major initiatives and programs. I also called grantees and key partners to deliver the news of an exit. These were never easy conversations, but with each one, I learned so much about the exit process.

There are many reasons for exiting; among them are changes in leadership, strategy, resources, program staff expertise and/or performance. Success and achieving the intended impact could also be a reason to exit. Regardless of the "why" and the "how" of exiting, philosophies or approaches are rarely shared among funders and thus are poorly understood. This special issue details a number of case studies about exits including a review of multiple foundation strategy and initiative case studies. Each case describes different explanations for exiting and tactical approaches used to effectively implement the exit.

Filling a critical field knowledge gap, this monograph provides significant lessons from such varied experiences leading to the same outcome — the decision to end/exit a programmatic investment area. In reviewing the articles, there is great value in determining what resonates and fits with your foundation's approach and philosophy for your own foundation. There is no "one size fits all" approach. As I reviewed the articles in this special issue, I was struck by the variations in lessons. However, each case unequivocally elevates one common theme — the importance of communicating the rationale and approach for exiting to grantees, staff, and key stakeholders. Specifically, when it comes to exiting, funders must communicate consistently, constantly, and collaboratively. This is not an uncommon finding from prior studies (Petrovich, 2013).

In 2009, I engaged a consultant (Janice Petrovich) to conduct a review of how well the Robert Wood Johnson Foundation had implemented an unplanned reduction in payout. The reduction was not a planned exit. It was a necessary reduction in payout due to a huge loss in our endowment resulting from a worldwide economic crisis. In just over a year, the foundation's endowment fell from $10 billion to $7.7 billion. Needless to say, those were very trying times for many foundations and its grantees. Some

[1]Gordon and Betty Moore Foundation is currently conducting an internal review of programmatic exits. The study is still underway so rather than provide any premature assessment of the findings, I will focus on my experience as a foundation senior program officer, researcher, and evaluator for the past 20 years.

foundations and community based organizations were even forced to close their doors.

While maintaining prior commitments, the foundation was forced to make substantial cuts or reductions in its future grant making. Many of our grantees and partners understood and even empathized with the economic situation leading to the reductions. In fact, many were most appreciative of the direct and frank communication provided by the foundation and its president.

While we were going through the reduction, we also wanted to learn as much as we could during the process. In fact, while appreciating that the crisis of 2008 may not repeat itself to the same magnitude, we thought we could apply lessons from the downturn to explore how we could be more intentional and explicit about future programmatic transitions. Thus, building on lessons from the 2009 Budget Reduction Study, the foundation commissioned a study on responsible exiting. The 2010 study, also by Janice Petrovich, *Exiting Responsibly: Best Donor Practices in Ending Field Support* (Exit Study) included interviews with foundation grantees and staff as well as senior leaders from 30 foundations and grantee organizations. While the Budget Reduction Study was retrospective, the purpose of the Exit Study was prospective and intended to result in lessons about effective donor practices that could be translated into guiding principles for exiting. Those effective practices are:

- Use various forms of communications to inform field actors clearly, early and often.
- Involve the foundation's chief executive in the communications with the field.
- Ensure that all foundation staff is informed of the field exit and able to respond effectively to questions from grantees and their field.
- Invite questions from field actors regarding the exit, and involve them in assessing their impact on the transitioning field.
- Publicize the successes, needs and opportunities of the field and its grantees, stakeholders and partners.
- Involve field advocates in determining their capacity-building needs going forward and provide support for these opportunities.
- Attract other donors into the field by signaling continued interest through matching and tie-off grants.

Variations on any one of these tactical practices are included among the seven articles in this special issue. Yet, the decision to stay or go has as many emotional implications as it has tactical implications for funders, grantees, and key partners. For those of us who have made the shift from responsive grant maker to strategic philanthropy, frank and authentic conversations about when we leave a body of work are complex. In strategic philanthropy, we see ourselves as thought partners and build relationships of trust and make long-term commitments. So, when a decision is made to leave, we may experience every gamut of emotion common in any break up — betrayal, abandonment, and the grief of losing a long-time friend and/or family member. Indeed, to some degree, exiting can result in stages of grief and loss — denial and isolation, anger, bargaining, depression, and acceptance.

Denial and Isolation

There is enormous privilege and power in philanthropy. Twenty years ago, my first boss in philanthropy warned me of the false sense of confidence and wisdom that befalls new entrants into the world of philanthropy. Let's face it, as soon as you become a foundation staffer you become more attractive, funnier and often deferred to as if you were the smartest person in the room (in case you are wondering, you are not).

So when we exit (i.e., de-fund) a program, it not only feels like a loss, it is a blow to our confidence and our ego. When our programs end, it is as if part of our identity is gone. We deny, deny, deny, "This can't be happening." We hide from the facts and try to make up for what might be perceived as a programmatic failure.

One form of denial is conjuring up a way to "spin" the narrative about why we are exiting. It might also result in trying to reinvent the exiting program into a new idea or position it as if it has a new purpose and relevance for the new strategy. This means using the same grantee to do new work even at the cost of mission drift for the grantee. Grantees and the non-profit leaders that support them are also in mourning and feel and enormous sense of loss and abandonment.

Anger

Grantees are rarely the chief engineers of programmatic exits. Usually, they fall victim to changes in foundation leadership, strategy, policy environment or economic situation. And no organization wants to lose a good funding partner. When a closely foundation-identified program is slated for exit, we become protective of our grantees and the fields in which they work. We begin to exhibit a hyper-sensitivity to any criticism of our grantee efforts. We are more empathetic to the errors and challenges of our beloved ending programs. We ask, "who is to blame?" and rationalize our anger by comparing our program to others that are not exiting. Why me?

Bargaining

The incentives in any foundation program are to keep investing and growing the program. There is often little incentive to reduce program investments unless otherwise dictated by the senior leadership or board. Any reduction to the budget is perceived as a cut; any cut perceived as a failure or at minimum, depreciation in value. So, we try to explain to ourselves and others just why ending a program is a bad idea. Perhaps we blame ourselves or someone else, but we mostly try to bargain as much as we can and rethink the exit or make the transition as painless as possible.

Depression

Too often, our identities as program funders are tied to our program grantees and their success. Our internal and external identities are synonymous with our created program. We become known for our program affiliation. I was just as easily known as Debra as I was known as the program officer of New Connections, or Finding Answers, or Expanding the Bench Initiative. When an exit is imminent, we mourn the loss of friends (family) and affiliations, and lose our internal and external influence. We even lose a bit of our own identities. We realize that we are not the smartest people in the room and are losing power.

[T]oo often funders and grantees fail to acknowledge that exiting is a part of the investment life cycle. As a result, they also fail to discuss the realities of it and the importance and value of exiting. As in any relationship, these pain points are key to our growth and learning.

Acceptance

Only at the point of exit certainty, can we implement best donor practices. We can honor the work, celebrate our grantees and partners, begin to codify the lessons, and plan for a healthy exit. We may need to spend more time with our grantees and the field to provide support and strategize on messaging, make introductions to other prospective funders, or just sit in silence and comfort each other. Whatever the motivation, at this stage authentic conversations about sustainability and legacy begin to take shape.

Conclusion

In my experience, too often funders and grantees fail to acknowledge that exiting is a part of the investment life cycle. As a result, they also fail to discuss the realities of it and the importance and value of exiting. As in any relationship, these pain points are key to our growth and learning.

Foundations prize relationships with close-in partners, but they should not get twisted about why they funded the grantee in the first place. Grantees are leaders and are not blind to the difficult choices and tradeoffs made by funders. We should respect them enough to speak the truth and acknowledge the natural exit process. Grantees have their own sense of privilege and power from being selected by philanthropy.

I know this sounds odd but I would like to propose, at the risk of offending, that exiting is healthy and a necessary evil for strategic philanthropy. Why? We learn (or could learn) so much about our investment, a grantee, and a field when they are undergoing a strategic exit. Exits are a good opportunity to document progress, how the grantee and/or partners contributed to the field, their innovation, how they improved over time, and any lasting impact. By being frank about the intention to exit and by providing a timeline, we help level the playing field for grantees. They can be more proactive in their own planning and approach to sustainability.

Breaking up is hard, but leaving one relationship makes room for new opportunities. We could learn more as philanthropists if we embraced foundation exits as a healthy part of an initiative life cycle. As stewards of private resources, we have a responsibility to ask ourselves what else can we do to reach our goal. Did we do all we could? Is our impact significant enough? Is it time to look elsewhere to see where impact can be greater?

I once heard a mindfulness podcast describing loss as an opportunity for new growth. What if we allowed ourselves to see how responsible exits lead to new beginnings and an opportunity for growth and innovation — not only for the funder but also for the grantee?

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