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Breaking Up Is Hard to Do

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Keywords: Foundation exits; funder-grantee relationships; communication; impact of foundation exits; capacity-building; final grants

You tell me that you're leaving'; I can't believe it's true. ... Think of all that we've been through. (Sedaka & Greenfield, 1962)

♫ *Neil Sedaka*

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Key Points

- What do funders leave behind when they exit? What is lost? Are there approaches to exits that are more effective at preserving the results of good work? Through interviews with 19 professionals who have experienced or are currently working through a foundation exit, this article draws on stories of more than a dozen such exits to fill the gaps in what is known about how to exit well.
- This article discusses four areas where foundation exits present particular challenges and where there are significant opportunities to improve practice – deciding on and planning to exit, funder leadership, clear communication, and final grants – and includes summaries of advice from funder and grantee perspectives.
- This article aims to offer practical insights that may help improve what is all too often an uncomfortable, confusing, and potentially damaging process, and, it is hoped, will spur continued research and contribute to a sustained dialogue about how to preserve, or even extend, value in the context of a foundation exit.

Introduction

Funding relationships begin, and they end. All foundations periodically revisit program priorities and strategies. Course corrections can and often do include exits. Some exits occur at the planned end of a time-limited initiative. Others may be occasioned by new insights that come from research or evaluation. Still others are the result of new leaders bringing different priorities to the fore.

Yet little is known about the effects of foundation exits on the work, the grantees, and the related fields. Given the frequency and ubiquity of foundation exits, the literature is painfully thin.

Grantcraft's monograph *The Effective Exit: Managing the End of a Funding Relationship* (Mackinnon & Jaffe, 2007) was published a decade ago and focuses primarily on the grantor-grantee relationship. It describes funder exits as normal. The authors admonish foundations to communicate clearly, build grantee capacity, and help grantees find replacement funding.

In 2011, *Exiting Responsibly,* a rigorous, cross-cutting study funded by the Robert Wood Johnson Foundation, looked at the broad context for funder exits and discussed the approaches and implications of ending field-level support. The authors argued that planning for and carefully executing the end of a funding relationship can help maximize the results of past investments and solidify progress even as the funder exits. "Responsible and respectful field exits require careful and deliberate procedures," they observed; however, they continued: "It is quite usual for foundations to exit fields, and disconcertingly common for them to do so with little advance notice and unclear rationales" (Petrovich, 2011, p. 4).

Six years and many foundation exits later, there is still too little known about how to exit well or what the results of foundation exits might be — even while recent research and a number of recent, high-profile examples of limited-life foundations are generating increased interest in foundation exits and spend-downs (see, e.g., Loh & Buteau, 2017). This article is intended to make a modest contribution toward filling that gap.

Study Design and Approach

What do funders leave behind when they exit? What is lost? Are there approaches to exits that are more (or less) effective at preserving or extending the results of good work? At ensuring that grantees and fields thrive? Or even that the work continues when there is a persistent need?

These and other questions were explored in the research to inform this article. In all, the research draws from stories of more than a dozen exits, some from multiple perspectives (e.g., funder and grantee, or funder and intermediary or consultant). This article focuses on the experience of and with perpetual foundations in connection with an exit from one or more major initiatives or lines of work.

In addition to a literature review, interviews were conducted with 19 professionals representing a range of foundations, nonprofit grantees, intermediaries, and consultants. Each person interviewed has experienced or is currently working through a foundation exit. Interviews were conducted using structured protocols. Interview subjects were asked to explain the initial goals or theory of change for the program or initiative that ended or was winding down, the planning process for the exit, and the structure of the final grants. They were also asked to reflect on challenges confronted and the ramifications of exiting on the work and its field. Funders were asked to offer advice to other funders and to speak to any evaluation plans. Grantees were asked to offer advice to other nonprofit organizations that are facing the withdrawal of a major funder. At the conclusion of each interview, subjects were asked for recommendations of others knowledgeable about foundation exits and, in this way, additional interview subjects were identified.

All interviewees were promised confidentiality. As a group, they responded with great candor and willingness to be self-critical in the interest of helping others identify pitfalls in the process. Many characterized the topic as understudied and underdiscussed. The content covered in this article ranges from cautionary tales of precipitous changes in direction with clear damage to grantees and fields to stories of considered and deliberate exits where great care was taken, resources committed, and success achieved. In all cases studied for this report, the exits were, in a word, complicated.

This article aims to offer practical insights that may help improve what is all too often an uncomfortable, confusing, and potentially damaging process. It is also hoped that this article will spur continued research and contribute to a sustained dialogue about how to preserve — or even extend — value in the context of a foundation exit.

Although the interviews were wide-ranging, this article discusses four areas where foundation exits present particular challenges and where there are significant opportunities to improve practice: (1) deciding and planning to exit, (2) implications of funder leadership; (3) the confusion of communications; and (4) final grants. Summaries of advice — from funders to funders and from grantees to grantees — are also included.

If I go, there will be trouble.
And if I stay it will be double.

(Headon, Jones, Simonon, & Strummer, 1982)

♫ *The Clash*

Deciding and Planning to Exit: "Should I Stay or Should I Go?"

The reasons for a funder exit vary. Adjustments to funding priorities can come from a new

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strategic direction — often brought about by a change in foundation executive leadership or the expressed desires of the founder or board. Exits can also be the byproduct of a desire to seize a window of opportunity — for example, when new data or shifts in context illuminate a promising path. In some cases, midcourse evaluation findings may suggest a redirection of resources. In others, a time-limited initiative comes to its planned conclusion. In short, a foundation that exits a grantee relationship, initiative, or issue area may be responding to internal shifts, changing external circumstances, or both.

In the situations examined for this study, one interviewee oversaw a patient and careful planning process that led to a responsible exit from approximately 75 long-standing grantee relationships. Another, very different case, was described by a funder who was troubled by the fact that nearly all the grantees in the portfolio had been created by the foundation and were seriously and unhealthily dependent on the foundation at the time of the exit.

Some exits examined were expected from the outset, as with time-limited initiatives. Funders and grantees generally found these situations easier to navigate, although not routine and far from simple. In other situations, where the expectation was for long-term or ongoing support — or where the extent of the funder's commitment was not clear — the exit was challenging for all sides.

Not surprisingly, nearly every interviewee strongly recommended that foundations plan for exit upon entry into a new relationship, issue area, or initiative. However, this advice was offered with the benefit of hindsight, and heeding it may not always — or even often — be feasible; virtually none of the funders in this study did so themselves. Still, some exits were more intentional than others and, in all instances, there is room for improvement and there are big lessons to be learned.

In one notable case, a recently appointed foundation CEO was eager to divert funding to a suite of new initiatives but was persuaded by a midcourse evaluation that, although some adjustments could and should be made, an abrupt exit would undo a great deal of progress:

> We had a succession of leadership changes. By the end of Phase 1 [of the initiative] there was a new president and senior leaders who wanted to embrace new opportunities, and there was a desire to wind down some existing work to make room for the new. There was a proposal to end the initiative after five years, but an external evaluation recommended that we stay the course. We went into Phase 2 and readjusted to include more of a focus on systemic change. We pared down so that we could go deeper with what was working and emphasized building institutional capabilities to carry on the work.

In this example, although some grantees may have lost funding, the work was protected and continued via a thoughtful approach that included regular dialogue with grantees.

In another situation, which also involved a new CEO, external consultants led the foundation through an extensive process to reassess its grantmaking. This resulted in a fundamentally new set of decisions about future focus that necessitated foundation staffing changes as well as exits from initiatives and whole lines of work. Grantees and other field leaders were involved in the planning process. The foundation responded to grantee feedback with a five-year ramp-down plan and significant funding to see the grantees and the work through the transition. In the words of the CEO, "Our attempt to begin making amends was by collectively planning for the field to step into the leadership role and for the foundation to move out of the center of things."

A third example relates to a significant shift at a large foundation interested in deepening outcomes. It chose to reduce the number of grantees in its portfolio, offering larger, longer support to fewer organizations over time. That foundation is gradually exiting many long-term grantee relationships with a commitment to transition funding:

> [We] did set up a transition fund. … Every unit had to cut back by 25 percent. That 25 percent went

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> into a transition fund, and there was a process by which you could apply internally for either a grant or a set of grants for organizations that you knew you would be giving [final grants] to. … That has budgetary implications for us. … On the other hand, it is a respectful way to treat grantees.

In all three of these cases, foundation leaders put significant additional resources on the table to help them and their grantees navigate the exit. They operated in a consultative manner, seeking the input of grantees and other field leaders as they planned their exits. And they supported grantees to pivot, formulate new strategies, and build new capabilities.

Another case offers a stark contrast; staff had no advance notice of the board's decision to exit a field-building line of work, leaving them in the unenviable position of needing to notify grantees immediately of the shift and of the fact that no additional funding would be forthcoming:

> A combination of a constrained program budget, staff restructuring, and shifting priorities precipitated the decision to exit. We received the news that we were going to exit about three weeks before we saw all of the grantees at a conference.

Although this example is far from isolated, previous examples demonstrate that there are funders that do take a proactive stance regarding future exits. They are aware of the complexities of exits and realize that funders simply do not control all the variables. They know that context matters. According to these funders, there is no single or reliably right way to conclude a grant relationship or initiative. But there is a way (and, arguably, a mandate) to be thoughtful and constructive. One interviewee said:

> When a decision has been made to exit, it requires careful planning and you need to think about how you structure the end of that grant relationship. It could be a grant, capacity-building grant, a flexible final grant, or you can set it up so that they [grantees] can leverage support from other funders. This is all context-specific. There is no formula for this other than a standard for what seems fair or reasonable. If you funded a two-year project, sometimes four months into that second year can be enough of a heads-up for ending support. It is different for a long-term, highly funded relationship. You need to think in budget terms, in the context of providing a fair and reasonable warning. Always, when you think about this, ask yourself: How will ending funding to this organization affect the field? How will it impact the individual organization? Will it mean layoffs? How will it affect [the foundation's] reputation and credibility? That is basically the framework that we have laid out.

How you ever gonna know if you never take a chance? You know failure isn't failure if a lesson from it's learned.

(Brooks & Blazy, 1997)

♬ *Garth Brooks*

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Implications of Funder Leadership: "How You Ever Gonna Know?"

In this, the heyday of strategic philanthropy,[1] the time-limited initiative is very popular. Funders are going beyond (and, at times, far beyond) responding to worthy requests for support. It is now generally accepted that foundations can and should lead efforts at social change — funding and convening networks, supporting learning communities, and engaging in proactive advocacy related to the goals and specific timelines they themselves establish. There is a healthy debate in the field about the practice and the

[1]Paul Brest and Hal Harvey (2008) defined strategic philanthropy as consisting of "clearly defined goals, commensurate with resources; strategies for achieving the goals; strategies that are based on sound evidence; and feedback to keep the strategy on course." At that time, they wrote, "Strategic philanthropy deploys resources to have maximum impact — to make the biggest possible difference. This approach is captured by the idea of social return on investment, where 'return' refers to improving the world rather than financial gain" (p. 17). In 2009, the Center for Effective Philanthropy articulated a definition of strategy for foundations: "a framework for decision-making that is (1) focused on the external context in which the foundation works, and (2) includes a hypothesized causal connection between use of foundation resources and goal achievement" (Buteau, Buchanan, & Brock, 2009, p.3).

value of strategic philanthropy, with smart, thoughtful leaders on both sides of the argument (Buchanan & Patrizi, 2016).

More than half of the cases studied for this article offered examples of funders taking center stage in an initiative or issue area. In all of these cases, funders were engaged in field building: They were pioneers in bringing focus to an issue, along with significant resources. They created new knowledge and new infrastructure. Along the way, organizations were created or scaled that were dependent on their foundation partner, its leadership, and its reputation.

Regardless of the reasons, when a major funder decides to shift priorities away from field-building work, exiting without harming the field or the organizations operating in that field is particularly difficult. As one funder noted, "Our central presence in the field actually made attracting other funders more difficult because we were seen as being so involved." In the words of the foundation CEO who championed such a change in direction and approach:

> We did a lot of stuff that was heavy handed from a funder perspective. ... It was successful, but I don't think we would want to do it again. We experienced lots of staff turnover and lots of grantee frustration.

The lack of collaboration with others in the field was viewed as a handicap, according to a grantee formerly funded in connection with this work. Also, according to grantees interviewed, the foundation's central role in the direction of the field preempted the opportunity for organizations to learn how to work together without mandated collaboration. In the words of one grantee, "It remains to be seen whether we are all able to learn to play together without the funder forcing that."

Across the range of cases studied, funders, grantees, and intermediaries discussed the challenges associated with an exit where the funder was in the lead. When asked what they would do differently if given the chance, many echoed this funder's statement: "Initial conversations should have included more dialogue about distributed leadership and about how to replace the foundation's funding. If I had it to do over again, I would look at a more open leadership model."

Leaders in philanthropy talk and write about the role of funders in providing more than money. In general, the funder is lauded when it invests in capacity building; funds evaluation, knowledge building, and infrastructure for fields; and is unafraid to be visible and vocal in service of a big goal. But it is precisely when there is more than money at stake that an imminent exit is most likely to cripple grantees or stall fields.

What, then, is the path forward for a funding initiative that has field building at its core? What can or should a funder do where there is a compelling need, an alignment of donor intent, and a will on the part of foundation board and leadership to address that need? If there is no mature ecosystem of grantees and funders, the work will be inherently risky.

The first step is to acknowledge that risk.

When interviewed, exiting funders that pursued a central role were reflective and self-critical. Most saw significant downsides to their prominent and visible place in the work and the field, and would take a different approach in the future. In the words of three different funders:

> I have especially strong feelings about the situation where a funder is the last donor — a situation where it is clear that there is not a critical mass of ingredients that will take the grantee anywhere good, especially where we helped the organization get started and develop. We have a long, poor track record of staying in there when we shouldn't have. Donors should not try to substitute themselves in terms of agency and leadership.

> What became pretty clear was that the grantees really relied on [foundation] staff and energy to come together. ... They were not staffed in a way that really had anyone to coordinate group convenings. We offered them a consultant to help organize convenings. After that, they really had to tear down group expectations of what they were going to be able to do. In hindsight, it seems

> obvious. Whether it was wishful thinking that this would be able to continue merrily without us or a real misassessment of their capacity, in hindsight it seems so obvious.
>
> I'm much more attuned to how well the initiative aligns with the core business of the organization that we are funding. If they're really taking on new work because [the funder] is kind of focused on an area, that requires a lot of careful thought. Whereas, if it is much more embedded in their core mission, I am less worried because after five years, if you need to tie off support, you haven't affected the DNA of the organization as much.

The most thoughtful funders interviewed confronted their exits with a desire to leave grantees strong. Some put significant resources into final grants, capacity-building efforts, and consulting for themselves and their grantees. Some did an admirable job of mitigating risk, and others offer advice born of lessons learned the hard way. What emerged in the course of the interviews was a sense that the more central the funder's role, the more challenging the exit and — arguably — the more responsibility the funder should shoulder.

I say high, you say low. You say why, and I say I don't know. You say goodbye, and I say hello. (McCartney & Lennon, 1967)

♫ *The Beatles*

The Confusion of Communications: "Hello, Goodbye"

The common wisdom on communicating about an exit is easy to recite: (1) communicate early and often, and (2) deliver consistent messages. The reasons often cited are: (a) the grantee should have as much time as possible to prepare for the loss in funding, and (b) any change or inconsistency in messaging will signal to the hopeful grantee that there may in fact be an opening for future funding.

Literally all of the funders, grantees, and intermediaries interviewed for this report would quickly agree that early, clear, and consistent communication about an impending foundation exit is a worthy goal.[2] At the same time, interviewees all shared stories about how hard it is to follow this seemingly straightforward advice.

Over the course of the research, it became more and more clear that communicating effectively about a foundation exit requires more than one-way messaging. In case after case, we heard that without sustained and genuine dialogue, momentum can be lost, organizations damaged, and fields diminished in their influence. In one case, there was a serious gap between foundation board and staff about the time frame of support for an initiative. Staff believed that the initiative would span a decade; the board declined to renew support after five years. This was a failure of communication within the foundation that had significant ripple effects. The fundamental disconnect resulted in confusing and contradictory communications; reasonable expectations in the field were unmet, leaving many disappointed:

> It was a five-year commitment from the board. I don't know how else to describe it, but there was a 10-year commitment from the staff. I think the idea was that the board would launch it and then it would get incorporated into the regular programming. Depending on whom you talked to it was a five-year or a 10-year initiative. ... If you are inside a foundation, you understand what it means for a board to back something for five years and then, after that, it depends on the program priorities. From the outside looking in, it looks as though that program has a 10-year lifespan. The true length of time was unclear internally. It was also a lack of clarity in the messaging; the messaging was not good — internally and with the grantees.

[2]As stated in the William and Flora Hewlett Foundation's A Practical Guide to Outcome-Focused Philanthropy, "It is imperative when the foundation exits a strategy or initiative to do so thoughtfully, openly, and respectfully. This includes careful planning, beginning as soon as exit is on the table. Still more important, it includes communicating clearly to grantees, funding partners, internal colleagues, and the larger field why, when, and how we are leaving" (Twersky & Grange, 2016, p. 85).

The foundation executive interviewed in connection with this exit reported that out of 10 grantees supported through the initiative, only two have been able to continue the work as envisioned.

A second funder described a similar challenge with internal alignment:

> One problem with exits is the foundation's own ambivalence, which makes the whole process more complicated. We were challenged by our own inability to be clear about the foundation's objectives on exit. For example, I asked many folks about our goal in accomplishing the exit — is it to attract other funding to fill in behind us? Or is our goal to wrap up our work without encouraging others to give because we are ready to move beyond the work of that initiative? Planning the exit was hard until we settled on our goals.

Clearly, when a foundation staff, executive leadership, and board are not aligned about the depth and breadth of a commitment, it is impossible to communicate clearly about the why and how of a funder exit and/or to set realistic expectations for a field. In the words of one foundation staff person who was surprised by the board's decision to suddenly defund an initiative:

> This was a five-year initiative that provided operating support and supplemented with capacity-building consulting support. Grants were very time intensive. The parameters of the support were not established in advance, and different people heard different things about the foundation's commitment. … I did not have much time [to carefully research and plan for the exit]. I didn't have the luxury of a thought partner or resources to plan for this exit. Our planning was a bit off-the-cuff, especially in communicating the news to the grantees.

Another funder described a situation where very little information was shared with grantees until the final stages of the exit, which left grantees at a disadvantage in preparing for the shift:

> I don't know how clear we were. … At the time, we probably weren't being very vocal. There was the possibility that more funding could come in, too. … I think there were certain grantees who knew, possibly.

An aspect of much-needed and valued dialogue relates to grantees communicating with each other across a portfolio in preparation for the funder's exit. In more than one case, funders expressed some surprise "that grantees weren't talking to each other, which suggests that there's a place for communication among grantees that a funder can promote, but will ultimately need to leave to the field after the exit is completed." Another highlighted concern about the quality of ongoing communication among grantees once the funder was no longer the catalyst:

> We were able to foster grantee communication through affectionately blunt ways. That kind of thing goes away once you step out. It's not just the money. They lose the entity with the 10,000-foot-level view. That kind of loss wasn't anticipated.

Notably, for their part, grantees would rather be in the conversation early, even if all the decisions are not yet clear. One grantee put it this way:

> Give grantees a heads-up early on that [the foundation is] going through the process and [isn't] yet sure where it's going to land, or inform them that [the foundation is] sure it's going to land in a particular place. The more transparency a funder can offer its grantees, the greater the potential of success for the grantee going forward.

While many lessons emerged from the pitfalls of inadequate communication surrounding exits, there were notable examples where funders engaged grantees and others in planning and implementing the exit. The process was still challenging, but much more satisfying for all. One grantee put it this way:

> First, they were very clear from early on about the time limitation of the investment. As soon as they were sure of their exit date, they told us. We had several years of very clear communication from the foundation about what was going to happen and when.

One funder began the exit planning with grantees and developed a plan that took into account recommendations from the field. This foundation showed itself to be learning, open to feedback, and flexible in terms of next steps with

Photograph courtesy of Chris Lorents, 2016, photographer.

the active intent to protect programmatic gains and ensure that grantees remained strong:

> We started planning to exit the work in earnest in 2012. We had a grantee gathering and committed to four more years. We started then communicating with grantees to get clarity about the goal line and what we could accomplish together in the time remaining. This process was important for all of us. We started the convening with a panel discussion with our own team facing the grantees and invited the grantees to ask anything they wanted. It was very important for grantees to understand what we were wrestling with. The issues were very much the same as issues grantees were troubled with. There was something about the willingness to engage in this discussion that helped. Even if the grantees weren't happy, they could better understand the foundation's perspective. The convening was also important because it meant that key players were together to discuss opportunities. We asked grantees what we should stay with, where to double down, and where and when to cut loose. We considered their input in designing the last four years of grantmaking, and what the foundation did was pretty consistent with what the grantees recommended.

A place-based funder reported on a process of reaching out to colleagues in the funding community to discuss their exit from a neighborhood initiative. They engaged other funders who had a stake in that community in formulating their exit strategy, and they were willing to exit slowly even though it meant they would expend more than the 5 percent minimum payout for a number of years.

One foundation CEO noted that frequent personal contact with grantees throughout the exit can pay significant dividends. His experience illustrates the merits of empathy in grantmaking, and the notion that exits can and should be hands-on rather than passive:

> A little bit of my time goes incredibly far — just showing up and putting a face on the change, talking to people about it. It seems silly, but it really does make a difference. At the end of the day, it is

> still hard. But it makes change more humane and easier — just showing up and relating to them, recognizing their feelings are real.

From the point of view of the grantees, the most careful, thoughtful, and respectful exits had empathy and patience at their core, which in turn led to the open dialogue that can position a grantee or a whole field for success in the wake of an exit. In the words of a foundation CEO interviewed for this study:

> Exits take a long time to do respectfully and well. You have to be simultaneously working the internal culture of the foundation and working the transition externally. Think about the individuals that are affected. It's not just strategy. People's lives are changed because of your actions. Don't underinvest in respecting that piece of it.

Hard-won wisdom leads to the conclusion that it is not one-way or even two-way communication that secures results and leads to resilience for grantees following a funder exit. Rather, it is all-way communication anchored in deep listening on the part of the funder whose exit is imminent. At its best, communicating during a funder exit involves ongoing dialogue among foundation staff and leadership, grantees, and colleagues in the funding community who may be looked to for future funding.

It's the last waltz. The last waltz with you. But that don't mean that the party is over.

(Robertson, 1978)

♫ *The Band*

Final Grants: "The Last Waltz"

In nearly all the cases studied for this report, final grants were made after the decision to exit. The goals for these investments were varied. In some cases, all the funder hoped to do was offer the grantee time to find replacement funding. In other cases, specific goals accompanied the final grant. In all cases, funders wanted to help their former grantees navigate the future. This meant that other opportunities were set aside or delayed while resources supported the work of grantees that were no longer in the bull's-eye of their funder's strategy. A final grant was sometimes accompanied by consulting, facilitation, convening, and/or introductions to potential new sources of funding.

In those circumstances where both grantees and funders were most satisfied, the final grants were generous and flexible. Funders listened carefully to the grantees about needs and priorities; grantees influenced the funder's exit plans and were encouraged and supported in thinking about their future. One large foundation described a highly contextual and flexible approach to final grants:

> To sum up the different strategies that we used, we offered flexible final grants, funded grantee convenings without us in the middle, capacity-building grants, and also a promotional piece. The promotional piece was not in the vein of, `look what [the foundation] did and learned,' but more of something that each group could use for their own outreach, fundraising, and communications. Basically, they felt that being able to publicize their work as part of a larger cohort would be really advantageous. Instead of doing a foundation `lessons learned,' we helped develop some press releases and things that they wanted, not just as individual grantees but as a group. It was very much driven by what they thought would be helpful to them.

Nearly all interviewees referenced the importance of capacity building in navigating an exit. Funders want to help prepare grantees for the loss of funding, and they want to secure the gains made. Grantees want the time and resources to understand the implications of the funder's exit for their organization and its work, and they want to plan a path forward. But, capacity building as part of a funder exit is no panacea, especially not if mandated or overly structured by the funder. Some capacity-building investments discussed by interviewees were highly successful; others failed and were more of a distraction than a help.

Funders interviewed that made a big commitment to capacity building during an exit advise that the locus of responsibility for building capacity needs to be the grantee, not the funder — that these investments at the end of a funding relationship should enhance the grantee's independence and therefore should not be dictated in type or process by the funder. In the words of one funder:

> We don't have one approach to capacity building. What we try to do from the perspective of our unit is to put some markers in the ground to help us think about it. The first is that a funder cannot build the capacity of an organization. It is only the organization itself that can do it. The funder can just create enabling conditions …. We are not organizational development experts. We are not the protagonists here. What we say has undue weight. We need to make sure that the agency is on the part of the organization. Once the organization has its own clear sense of what it needs, you can respond by giving them specific money or increasing the flexibility of the grant you are giving them.

All in all, reports of capacity building linked to an exit were mixed. Especially problematic were efforts to support fundraising as part of an exit. One funder who was charged with exiting a field-building initiative with very little notice discussed the fact that the foundation literally created most of the organizations in the cohort and had disappointing results when supporting these grantees to build their own fundraising capacity:

> Those relationships didn't really work out very well. I don't think any of those organizations had a successful engagement with their fundraising consultant. Mostly what I heard from the consultants was that the organizations weren't really willing to do what they needed to do to beef up their fundraising.

Another funder echoed the sentiment:

> We tried supporting efforts to build fundraising capacity, but haven't figured out how to do it well. We didn't get great results. We had more success when we worked directly to bring new donors to the work.

Simply stated, the problem generally predates the exit decision, and if a funder is complicit in creating unhealthy dependency prior to the exit, it should expect trouble that no single capacity-building grant can address. However, both funders and grantees are articulate about the benefits of capacity building throughout an initiative or funding relationship — not just upon exit. In other words, building capacity that will help grantees withstand and even thrive in the event of a major funder exit cannot be an afterthought or a "consolation prize." The best, most effective capacity-building efforts in the cases studied began long before exit. These approaches accompanied the work across the duration of the grant relationship while also reflecting a specific focus on preparing for the exit.

In addition to capacity building centered on individual organizations, one grantee urged foundations to take the opportunity of the final grant to consider the broader context. Doing this well requires listening, which harkens back to the previous discussion of communicating effectively before and during an exit:

> The funder has to think about the network and the ecosystem of the environment that they are exiting, the signals that they are sending to the organizations about what their strategy should be, and also how it can possibly go south. Once you are gone, the grantees could start competing and start spinning off into other territory. You have the opportunity with the final grants to set the table for the direction of the ecosystem.

Conclusions and Recommendations

Given the variety of reasons to exit, as well as the complexity and interdependence of a funding relationship, the experiences reviewed for this article call for funders to balance their goals and aspirations against the potential harm to grantees and fields as they are planning to take their leave. Dialogue and empathy are indispensable attributes of any valued relationship between funder and grantee and doubly important in the context of an exit.

From the cases studied for this article, the greatest exit challenges related to the confluence of

Advice from Funder to Funder

Speaking from experience, funders offer remarkably consistent advice to colleagues that are contemplating or making an exit. Overall, they advocate for respect, patience, flexibility, empathy, generosity, learning, and a consultative stance. They recommend:

1. Stay off center stage, unless playing a principal role is the only approach likely to work. Use a steering committee or some other form of shared leadership to encourage ownership from the field.
2. Screen potential grantees based on how well the foundation's goals or initiatives align with the core business of each organization.
3. Be explicit about the need for sustainable, resilient programs and organizations, and support capacity building throughout, not just as part of final grants.
4. Study the broader implications of an exit before finalizing plans or taking action, and create an exit plan that is adjustable. It is inevitable that things will change.
5. Communicate as you go. It may not be possible to have every relevant decision made in time to communicate early with 100 percent clarity. Share what you are thinking and what you know as the process unfolds.
6. Help grantees avoid fiscal cliffs. Tier down support through multiyear exit plans whenever possible. Consider offering increased funding for field leaders and infrastructure as part of the ramp-down.
7. Broker relationships for grantees with other funders, and do this early — not as an afterthought, when funder partnerships are very hard to forge.
8. Allow grantees to set the priorities for capacity-building grants. Don't default to a final-stage grant for fundraising, as it will almost certainly be too little, too late.
9. Take advantage of your role as a convener to bring grantees together for collective learning and planning about how to cope with the exit.
10. Commit to your own learning and improvement through each exit.

Advice from Grantee to Grantee

Having navigated the loss of a major funder, grantees were asked to offer advice to other organizations that may face such a situation. Here is the essence of what they said:

1. Accept that even your most staunch supporter may change its focus/priorities and withdraw funding at some point.
2. Be entrepreneurial and be prepared. Even if the loss of major funding is unlikely, engage in contingency planning as a regular habit.
3. Hold to your own mission/vision throughout. Don't lose your focus to chase funding — ever.
4. Avoid dependency on one, or even a few, funders so that an exit — expected or not — will not destabilize your organization.
5. Expect relationships with other grantee organizations to shift when a major funder withdraws. When the funder is no longer at the center of an initiative and/or they no longer convene or support collaboration, colleagues may suddenly become competitors.
6. Consider the fate of deliverables and work products. Together with the funder, plan and ask for support for appropriate curation and dissemination of what the grant(s) produced.
7. Communicate about the work done and the value created to set the stage for others to come forward and support the work in the future.
8. Negotiate the final grant for maximum flexibility.
9. Ask for the funder's help in identifying new sources of financial support.
10. Work to maintain the funder relationship post exit. Your key contacts may be able to help connect you to new partners or possibilities down the road.

three factors: (1) the central role the funder had chosen for itself; (2) the scale of support offered, especially when it outpaced other support for the issue or organization; and (3) the difference between the expected and actual duration of that support.

Much more needs to be understood about why and how funders exit as well as about the effects, but this limited research does suggest some sensible practices that can immediately improve both relationships and outcomes related to funder exits:

- **Assure strong alignment of mission and goals at the front end of any funding relationship and revisit the question of alignment regularly.** In the words of one grantmaker:

  > Funders planning to exit a field should be mindful that the most durable investments will be those closest to the grantees' own core purposes. Grantees that "stretch" to qualify for funding may not be able or willing to maintain the effort once the funder exits.

- **Commit to dialogue with grantees as well as colleague funders about impending exits, taking input to help shape timing and approach to an exit.** In interviews, funders and grantees spoke of the benefits of dialogue in navigating an exit. Some funders offered powerful examples of how grantees influenced their thinking and helped develop reasonable and responsible exit plans that preserved program gains and kept grantees strong. For their part, grantees value thought partnership as much as they value clarity as a funder is preparing to exit.

- **Consider grantee capacity and dependency throughout all funding relationships, and work to build grantee resiliency before an exit becomes necessary.** One funder noted that the problems associated with exits likely have much earlier origins:

  > Some of the challenges are pre-exit — for instance, grantees that have unsustainable revenue models to begin with. A donor is almost tipping them already, and then that donor leaves. That's a challenge that you need to be paying attention to well before the exit, as a part of financial due diligence. What are you doing early on so that in year three, five, or 10 — or however long your program spans — your grantees aren't overly reliant on your revenue? The challenge is more about creating a healthier landscape pre-exit.

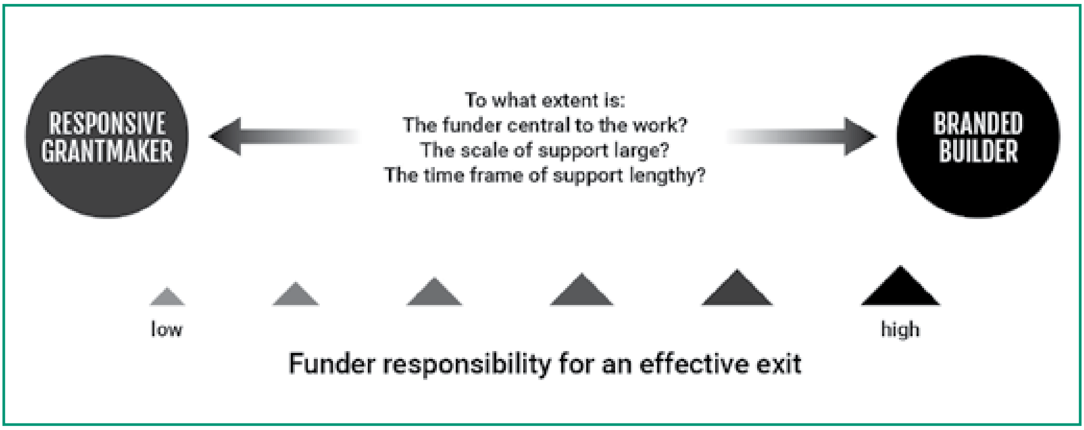
- **Once a decision to exit is made, set aside time and appropriate resources to ease the transition for grantees and protect the affected fields.** Although the amount of time and resources needed will vary according to the context, generally, funders at the center of the work have a greater responsibility to grantees and to the broader ecosystem of actors in the field. Factors to consider in deciding how and how much to invest in an exit should include consideration of whether the field is mature and stable, or nascent and highly dependent on one or a few funders.

- **Contribute to building much needed knowledge in this arena.** There is a need — perhaps even a great need — for additional research in this area. While this article shares stories and insights from about a dozen foundation exits, it is far from a comprehensive study or a representative sample. There are many thousands of foundations, each driven by a charitable mission, that are routinely entering and exiting relationships and fields. Even if such comings and goings were only modestly disruptive, the aggregated effects are likely substantial — albeit — for the most part — out of sight. The field should commit to learning more, sharing insights, and generally exercising care and mitigating the risks when exiting.

In fact, only one case examined for this study invested in a retrospective evaluation following an exit. In that case, the report was not shared externally. With that one notable exception, the funders studied did not look back after the close of their

Sector

FIGURE 1 From Responsive Grantmaker to Branded Builder



From Responsive Grantmaker to Branded Builder: The Continuum of Funder Responsibility in Exits

Foundation relationships with grantees differ widely. Some foundations work in a responsive manner, defining a community or area of interest; publishing guidelines; then reviewing and funding (or declining) proposals on a rolling basis. In these cases, the grantee is leading, defining the project or program, implementing its plans, and reporting to the funder on progress at regular intervals. This approach is favored by many place- and community-based grantmakers that describe a broad issue or need and invite interested organizations to propose programs and potential solutions. The funder supports the most promising proposals, sometimes limiting the number of years an organization can receive support, and/or may exit relationships with only those grantees that routinely fail to achieve their stated outcomes.

In this era of strategic philanthropy, funders also use a range of other, more proactive tools and tactics — from prizes to mission-related investing — in pursuit of their goals. One commonly used proactive tool is the initiative — a labeled body of work that typically spans multiple years and engages multiple grantees. Often, research takes place to further understand the need or opportunity that is core to an initiative. There may be early outreach to capture insights and inputs from grantees and potential grantees as well as other leaders and experts as the initiative is designed. Proposals are typically solicited by invitation only. Initiatives are time limited, and, increasingly, funders include a learning component, convening grantees and commissioning external evaluations that look across the whole portfolio of investments over time. In short, the grantmaker ultimately defines an initative's goals and the time frame as well as the budget and the learning agenda.

Some funders go even further when they perceive a gap in the ecosystem of organizations ready and able to respond to a priority need or opportunity. These funders may seed the creation of new organizations, commission and disseminate research, build leadership, and create new infrastructure in an effort to build a field. These instances — where a funder is chief architect, the work is branded through the initiative, and identified with the funder — place the greatest responsibility on the funder that chooses to exit. Funders interviewed stated again and again that, upon exit, they felt a great weight of responsibility in those cases where they were at or near the center of the work.

initiative or line of work. This means they cannot say with any certainty that goals achieved were durable or that grantees remained strong and successful.

Next steps should include a fieldwide longitudinal study of foundation exit practices to illuminate the scope and scale of the challenge, and the courageous commitment of funders to study the impact of their exits from a modest distance. Together, these efforts would go a long way in encouraging responsible exits and illuminating best practice.

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