2013 PRACTICAL WISDOM FOR FUNDERS

grantcraft

FOUNDATIONS MOVING ON

Ending programmes and funding relationships

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SPECIAL FEATURES

This guide explores exits. Whether you are a re-granting NGO, a family foundation that runs its own programmes, a big corporate grantmaker, a small venture philanthropist or a mix of any of the above, exits are inevitable — funders move on, and relationships with grantees, partners or investees change along the way. Exit decisions and strategies are complicated, and while a diversity of experiences has not (yet) produced blueprints for good exits, there are practices that can be recommended.

Building on the GrantCraft guide published in 2007 on exit practices, this guide was written by Russell Kerkhoven and Rosien Herweijer, and edited by Marianne Johnston. The cartoons were drawn by Mark de Koning, www.organisatiecreativiteit.nl/system/en.

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This publication is part of the GrantCraft series. Resources in this series are not meant to give instructions or prescribe solutions; rather they are intended to spark ideas, stimulate discussion and suggest possibilities.

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Natural life cycles

Foundations exit funding relationships and operational programmes all the time. Different foundations deal with different kinds of exits. An exit can involve closing a project or programme the foundation funded or implemented; or it can be an exit from an entire organisation or network the foundation funded or operated. In fact, foundations may exit entire fields or countries.

The reason foundations exit also varies: For foundations with spend-out strategies, exits are existential; other foundations may exit because their overall strategy changes or because they have shrinking financial means (or both). Foundations may also exit because it is part of their mode of operation: Venture philanthropists, for example, fund to be able to exit. And foundations may end a funding relationship because the grantee does not perform as expected, or worse. Finally the operating environment can change so drastically that further funding or operations are no longer possible.

"It isn't rocket science, but it can be very complicated."

Towards good exit practice. Good exit practice does not seem to be straightforward: "It isn't rocket science, but it can be very complicated," says an experienced foundation professional about exits. Many practitioners testify that managing an exit turned out to be more complicated than they initially thought it would be. And while being part and parcel of philanthropy, ending programmes and funding relations is not often written about. As an executive who saw several exits suggests: "Exits are like retirement — natural, inevitable, and usually well-deserved, but seldom a source of joy or enthusiasm."

Without a solid base to define good practice for different exits, practitioners have to work through trial and error. Overall it seems that good exits are both about relations and about the legacy that is left: "A successful field exit involves the implementation of a process that is respectful of the relationship between donor and field actors and that promotes the sustainability of the field," concludes an experienced practitioner who, as a consultant, has reviewed foundation exits from different fields. While there are examples of successful exits, many funders, intermediaries, grantees and observers admit that it is difficult to find really well-managed examples. Exits may either lack in terms of "respect", or in terms of "sustainability", and in some cases they want in both dimensions.

Your role and ambitions and how you communicate about them influence the exit process. Looking back at his foundation exit practice, a foundation executive encourages peers to frame their role in terms of change: "If you only think about your job as making grants, and then managing those grants, instead of thinking about your job as creating change, [...] you end up with very long-term relationships, and breaking those relationships is not perceived as doing justice to the type of relationship that you had."

The emotional and connected world of entries and exits. All philanthropy, be it strategic, catalytic or just ordinary, seems to mix emotions with gut feelings and rationality. Entries influence exits in many ways, and not all entry decisions are as rational as they seem: "Boards and Trustees get more excited about new, shiny innovative things," is a typical expression of an often-felt concern. Normally entries have a feel-good aspect to them:

Finding a partner, sealing a good deal, entry into a new country or field comes with emotions of hope, happiness, and satisfaction.

Exits also involve emotions: "We do have a few examples of exits, some of them painful and one or two good ones," says one practitioner. While exits may also involve positive emotions for the funder, these are usually mixed with anxiety and feelings of pain, guilt and loss. An executive who managed several country exits wonders if there are "too many unproductive emotions involved in entries and exits", and she clarifies that: "It has to be about empathy." Practitioners also stress that for exits, honesty about the entry and real motives works best: "What was the real purpose of the grant? This may not always be in the documents, occasionally grants are made for secondary purposes […] so you have to be clear and entirely certain about why the grant is made in the first place, if not, it's difficult to answer the question: 'Have we been engaged long enough?'"

It's not only board members and managers taking decisions based on a mix of rationality and emotions. Programme officers and portfolio managers often get very closely involved. Various comments emphasised that it is generally considered that someone closely involved in starting something is not in a solid (emotional) position to end it. "Retirement of a senior officer allowed us to end this programme," says a foundation director. "It is problematic to expect the person who started and developed the relationship to be in charge of exiting from it [...] it is painful, and emotions may cloud clear communications," suggests another executive who managed several country exits. And in some foundations portfolio programming actually follows HR policies, as a foundation manager testifies: "When a programme officer leaves after x years, we decide whether to continue in the field or not."

In foundation practice entries seem to get a lot of attention, probably more than exits: "In my experience funders are so busy and spend 90% of their time assessing grant applications, they don't have time to think about anything else," says one funder. But another professional suggests it is not about the time you take. If you include considerations regarding your possible exit, you become more deliberate about exiting when you enter: "First we put a lot of energy in the selection process because if you think through already in the beginning how you will work together for the next five or seven years or so, this is when you really set the stage for a successful exit later on."

Learning from other practitioners. An experienced programme manager comments on how foundations in perpetuity would do well to think as spend-out foundations do: "Before it was decided we would spend out, I wouldn't have paid as much attention to it, but I seriously think that all funders all the time should be thinking about what you're going to achieve and how your exit is going to be. In a spend-out you have to pay a lot more attention to it. Some people said, 'Well, that doesn't apply to us because we're not a spend-out.' But every funder is closing programmes. (For example), a board decides we're not doing that anymore and then they just move on to something else. I mean that's absolutely appalling if they haven't put any attention to responsibly exiting from a funding area or from a series of organisations."

On exits, it seems that different philanthropies can learn from each other. In particular, the experiences of foundations that are deliberate about exits — spend-out foundations and venture philanthropists — can very well inspire the exit practice of "regular" foundations.

About this guide

This GrantCraft guide draws on the experience of practitioners in a broad variety of foundations mainly from Europe and the United States. They are from grantmaking foundations as well as operating and fundraising foundations, and focus on a variety of areas from venture philanthropy practices to defending human rights and movement building. Some foundations on whose experience we draw are both recipients and providers of grants.

Besides interviews with a large number of practitioners this guides also draws on literature and comments on blogs and from participants in a webinar held in November 2012.

Entering to exit

Consider exit upon entry; looking before you leap; having an early and open dialogue about timelines in combination with sound decision making; honesty about motives and management of emotions: You have to assemble the ingredients for good exit practices upon entry.

The burning question is how to translate these recommendations into concrete practice. What are some of the behaviours and actions that will make an effective exit? What makes good sense to invest in when you want to develop good exit practices?

Planning when you can. "If exiting is built in from the beginning, I think it would just make everything a lot easier, rather than it being an afterthought," says one practitioner. Along similar lines a director of a leading foundation commented that: "We did not build into the projects or programmes that we were funding exit strategies from the beginning. So the exits always came as a giant surprise!" But both in spend-out foundations and in venture philanthropy exits are integral to operations. The handbook of the European Venture Philanthropy Association prescribes exit strategies to plan for "the end of the relationship between the Venture Philanthropy Organisation and an investee organisation either after a pre-defined time, when the Venture Philanthropy Organisation can no longer add value, and/or when the investment objectives have been achieved."

For more traditional grantmakers the built-in end of the relationship is normally the end date stipulated in the funding agreement. Yet many grantmakers extend the implementation period and make repeat grants. Some set time limits for their funding relations; a ten-year maximum was mentioned several times. But setting such an upfront time limit to a relationship or partnership is neither necessary nor sufficient in planning for your exit, and some foundations find time limits unpractical. Some internationally operating foundations plan for a time-limited presence in a country, but that does not seem to be the standard. Operational programmes launched by foundations often do not have such a built-in ending. Says a foundation executive looking back: "We did not develop exit strategies because we understood that we are in this field for the long term, and in many places where we worked, we understood that we were looking for national impact, not small impact."

In an earlier GrantCraft guide on exits, a practitioner rhetorically asks: "Doesn't it make sense to build your eventual exit into your relationship with the grantee from the start?" Building in exits from the start indeed makes sense in most cases, yet it isn't standard practice. And when ends are not built-in, ad hoc solutions seem to prevail: "We probably all have to cut our portfolios by 25% next year because of cutbacks across the board," says a programme manager of a foundation funding human rights programmes. "I am probably able to meet that target by phasing out all the grants that have performance issues."

Talking strategy. Thinking an exit through among boards or among management teams challenges you to be both strategic and prepared. As the CEO of a foundation that is currently spending down puts it: "We've funded lots of initiatives and investments in new ideas that only came up because exiting was on everyone's minds." Her recommendation is that: "Having an exit plan that can be named, even if it isn't precise, opens up space for strategic thinking." Says another executive: "If you don't know what you want, you cannot expect your grantees to give you what you want. So often things do not go well because in the beginning you haven't defined on both sides what is needed and (what) you have to offer."

The director of a spend-down foundation pointed to the guidance of the trustees and their ambitions to make a significant contribution. The trustees were thinking much more about a legacy. They did not want to get to the end and say: "Well, we funded lots of nice little different projects." They wanted more of a sense of being able to say: "Well, actually we have achieved something." So their strategy was to focus on two areas where there could be really tangible achievements.

Thinking legacy. An interesting exercise for any management or programme team could be what this spend-out foundation did: "One of our trustees encouraged us all to consider what the obituary of our foundation would be. And we actually wrote it out. That was an interesting exercise to really help (identify) what it is we would want to be… how can we articulate that vision or dream for ourselves? What do we want people to say in 20 or 50 years, when they look back at our foundation?" Or as a programme manager who exited from several countries sums up: "Discuss, discuss, and discuss exiting even before you know the date, as this helps you prepare the ground, when necessary."

Ingredients for a lasting legacy. Whatever you seek to leave, you need to reflect on what will make it last. For a lasting legacy, some will find bricks and buildings are needed; others seek to build healthy organisations or social enterprises; or appropriate legislative and regulatory environments. Yet others emphasise that lasting change comes from building skills, leaders or movements. Ideas of what makes a lasting legacy for a foundation are diverse. One director comments: "In this region, for a lasting legacy you have to invest in an enabling legal environment for civil society, and in infrastructure — actual buildings that are landmarks and that save NGOs recurrent (rent) costs." Another observed: "… we left several NGO-managed micro-credit schemes, but they were transformed into [more corrupt and less accessible] private banks after the donors left, because we had failed to address legal loopholes." And yet another suggests: "Our exit is successful if the organisation is up and running, and successful in reaching their goals, […] delivering the highest social impact and (is) financially self-sustaining."

Choices but no blueprint. A former regional director who withdrew from several fields in different countries reflects: "We may have been overstating the value of sustainability of organisations – investment in a field does not have to come through a sustained organisation. Individuals move on and carry the lessons learned further – they may be more effective catalysts for change over time. It is more a viral legacy than the idea of planting a tree."

Similarly there are advantages and downsides to leaving "bricks": For a network of NGOs a building may make sense because it saves them recurrent (rent) costs and can generate some unrestricted income; but for a small community a school building may be impossible to keep up, and if the government does not fund a teacher for that school, then it will lose its value.

"One of our trustees encouraged us all to consider what the obituary of our foundation would be."

Making explicit what is implicit. Influencing a broad field in view of sustainable change through a portfolio of interventions is even more complex. "Understanding impact or sustainability requires tools, and the tools that we are now using are theories of change, impact indicators, and outcome mappings. How close are we [to our goal]? How can we measure that? And once that happens, then we are finished. There comes an end point because that goal has been achieved."

Besides looking at how interventions you develop or support lead to change, a theory of change should underpin what makes the change last. Sometimes a change implies that individuals change their behaviours. Often a public or private organisation or network needs to be able to do something, deliver a product or service, for a prolonged period of time. That usually requires a strategy for financial sustainability. When reflect-

Mapping the Funding Ecology

To find out more about what is going on and who's funding in a particular field or geographic area, there are an increasing number of resources that provide access to information, developed for example by the Foundation Center on a global level; or at European level through the EFC; or on national levels, e.g. in Germany by the Bundesverband Deutsche Stiftungen.

Funders also explore the ecology through (in)formal networks at country or international level. In Europe there is a quickly growing landscape of online funder fora (ARIADNE for example) and networks supported for example by the EFC that all serve to get a better sense of the funding ecologies.

ing on legacy, foundations may find that there is a theory of change implicit for the way they work. Distilling that implicit theory may help you identify what is needed to sustain the change you brought, after you have left.

Taking the funding ecology into account. While as an individual foundation you may have your own timeline, you operate in fields with a variety of other actors and their timelines. How your intervention fits that environment, or whether the pilot you initiated will be picked up, may not entirely depend on your own action. If you want to leverage the resources of other actors, not only do those actors need to exist, but they need to be willing to be leveraged as well. Understanding how the particular funding ecology relates to your ideas and legacy and how in turn this influences your exit is a crucial process that requires quite a bit of thinking. "I think in some ways an effective exit depends on whether one sees oneself, and is seen, as a funder or a catalyst for change with a location in a particular bit of the ecology," says one executive.

Experienced foundation practitioners know who else is funding in a particular country or field and how these foundations tend to work. They keep a mental list of likely funding partners and cultivate relationships with colleagues who share their interests. It makes sense, one grantmaker reasoned, to think about "who might 'take out' your project or grant with additional money down the road." More generally grantmakers "have got to have relationships with other funders," says this grantmaker. "You need to understand that in a way you are a 'shadow' development officer."

In some fields the funding ecology is seen as being quite volatile, unsure and still requires a long-term commitment, as an executive commented: "When you support human rights activities or independent media, to some extent local philanthropy can compensate for the exit of foreign donors, but then all of a sudden, the political tide shifts and there may be no domestic funding available, even if the economy is doing well."

Thinking upfront. While you may be willing to plan for your exit, it may not always be feasible because there are too many unknowns. True, but you can still "think upfront". You can put the inevitability of the eventual exit from a field, a funding relationship or a programme on the table from the start, with grantees, outside partners and inside the foundation, among trustees, with board members and with (programme) staff. "Thinking upfront" makes ending the funding relationship part of the on-going dialogue internally and with partners, without the need to plan for all the details right from the start: "You cannot plan an exit from the start, but you can talk about it being part of the process," says an expert in coaching social entrepreneurs. Making the exit part of the conversation can reduce the awkwardness and uncertainty that often make endings seem hard.

Timing and managing such a dialogue is crucial. Even though exiting has to be on the agenda, it should not take over the agenda. Practitioners flag that repeatedly, publicly announcing your exit without a timeline and plan can be potentially counterproductive: "An international donor kept on saying that they were only going to be here for a short period, but they never said when they planned to leave. When they left in the end, it was a total surprise, not well-managed at all."

Establishing timelines. Too often timelines are not on foundations' agendas. A grantee who later became a grantmaker reflects that: "(For) most of the programmes I was involved in (…) there was no specific time horizon for grantees." A foundation manager says: "We never really worked with timelines, grants have fixed duration but repeat grants could be awarded. And when a programme officer leaves – which used to happen standard after six years – we would review the portfolio and exit from a number of grantmaker-grantee relations."

While annual calls for proposals help foundations select the most promising proposals, when grantees are selected for consecutive years, this repeat funding can easily create expectations of developing a closer funding relationship. "Even though we work with project funding that is limited in time, grantees have long-term expectations," says a programme manager.

Irrespective of the type of funding, some directors are adamant that short or at least fixed timelines are the approach to follow: "If you do not have a timeline then you are not thinking of getting out." Venture philanthropists tend to think along those lines. One explains: "We typically fund on the basis of three-year strategic plans or business plans. Anything shorter becomes too close to a work plan and it's hard to have any strategic vision. With anything beyond three years, in general the environment is changing so quickly externally that the plan becomes out of date too quickly, and you're left with a plan and an investment contract that may no longer make sense."

"Even though we work with project funding that is limited in time, grantees have long-term expectations."

Foundations that spend out routinely work with timelines, including their own closing down. Says an executive: "It takes two years to three years to establish your model, your foundation, your relationships, your focus areas. So say two to three years at the start where you are messing around. Seven years where you are doing hard work, that's ten years. But you also need a period at the end so, just when that impact and success have started to come true, you can double down again for another two years (and) say 'let's hammer this home'." In another example it was clear from the start that a trust was going to spend out in ten years. Five years into existence its management was transferred to a network that felt a strong urgency to plan for what had been inevitable from the start:

“Even if you don’t put an end to a project, you should always put down a certain sort of timeline…”

“When we took over after five years we immediately started planning for the exit.”

When fixed timelines are not suitable. While some foundations deliberately work with fixed timelines, several established philanthropy organisations indicated that they prefer to follow a different, more nuanced approach: “We have a long-term horizon – we start a programme and then we see how it goes. Many operational foundations say we do this for three years or we do it for six years, but in our foundation we never set upfront time limits to a programme. I personally think however that, even if you don’t put an end to a project, you should always put down a certain sort of timeline and make it binding for everybody involved – your boards and your head of department – at least to re-evaluate a programme.”

On the same issue a grantmaker investing in human rights observes: “Fixing the duration of a grant relation across the board does not acknowledge geographic and thematic diversity. And it only leads to expectations…” She added that: “We sometimes see grantees spending a lot of time and energy on getting exceptions and extensions to the last contract, and they do not focus on their primary work process.”

You can be flexible about the duration of a partnership if you combine it with a regular strategic review of the partnership or portfolio that looks at operational numbers and that looks at impact, at what is needed to go to scale. A venture philanthropy organisation systematically conducts an annual portfolio review.

There is no exact science as to what is good practice to follow in setting timelines. Some suggest that the particularities of the field set the timeline: “If your goal is to eradicate polio, you should count on 10-15 years, but supporting adaptation to climate change may take the next 50 years,” suggests a senior executive. And in a context of political conflict, another practitioner observed that support to an inter-ethnic dialogue can lead to a short-term success but that promoting collaboration on common topics (e.g. environment) among people from different nationalities and ethnicities takes much longer, and yet may have much longer lasting impact on peace and stability.

Practical wisdom shows that working with timelines for programmes, in fields and even for a country presence is good practice; but applying a single, fixed timeline across the board may defeat the purpose.

A PRACTICAL EXAMPLE

Timelines in core funding

Beyond spend-out foundations and venture philanthropy, increasingly, also for core funding, timelines seem to be a standard practice, including in some cases for difficult to fund fields like human rights.

A European foundation invests in national women's funds in various countries with the ultimate goal to build the women's movement globally. After a strategic review in 2008 the foundation shifted completely from event and project funding to core funding. A programme officer commented how this affected their support to women's funds: "To many we actually already provided core funding, but we rarely discussed timelines explicitly. In some cases we had been funding these women's funds for quite some time, but if we would continue to fund them all for 20 years, there would not be a lot of space to start new ones. So we decided to develop a strategy, and we said that we would take ten years as an indicative, maximum time limit for the funding relationship."

For a very well-performing women's fund this meant that in 2010 the foundation initiated a dialogue with the intention to end the funding relationship 24 months later. Two core questions were reflected upon:

What do you need from us as a funder that no one else will fund and that will prepare you for us not being there in two years?

Considering the flexible nature of our funding, what has to be done to replace that kind of funding, how do we find another source?

In answer to the first question it was decided to invest in computer equipment, something the grantee felt was going to be hard to get funds for from another source. Regarding the second question finding a "replacement funder" did not seem to be an option. They decided to try to generate income, drawing on the fund's experience in helping small women's groups and organisations to raise funds locally.

Now, three years on, the women's fund has imparted training to nine groups and will cater to eight more organisations as a service to their former funder. They expanded to providing such services to grantees of other funders, thus generating a flexible stream of income that reinforces the financial structure of the organisation.

So it was a happy ending, but never an easy process: "They did not understand why we could no longer fund them; they were doing well so why stop? I went to the first meeting with a knot in my stomach. You have to really take time to explain your position. After some time they understood we were not abandoning them. It was also very important that our Chief Executive backed me up and supported me," says the programme officer of the original funding foundation.

In two other cases the foundation decided to end the funding relationship. In both cases the women's fund was not performing well. "Both grants were going to end in six months and I wrote to them saying that we were not going to renew, providing them with eight pages of very detailed feedback using clear performance criteria and showing where they were lacking. Again, I had the backing from our CEO, which was very much needed because the grantees were very upset and one responded very emotionally." In one case the foundation felt the performance of the Executive Director was an issue and shared its feedback with its contacts among the board. The board responded and remedied many of the performance issues which led to the renewal of the funding relationship. In the other case, the former grantee started an active, and very successful, campaign to mobilise alternative funding.

"I learned that if you provide core funding to build a movement you have to talk explicitly with grantees, (and) partner organisations about a strategy for when you are no longer there to fund them. Events and projects have an end that is built in, but when you provide core funding you have to make timelines part of the dialogue."

Deciding to leave

Being prepared is the best starting point for a decision on exits, but even the most careful planning requires built-in flexibility. This means that even with planned exits, there comes a point at which a final decision to exit or end a programme must be made.

Whether or not envisioned from the beginning, you have to invest in careful decision making and devise appropriate strategies for exits, accompanied with good internal and external communication. One interviewee suggested that: "Actually the quality of the exit is a good reflection of the general quality of management and internal communication in a foundation." And exits need tailor-made strategies that fit the context and the rationale underlying the exit.

Why exit? Exit decisions to withdraw from a country or a field, or to close down a programme — other than expiry of a grant agreement — are usually precipitated by one or more of the following:

- Achievement of the funder's objectives
- Strategic re-orientation driven by:
- Lessons learned from a broad reflection on the performance of the entire operations of the foundation
- Unexpected reduction in independent income
- Changing strategic interests of a back-donor or parent corporation

When repeat grants have been made, expiry of a grant agreement can be a moment to consider an "exit" when a project or partner fails to perform according to the standards of the funders. Similarly, operational foundations may discontinue a project or programme for such a reason.

Occasionally exits happen because of:

- A complete breakdown of the partnership relationship (e.g. fraud)
- Natural or human-made disasters and force majeure that impede continued operations

While not the cause or the reason, often personal and personnel issues are the actual trigger for exits. Numerous foundation executives mentioned that the departure of a programme officer was the prime occasion to review and assess whether exits were needed. From a perspective of partners this seems a less desirable practice: "You know you have to dread any change in staffing," says one grantee.

One observer of foundation practices notes that the actual exit decision is pivotal: "Why is the foundation ending its involvement, why are you leaving? This is a threshold question. Is it for the right reason? Usually there is not sufficient, or sufficiently honest, critical analysis of that question. Mind you there are lots of legitimate reasons to exit. But if the analysis is not done honestly, (or is) not clear, then everything else is going to be a problem…"

Internal and external stakeholders. Take your time and involve different levels of the foundation, it makes for better decisions. As articulated by a programme manager: "Distant boards too easily take decisions to withdraw, and they are too easily satisfied with themselves and simply go chasing the next conflict (or) do-good area." At the same time, she acknowledged that programme staff may be too close to operations to be strategic. Usually foundation executives, board members or trustees bear the ultimate responsibility for decisions to end programmes or funding relations, or to withdraw from fields and countries, but programme staff can and should feed into those decisions.

Different levels in the foundation need to back each other up, regardless of who takes the ultimate decision. "Having a clear message is important (as is) making sure that the board understands… you have to be in total alignment with your board," says one practitioner. Along similar lines, an experienced grantmaker warns: "The trustees often maintain a more arm's length relationship to grantees and are not usually the first line of communication, although, when grantees know trustees, they may well give them a call and say, 'Your foundation is eliminating my grant, can you intervene?' So a proper role for foundation trustees would be, certainly, not to second-guess staff, although, clearly, a proper role for staff is to keep the trustees informed and help them also to figure out how to communicate the decision that was made."

Exits from commercial ventures affect investors, shareholders and employees. Consumers are rarely a factor in such exit decisions. But when you fund activities that serve the public good, the ultimate rationale for your investment involves beneficiaries. They need to be considered in exit decisions. A venture philanthropist explains: "We invest in this social enterprise that works with school dropouts, kids that fell between the cracks of all kinds of systems. The enterprise does not perform well however, but we need to find a way to exit without abandoning these kids again…"

"Triangulating information helps uncover irrationalities and contradictions."

A manager who recently closed an established line of funding reflected: "For a project it is very important to think about the exiting... leave your little narrow project world and put your project in the context of your institution and the surrounding actors and policy environment." You have to reflect on what part of the decision should involve external stakeholders. Two international grantmaking NGOs, upon having decided to exit from a country, actively involved their partners in further devising a detailed plan.

Evaluations and decision making. Several practitioners mentioned that information from evaluations fed into strategic re-orientation decisions or that the conclusions of strategic reviews implied exits. Some suggest there use may be limited.

External, independent evaluations may help you make sense of information that is coloured by all kinds of stakes that the various parties affected have in your decision to exit or not, including your own biases. An evaluation that combines data and observations from a range of stakeholders can be of great value. Triangulating this information helps uncover and interpret irrationalities and contradictions.

Honest decision makers manage their own biases, and are aware that the information they draw on can also be biased. As an experienced programme manager testifies: "We often have these conversations about 'we want our grantee to be honest with us, and they're not being honest. They're not telling us what's really going on,' but the reality is that when things start going astray, we respond like all funders do, by suspending payments and to stop paying any further funds. It is rather contradictory to say that you want to hear the truth and then when people do share key progress information, they are immediately punished."

Independent evaluations can help a funder in making decisions, provided they are indeed independent and credible. But not all evaluations are actually intended to do that. External evaluations have also been known to be used for the justification of decisions that had already been taken internally. A testimony from an evaluator: "We were told on advance that this evaluation was only to comply with the procedures of the back-donor, the exit was a fact already and it seems no one expected to learn much from the entire exercise." And in another case they were meant to serve partners, as an executive declares: "I commissioned an external evaluation after we had decided to exit certain fields. The exit itself was a strategic decision to bring more focus in our portfolio. The outcomes of the evaluation however helped the partners we discontinued working with to position and market themselves."

Being supportive

Depending on the reason to exit, the nature of the intervention and its context, a decision to exit will unfold according to one of a variety of scenarios. Different scenarios come with different strategies. And in each concrete exit strategy, choices are made around providing specific support to make the results that were achieved stick, and to foster a respectful transformation of relationships.

These are some of the possible scenarios once a decision to exit has been taken:

- Mission aborted, you document the failure and your decision, if that is an option, in order for others to learn
- Mission accomplished, you document the results
- Mission accomplished, change has been achieved and the watchdog responsibility has been assumed by a relevant network or organisation
- Grantees or partners continue activities with alternative funding or income, possibly morphs into some sort of social enterprise
- Other existing institutions adapt and continue activities, with their own funding
- New organisations, partnerships or social enterprises are created to continue (funding)activities drawing on alternative funding or income

or hybrids of the above…

Whatever the scenario, both results as well as relations are relevant when designing exit strategies and plans, as exemplified by the following statements:

- "We invest in people, they will create and sustain the change."
- "We talk to the grantees about what we're going to be doing and we help them with their long-term strategies of what they're actually aiming to do and accomplish."
- "…we're not so much interested in the sustainability of the organisations (we invest in) but in the sustainability of the work they have done."

Continuing activities after the exit. For many funders, a standard approach is that the partners continue the work, alone or together with others. Legislation and embedding grantee interests in government policies and practices can be part of the approach, but there are risks involved: "We've always looked to exit and hope that our government picks up the costs, this seems to be a favoured model in our philanthropy. But in these times this may no longer be seen as effective," says a funder.

Another often-used exit strategy involves creating a local organisation. One foundation executive says: "What we set up was a private foundation made up of business leaders and run by a highly competent individual, and that was part of the strategy to hand this over to an indigenously-resourced base [...] They're struggling for funds, because there are not a lot of funds in the region itself, but they've got all of the major actors around the table to find a solution for making sure that children get what they need."

Sometimes such new organisations remain embedded in an international network. As one observer noted: "How would you call that? Indigenising? Franchising? Leaving an affiliate? I know of at least one international foundation that has now registered

A PRACTICAL EXAMPLE

How operational foundations end programmes

Programmes of operational foundations usually do not end but morph into different programmes or are transferred to others, a process that is not always deliberately managed. A major European operational foundation is currently undertaking a review of its exit practice to become more deliberate and better at designing pathways to sustainability. Says a programme manager: "We are not very good at exit strategies, but over the last few years we have become much more focussed, and now when we start a new programme we think ahead of time about an exit and scaling strategy."

She identified three pathways to leaving a lasting legacy, each with its own exit rationale:

1. Start-up and spin-off an independent organisation

The foundation has established its own start-ups and acts as shareholder or founding member using different, appropriate legal forms depending on each case. The explicit intention of the foundation is that these organisations or businesses generate income and become – eventually – financially independent when it comes to their recurrent costs. The foundation plays an active role in the governance of these ventures.

2. Continuity of collaborative initiatives through third parties

In several cases the foundation – often in close collaboration with other actors – developed alliances and piloted solutions to societal problems. After years of (operational) engagement the foundation has been able to exit from such programmes involving third parties. The foundation exits when these new consortia take over responsibility to provide the services developed.

3. Sustainability through dissemination and communication

Many foundation programmes develop activities that seek direct impacts for beneficiaries, often involving training and/or applied research. The foundation deliberately tries to achieve impacts beyond the direct beneficiaries through a comprehensive networking and communications strategy.

as a national organisation [...] they operate locally, but they are part of the international network. You may not call it an exit… but it is probably a strategy."

One funder emphasises that you have to look at three aspects of sustainability of an organisation you leave behind:

- Is the organisation able to tell their story in a compelling way? You can only do that if you can show outcomes or demonstrate impact of your work.
- Do we understand the maths, the numbers? You need to know how much every part of your operation costs and what the relative scale of your contribution is.
- Can we help our partner to expand their networks beyond its comfort zones, can we help them to get out there, meet people.

All too often funders assume that organisations can and do carry on after having scaled down staff. The point made above regarding the math and how to cover recurrent costs is often not a strong suit of foundations, and it goes beyond finances. As the case of a project for HIV/AIDS prevention in Central America illustrates: "The project budget allowed us to rent a place where young gay and transsexual boys could hang out safely, without being exposed to the violence that is usual in our country. We actually may have even made it easier for them to come out of the closet. Now they are all back on the street, probably more exposed than ever."

And sometimes coherence is missing as the following grantee observation suggests: "The standard position is that as an NGO or fundraising foundation you should be mission driven, and at the same time, you should earn your own living by working with clients. My experience suggests that donors seldom see this as an issue of choice. They would like to both keep their cake and eat it!"

Connecting organisations to other funders. You can support partners by linking them to other funders, explains a practitioner: "Part of the opportunities, support and services that we provide to partners is that we make them accessible to other donors, we link them up and we promote them through our website, and we write recommendation letters to other donors." Some funders actually see that as their core mission: "We scan for great, innovative (initiatives) and aim to scale and exit them in ten years, making sure that other, larger funders pick them up," says one funder.

An experienced programme manager from Eastern Europe, who witnessed this kind of introduction to and networking with other likely funders, recommends that this practice should be part of your approach from the beginning: "It's not likely that donors take over something that was invented by someone else. You know, it's just psychologically difficult to imagine. So in my view if you are thinking about passing the torch to someone else, my advice would be, you should involve this someone else as early as possible, not at the last stage, not when you've run out of money, not as part of the start of your exit strategy." But bringing in other funders may not square with other interests. A corporate funder, asked whether he would present the community foundation they support to other potential funders asks, "Why bring in the competition?"

But a manager of a large, recurrent award programme warns: "You have to be very sort of selfless about those grantees. It would not have worked if all the time we would have put our foundation's label and logo on them."

Worse, as a funder you may run the risk of being not helpful at all. As one funder puts it: "I think it's quite easy as a funder to forget and to think we're being incredibly helpful, meanwhile putting demands on the organisations [...] saying, 'We can help, provide advice on this or we'd like you to do this form and…' But the trouble is for the poor grantee, they've got ten different funders saying that in different ways. So, it is good to look at it from the grantee's point of view." This observation is echoed in one foundation's recent experience. "Last time, a year before grants of our last three-year cycle ended, we offered grantees expert consulting services to reinforce their fundraising. It was a big success. This new cycle we offered our grantees this service again, but they do not seem to respond at all. Maybe we should have asked them what they want, maybe they just need an extra hand and not a consultant. One executive I spoke with said she did not have the time to sit with a consultant discussing fundraising, she just had to do it."

Funders as advisors. If supporting your partners and grantees to find alternative funding is part of your exit strategy the next question is: Do you have the skills to help your partners to find alternative resources? A director who scrutinised their own exit practice concludes: "Most private foundations are not equipped to provide support other than financial (support)." Another observer also noted that foundations could lack in this dimension: "Donors say, 'Okay, we gave you some money, and now you have to learn how to live without our money, you have to really become sustainable.' The point is that these people who give such advice, usually know nothing about how to become sustainable or raise funds, because they manage big endowments [...]. So they want to teach you something that they don't know how to do, and they do not need to know."

Business Models. Foundations and NGOs that are not endowed have business models that underlie their strategies to generate income. The shape, size and timing of your contribution as a funder – if significant – will influence their long-term financial sustainability. It's easier for a source of income to disappear than to be developed. As a funder to a certain extent you are co-responsible for the "after-the-exit" situation if your withdrawal dramatically changes the overall flow of income or business model.

Organisations and ventures you support can have a range of income sources:

- Statutory income from interests and returns on capital investments
- Income from regular private donations by corporations or founding partners
- Fundraising or public charity work involving the general public
- Governmental (match) funding and subsidies
- Service payments from the government

- Direct cost recovery or profits from sales to clients
- Indirect cost recovery through a percentage on purchases of products or services
- Various buy-and-give arrangements
- Grant income from other foundations
- or a combination of any of the above

Over the last few years, not-for-profits have become increasingly creative in their business models. Social media and public-private partnerships allow for an increasing diversity in not-for-profit business models. An example is WakaWaka who developed a solar energy application with grants and volunteer inputs; funded scale production through a pre-pay arrangement; and included the concept of giving with their requirement that you can only buy a WakaWaka solar phone charger if you agree to give one or more WakaWaka lights to people in need (giving being managed through partners on the ground) — buy one, give two to Haiti, for example.

"You have to be very sort of selfless about those grantees. It would not have worked if all the time we would have put our foundation's label and logo on them."

Changing a business or funding model can be a major operation that may take years. A proactive executive of a sponsored foundation relates: "We realised that our external funding was likely to dry up at some point, and we decided that we should phase out our traditional grantmaking. We needed to change from an open-door foundation into a social development agency. Over the last five or seven years we did this, gradually, and right now we receive most of our money not from donors, not from charitable institutions, but rather from clients. Clients who need to get specific social services from our foundation."

Fundraising and developing not-for-profit business models require specialised expertise other than grantmaking and programme management competencies. Many funders recruit such expertise externally. A consultant to social enterprises explained that he was hired by a large foundation to work with its – soon to be former – grantees to review the possibilities for income generation, through the possible structure of a social enterprise.

Monetary support. Many foundations include as part of an exit strategy the provision of a final transfer of funds, sometimes also called transition or tie-off-of-legacy grants, or even endowments. One funder relates: "When we realised we were going to leave countries, we put several million aside in order to give the people that we were supporting around the world in those countries one, two, three, four years of funding, and general support funding, so that they could transition to either developing products, developing communications, transition to another donor, transition to a more sustainable model, etc." For a spend-out fund or foundation, this can be a way of closing the balance at zero. However, other funders, including some spend-out foundations are against such final grants because they feel that what they leave should speak (and stand) on its own: "We are not going to give any legacy grants," explains a programme manager, "and grantees should not expect such grants, it is not going to happen."

Endowments. Helping a grantee or partner establish an endowment may seem like a logical next step at the close of a long relationship. But it is not that simple. Consider the size of an endowment needed to generate 100,000 euros annually. A recipient without expertise would have to pay fees to someone to manage the investments, and with conservative, risk-averse management that would leave them 2-3% per year, you would need to endow between 3 and 5 million euros. And what if the costs rise and asset values erode? International grantmakers should also think of the following: Can an endowment be managed locally? If not, can the income be easily accessed if it comes from abroad? Indeed a very experienced grantmaker cautioned: "An endowment is not for everyone." Instead, she urged funders to think about providing smaller sums for more focused purposes. Some possibilities include:

- Establish an "incubation fund" that allows the organisation to experiment with new ideas
- Support hard-to-fund "infrastructure" like purchase of a building or premises that can serve as a meeting space or can house innovative services
- Staff positions, such as internships or a development or research director
- Create a reserve fund to smooth out the budget of a grantee that relies on public funding (which is often delayed) or an uneven income stream
- Provide a recoverable grant that lets an organisation undertake a project that could open up a new income stream, such as a special service
- Offer a guarantee of a low- or no-interest loan that enables the organisation to leverage commercial funding for capital improvements

Providing Infrastructure. A human rights organisation received a grant to purchase a building that also enabled them to safely store an important archive. For an NGO it can be very valuable to have property and actually own its own building. But remember bricks can be tricky too: In some developing countries white elephants – unused, luxury infrastructure – litter the landscape, landmarks of the global cemetery of good intentions. Keep in mind that this requires capacities to raise funds or generate income for maintenance. As in any aspect of your exit strategy, it is really worthwhile to consult with the – soon to be former – partner what bests suits them in the long term.

If you decide to support through an endowment, see GrantCraft's "Providing for the Long Term: Supporting Endowments and Investable Assets"; or read more about loans, recoverable grants, and related instruments in GrantCraft's "Program-Related Investing: Skills and Strategies for New PRI Funders".

Even in crisis there is opportunity

Sometimes dramatic change is inevitable. Fortunately in crisis there is opportunity. A foundation with a broad mission to invest in a limited geographic territory experienced a dramatic drop in the value of its assets. Grantmaking, which it used to do through annual calls and allocations, came to a complete halt. Some organisations had benefitted year after year from receiving grants, and grants were made without ever discussing an exit scenario: "We simply did not think about the possibility that money would run out," says a programme manager of this foundation.

The drop in resources also affected the foundation's own operational programmes. Yet the foundation makes an effort to keep these afloat on lower budgets and by raising external resources. "We try to sustain our main initiatives over the years, but what is important is that we have been forced to change completely our way of working. In the past our assets provided us with a huge flow of money which we could put into these programmes, now we are talking more and more about cooperation. This is a complete change, it requires a complete change of our mind-set. In the past there was no urgency to cooperate so closely with local entities, now we cannot avoid joining forces. For me that is the biggest lesson learned: In this world nothing works without some sort of collaboration."

Former grantees now have to fend for themselves. Instead of annual opportunities to submit grant proposals, the foundation offers the expertise of its staff. "We have project management skills, national and international networks and access to expertise," says the programme manager. And the human resources are made available in a flexible, tailored way.

So the foundation staff has skills that can be put to use for the community, but still the change is huge. How do staff cope? Says a staff member: "We have to, there is no other way. This may be a forced change, but I believe we will become stronger and can do more meaningful things for our community."

Whatever your foundation's financial health, the case teaches that foundation boards, managers and staff have to deal with the inevitable fact that money can actually run out and that (financial) sustainability is a discussion topic that cannot and should not be avoided, painful as this may be.

Managing transformation

The practice of delivering the exit, managing the spend down, implementing the closure of a funding line or grant, or actually ending a partnership is a process of transformation for all involved. Managing this transformation is demanding and needs skill, but when it is done with elegance it can be inspiring and rewarding. While financial resources may have been central to the funders' role and relationships, it is much more than a financial exercise.

Role of the chief executive. CEOs and managers are often the links between decision makers and those who are affected. And it can be lonely in the middle. A CEO of a foundation says: "As manager you need to be able to talk off the record to other people who are struggling with these issues precisely because there is not much detailed information around the nitty gritty. What do we do about employment contracts? What is the legal situation? How do we actually close the doors [...]. And also you need to be able to talk about some of the emotional issues that you have to deal with regarding trustees and staff." Launched as an initiative of the Tubney Charitable Trust, the Association of Charitable Foundations (ACF), the donor forum in the UK, actually hosts a confidential peer-to-peer group of directors who explored their role and experience as directors who are involved in exits and closing down programmes and organisations. Participants said that issues related to internal management and legal aspects were frequently tabled in this peer group.

"So there is a good deal of the grieving process that I think goes on for everybody."

Managing the internal aspects of exits. Some of the spend-out recommendations also apply for foundations that have to dramatically downsize, or withdraw from countries or regions. The Beldon Fund (US) and the Tubney Charitable Trust (UK) documented in a very practical and frank way the many internal management dimensions of closing down their foundations (see annotated bibliography). This is a combined list of the internal management aspects their recommendations touch upon:

- Ensure that a rigorous and effective mechanism is in place to focus on details of the closure
- Develop a comprehensive financial plan including bad- and worst-case scenarios and revisit and adjust the plan regularly
- Be open and transparent with staff: Communicate all plans (including redundancy) clearly and early
- Piecemeal redundancies can be demoralising
- Create incentives to retain key people
- Help people to find their next job, be flexible in letting people go
- Consider hiring flexible back up
- Be creative with residual assets

Managing people. The many experiences shared boil down to recommendations for good basic human resources management practices that involve at least respect, transparency, fairness and predictability, and include measures that help people to move on. Indeed, human resource management should not be overlooked when there is a strong focus on the programme dimensions of the exit or restructuring.

Exit or scaling-down decisions inevitably affect employer-employee relations, not always in a completely rational way. A CEO of a foundation puts it this way: "It is also important to recognise that people deal differently with what I would call grief. While you can put systems in place, basically your entire work family dies at the same time. Maybe I am being over dramatic about it. But you know, to a certain extent, that is what happens. So there is a good deal of grieving."

Managing branding and reputations. Funders have different approaches to branding, and, from a perspective of exits, the topic requires extra care. Being associated with a major foundation can be initially very beneficial for an organisation or venture, but gradually the drawbacks emerge. A foundation executive testified that when managing the exit from a particular field, he found one long-time grantee who begged for continued support "small as it may be, because it was helpful for them to be associated with us." Eventually the relationship ended, because the foundation wanted to have a more focused and clear profile.

Some funders choose a low-profile approach on principle. One foundation manager says: "We're not encouraged to speak about things as *our* work [...].We try and focus the spotlight on our grantee organisations where possible." While a programme manager observes that: "A lot of branding is done focusing on getting visibility for the donors and not in support of civil society organisations." So foundations and their partners may need visibility for a variety of reasons at different stages, and in some cases their interests may compete with the interests of partners and grantees.

Concerning branding, practitioners stress that you have to think about the long-term interest of your foundation. The way you manage your exits is equally important in this area, as someone said: "A bad dessert can ruin the entire meal, however splendid it was."

Handing over a brand

An exit may involve handing over a brand you developed, either as an operational foundation or as a sponsor. Reputations are at stake. One foundation communications manager told the following story of handing over a brand:

"Our work revolves around generating and disseminating knowledge about integral child development. We run intervention projects in municipalities throughout the country. To assist in the task of community mobilisation, in our country's language we created a brand for this programme that roughly translates as 'Earliest Childhood'. The brand logo is colourful, attractive and communicative. The community knows that wherever they find this logo, they will find high-quality care services for pregnant women and young children.

The programme was designed for our organisation to have a direct presence in the municipality for three years. If we were to allow the municipalities to continue using our brand, it could potentially be poorly represented, since we were no longer present to control the quality of services. In this case, our brand and also our name would be exposed to potentially negative associations. On the other hand, if we were to stop the municipalities from using the brand, the population could lose its reference and might even forget about the public managers' commitment to maintaining the quality of care.

The impasse led to many meetings and discussions. In the end, we concluded that it was more important to conserve the value and positive effect that the brand had already made on the population – though running the risk of eventually seeing an association with lower quality service – than to maintain exclusive use of the brand and destroy its symbolic link with the population. So we handed the brand over to the municipality."

Managing documents. In an exit there are all kinds of dimensions and questions that need to be addressed on a case-by-case basis. When you withdraw from a country or liquidate a foundation, what to do with any remaining assets, trademarks etc.? And – also applicable to withdrawal from a field or large programme – how to dispose of documents and information? You can partner with (former) grantees and research partners to find creative and acceptable solutions. In archiving, issues of transparency and privacy require timely and careful attention: The Diana, Princess of Wales Memorial Fund documented the decision making involved in and its management of this aspect of exits. The study encourages philanthropy to keep and provide access to records, but warns that this requires planning and resources (see sidebar).

Lessons learned: Leaving an archive

1. Leaving an archive takes time and needs resources. The review of files (reading the files to check for information that might be problematic for legal, reputational, or data protection reasons) was by far the most time consuming stage of the project.

2. Good records management is key. Files that came from teams with less consistent records management practices are less complete and will be more difficult and time consuming for researchers to navigate and interpret.

3. The choice of archival repository is significant. Deciding early with whom to work was important to plan and complete the process. The 'Don't Throw It Away' project has published a guide for organisations considering whether to develop an archive in-house or to donate to an archival repository: http://www.voluntarysectorarchives.org.uk

4. Decide upon criteria for what should be included in the archive at an early stage in the project. By having set criteria through which to judge whether files should be included in the archive, the process of including or excluding files in the archive was more transparent and less subjective.

5. Staff, board members and third party organisations will have concerns. It is important that these are addressed. A Board of Directors has to manage the reputational risk and any legal issues arising from placing files into an archive. It was also important to address the issues raised by the Fund's staff and grantees, including concerns that the release of information might damage the work of some of the Fund's grantees or make it difficult for them to secure future funding. Consider closure periods for particularly sensitive files.

6. The process of building and managing an archive will differ for organisations that are closing down and for organisations that are remaining operational. Yet all foundations should consider building and managing archives whether they are spending out or existing in perpetuity. Any organisation can benefit in several ways from having an archive during its own lifetime: They can learn from previous work in a systematic way by accessing the archive files at regular intervals and by being transparent, they can increase their accountability to the beneficiaries of the work.

7. Think ahead about how the archive is going to be used. Trusts and foundations hold a lot of information that is pertinent to our social history. An archive should not be a dusty cupboard of files that is never accessed. It is a good idea to think ahead about how the archive might be accessed and used.

From: Why and how did we publish our archive? Learning from The Diana, Princess of Wales Memorial Fund's archive project, John Erde, 2012

Communication

Comprehensive communication covers the exit decision, its rationale, and the time remaining until the date of exit. It also speaks to the exiting style. Doing this well is easier said than done. Also, there is not a clear division between internal and external communication, requiring caution. "The devil is in communication," notes the former executive of an intermediary that was set up to spend out. Both foundation practitioners and grantees agree that the quality of exits is largely dependent on the quality and timing of communication.

Announcing the date of exit seems simple, but at that moment you need to have thought through a wide range of aspects that are often interrelated. Says a programme manager: "These are tricky times, the decision to close down the programme is taken, but we need to consult and inform staff and certain stakeholders before making it public." Indeed, you have to be able to give answers to a wide range of questions. Expectations have to be managed. Yet to develop the answers and to do the analysis you need to be able to draw on a series of information sources, mustering the diverse expertise in and around your organisation. So there is often a period of ample but very discrete communication before you start your all channel, public outreach.

"If you avoid the conversation people think it's maybe not happening."

Consistency. Communication needs to be consistent. Conducting exit discussions, finalising current contracts and relationships, and developing relationships beyond the existing grant-grantee framework involves a complex set of skills. One foundation CEO says: "People need to be trained to respond so that the message that grantees receive is similar from different people (…). Preparing staff to approach these discussions with confidence requires preparation even more as it is important to ensure that an organisation and its staff all speak with one voice and follow an identical approach to the exit."

Frequent, using varied channels. Even though as a foundation you might think that you have delivered a clear message, partners do not always seem to catch on, explained a foundation director: "For two years I used every possible channel to inform grantees and other NGOs that our grantmaking had to end because our back-donor was changing its policies. In direct interaction, through our website, e-bulletins and also every time we organised trainings for NGOs we said the programme would end, but it is hard to get such messages across." A programme manager who had a similar experience recommends: "Tell them what you're going to tell them and tell them what you told them. It's a little bit like that, being a broken record. Or at least don't hide it, be absolutely open about it and keep it on the agenda with your partners. If you avoid the conversation people think it's maybe not happening."

Empathic yet clear. Once the exit is on the agenda, whether by choice or due to "developments", funders and grantees — both managers and programme staff — emphasise the need for being clear about how you intend to go about exiting. A foundation director ponders: "How to be sympathetic but yet not create hope that things (contracts and relations) are going to change." And he continues "If it is a final decision, it is important, often, for even the president of the foundation to communicate with the field. And you have to communicate often with the field, and in different ways because people may not want to hear that a funder is leaving."

Shared responsibilities. Just about everyone interviewed stressed that communicating the decision about exits should not be left only to an individual programme officer. Communication with the field is a shared responsibility at all levels of the organisation, and it has to be embedded in very strong internal communication.

"Communication has to be empathic yet clear"

Joint learning. At the same time, a planned exit can also provide opportunities, as related by a programme manager of a foundation that decided to spend out: "You have to make quite a clear split between the accountability and the learning aspects of the reporting and the relationship. We had meetings to talk about accountability and compliance and the budget and things like that. And then we also set up separately a joint evaluation group, and we had one of our board members, one of their board members and an independent evaluator meet every six months and review the learning. So in a way, the exit was all about discussing with them what progress was being made and how activities had being embedded for continuity in the future. By separating out the compliance issues to be dealt with in another meeting, it made it a lot easier to talk about the learning. I suppose what that meant is that they were much more honest and open with us about all that was happening in the piece of work, which is also quite helpful for exits. Because if you're not getting the honesty about what actually happened, I don't see how you can do anything about good exits."

Publishing evaluations. Even if you do not use evalutions in your exit decision, rigorous evaluations can help to identify the accomplishments and impacts of your partners and is an essential stepping stone in developing a responsible exit. "Measuring impacts guides other funders to good investments, and it helps to raise the profile of civil society organisations if you can show the impact they have on society," says a seasoned funder. One large foundation that plans to spend out undertakes and publishes thorough evaluations to generate evidence that they hope will inspire governments and private funders to continue or scale up models that they have developed. As outlined by a programme manager: "We plan to conduct and publish a cluster evaluation of our work in the children's rights area and the (…) youth voice and participation area to see what learning can be captured and to see if there is any learning for the field that can be shared."

Public relations. Besides internal and external communication around the exit process, there is also a public relations dimension. And doing some PR for your – soon to be former – partners can be very simple. However, you have to be intentional about it. Intention breeds urgency. A programme officer of a large fellowship programme said to all the people that were awarded fellowships: "At the end of this exercise, my address book will be yours." Often underestimated and requiring little effort, this sharing of contacts is highly appreciated as funders often move in different circles than their partners. Ideally you do this from the start, but if you have not done this during the duration of your involvement or your programme, try to find creative ways to catch up by planning to make use of the exit process to connect people.

Celebrate. All directors of spend downs spoke of the exciting period after the formal decision had been made, of working towards the actual exit of ending partnerships. The apparent increase of focus, staff motivation and of being in this final "showdown" together was an exhilarating time. Acknowledgement is important, as one director suggests: "Celebrating together is really important." An internationally operating foundation closing down a programme in a particular country testifies: "We made it a point to organise an event with our partners to celebrate all that they had achieved."

After the exit

You have secured your legacy, managed the more mundane aspects of the exit and you are now ready to move on. But are you? In some cases you may want to remain connected intentionally to partners and grantees, in others you may have to chase former grantees to fulfil administrative requirements. This is all part of the exit process.

A networked exit. "The first time we focussed on managing the exit process, but this time we will also think about if and how we stay connected after we have left," shares an executive of a foundation that is closing down a programme in a particular country. "With most of our grantees the relationship doesn't actually end. We stay in touch and it makes the entire system fuller and richer." Other funders follow a similar approach of expanding and appreciating the building of a network, only in a less systematic way or with an apparently lower profile: "We want to stay in touch with people whom we funded […] to share contacts, resources, and publications."

For funders who work with a short and fixed time contract, the expansion of networks and contacts can be seen as a deliberate objective and non-financial exchange. A programme manager at such a foundation says: "Nobody would have really noticed if the programme had slowly faded out. But I want to have options because through this programme we created a community, and we wanted the community to stay with us. So we brought this community — not the broader public — into our thinking process to take them along with us."

The value of these networked connections emerged very clearly after one foundation went back to review the progress of their partners some years after they had left. And they drew out a tough conclusion: "… we made the right gesture [...] we gave them some financial resources to make that transition without holding their hands. But we did not offer knowledge or contacts, or networks, or any other kind of social support". Another grantmaker who also had the courage to go back and learn from grantees after they had exited, felt a similar sense of loss and lost opportunity: "Partners said they were used to this dialogue with us and felt their network had gone quiet." It is however not always feasible in terms of staffing to maintain such networks. Yet, the last foundations quoted decided that in upcoming cases they would try to maintain some presence after ending their grantmaking, and in preparation for their exit they now actively invest in supporting networking between actors in the region.

> *"Partners said they were used to this dialogue with us and felt their network had gone quiet."*

The administrative aftermath. When an individual programme or project agreement ends, or when you leave a particular field, you normally maintain an administrative presence to deal with the aftermath. This is not the case when you spend out or withdraw from a country. And there are many details to contend with, says a foundation executive: "Our grant contract at the moment says that

Learning from spend-out foundations

An executive at a spend-out foundation notes: "We're limited life, we're around for ten years, it's actually a very short time frame. And when you're trying to achieve systems change, ten years is not long at all [...]. We're coming to the table with a lot of money saying, look, you need to make decisions, we need business plans and focus, we need to move quick, many organisations at community level have a much slower approach, not incorrect, but slower."

All staff of spend-out foundations emphasise that this way of working brings focus. As one foundation director puts it: "Spend out requires a particular focus, and that really enables one to articulate what one is trying to achieve. I think that perhaps among some philanthropists who are working in a foundation that is established in perpetuity, there is a sense that spend out might narrow one's horizons or restrict one's freedom to experiment. And I am not sure that that is exactly true. Certainly, we chose to narrow our objectives, but that was because we had very, very, specific things that we thought we had the opportunity to help achieve, and to do that, focus was really important."

Funders who deliberately work with a fixed time line have been around for several decades. They are currently attracting increased attention and media focus, even more as the "Giving while Living" movement attracts big names and unprecedented funds that aim to be spent within the coming decades. "We believe that spending down gives us urgency in our mission, and we're encouraged to take risks," says the director of a spend-down foundation, who believes that a more dynamic approach to funding and working on social change is the way forward. "Also as a spend-down we tend to move faster, we take more risks, and we do fail. But we don't dwell on failures. We exit and move on."

A further feature in a spend-out scenario is that inevitably staff management issues will emerge relating to staff motivation, human resources development, employment contracts and the position of trustees. One former foundation executive says: "Two years before we closed (…), we started providing staff with possibilities for coaching, training, (and) opportunities to go out and prepare themselves for life-after-spend-out. And I think that that is very important. Both things: giving staff a real sense of the mission and something to buy into meant that they actually were committed to the end to be involved in seeing the job done. And supporting them through it helped them stay. We did actually provide an enhanced redundancy programme so that when they left, they knew they would not suddenly be unable to pay their mortgage or whatever."

A spend-down foundation director described her foundation's communication process preparing for closure: "As part of the winding down we're documenting what we're doing and then communicating our learning to the outside world. We are creating an archive but we are also communicating the strategy or learning along the way. Some of the learning will be through formal evaluation, some of it will be using new media, video, or going the online route."

All funders can learn from spend-out foundations. You do not have to spend out to be deliberate about exits and taking risks. And as a foundation that continues to exist, unlike spend-outs you have a unique possibility to (independently) verify what has remained five to ten years after their exit.

after the last payment has been made, the contract applies for a year after that, and there are various obligations on both sides. But when you are closing down completely, that's not very helpful because to close down formally you need to be able to show that (…) all the obligations are finished. and complied with. So we have to do a whole series of very complicated legal letters and arrangements. Things like that are very time consuming, and actually, maybe it's also a waste of time for the grantee."

But sometimes obligations stem from agreements with third parties: "As an intermediary for public funds we have a responsibility to provide information on what grantees did with the resources until five years after the end of the programme. When grantees close down because of lack of funding, that can be really complicated," explains a programme manager, warning that this administrative aftermath should not be underestimated.

Documenting the process. Some exits from private foundations are documented. Several spend-down foundations document in detail their exit process and some internationally-operating foundations and NGOs revisited countries and programmes they had left years ago. Documenting the exit process and assessing – preferably some years after the exit – what has been achieved and what possible impact and legacy remain, as well as publishing your findings, are extremely important. These are only the first steps however, as one foundation observer says: "Identifying lessons is not equal to learning, it takes much more than that."

> *"Identifying lessons is not equal to learning, it takes much more than that."*

The importance of looking back and reflecting on your exit experience. One foundation CEO explains why they went back several years after having completed programmes and withdrawn from countries: "I wanted to understand what we had accomplished in those countries. And in that assessment, the grantees started to tell us that they were extremely upset about the way that we got out."

But their learning was not only about the exit process. Having learned from the past, the same foundation executive says: "We are much more engaged across civil society, across government, and across the private sector, than we may have been in the past. We do not work in splendid isolation anymore. It doesn't work. You can't achieve big change for kids in splendid isolation, though we may fund something that's totally crazy because there's a gleam of a way to find a solution." So the review has influenced their organisational behaviour and funding practice. Even more so, it seems they have embraced a reflective way of working. Says the foundation executive: "Once you have achieved what you set out to achieve, then you pause, and our next pause is foreseen to be in 2020." This inspirational example clearly provides evidence of the benefits of engaging in such a post exit review.

Nine helpful practices

Whether you are a grantmaking foundation, a family foundation that runs its own programmes, a big corporate grantmaker, a small venture philanthropist, an NGO that regrants funds from a back-donor or a mix of any of the above: exits are inevitable. Funder exit decisions and startegies bring together a lot of elements. The diversity of experiences has not (yet) produced a blueprint but there are some practices that can be recommended:

1 **Look before you leap.** You can prevent unhappy exits by being honest and rational about why you enter a partnership. Many unhappy exits seem to come from flawed decisions to enter a field or a relationship, from decisions that are based on incomplete or biased information or on emotional interpretation of information. The philanthropist has an obligation to "do no harm", and dilemmas regarding collateral damage of exits are all the more pressing when there was no rational decision to engage in the first place.

2 **Be prepared.** Everyone can do what a particular board member of a spend-out foundation suggested to their executive team, which was asking them to write the organisation's obituary. Nailing down what you really want to leave behind can help you in turn to identify what the true sense of your funding and legacy is.

3 **Think sustainability early on.** So what do you leave when you exit? Do you seek something that needs to last? What has to actually remain over time? You have to make sure that all partners share this expectation and that what you provide and fund is helpful to achieve that. When considering support, a funder has to reflect on this and table it in conversations with grantees and partners at the start.

4 **Talk timelines.** Not every foundation needs an official policy or a plan as to how long a partnership will last, or what criteria are used for exits. It all depends. But it seems to be practical wisdom to talk at any — and possibly every — stage of the relationship with partners about timelines: both your timeline and theirs. Embracing the concept of exits, the temporary nature of the relationship may help to shed anxieties and communicate honestly. At the same time, such dialogue about timelines should not be an on-going threat to exit c'est le ton qui fait la musique.

5 **Manage irrationalities in relations.** If you want your charities, your partners or a field you intervene in to become sustainable and independent, you need to give the actors space and freedom. But can you let go? As a funder, can you deal with grantees and partners that are assertive? You have to find the right degree of involvement. Distant trustees may want to withdraw too rapidly, while those who are closely involved or who helped build the relationship may not find it easy to let third parties come in and play a role. Foundation managers have to be aware and manage the emotions and irrationalities involved in philanthropic relations with wisdom.

6 **Reflect, be patient and realistic.** All too often exits come out of nowhere. In one of the venture philanthropy foundations interviewed the team reviews its portfolio on an annual basis to decide either to continue, to withdraw or to scale up. They want to avoid investing long term in models or organisations that do not work, cannot generate revenue or are unable to diversify their funding base. When they withdraw they normally take 12 months to exit. When a model

or organisation seems to work they will look for the patient investors that it deserves. Not all these parameters apply to all types of philanthropy, but regular reviews, in which information from different sources is triangulated, seem helpful and may prevent rushed or crash exits.

7 **More than money.** As a funder, your relationship with your partners probably involves much more than money. This can be part of your intervention model (for example when you practice venture philanthropy) or less deliberate. Ensure this non-financial contribution aspect is also part of your exit considerations. Consultations with partners you exit from should draw out these non-monetary needs. If this aspect was already built into your partnership you may be able to continue to play a role. If not, broker with others to ensure needs are catered to. Sometimes there simply is no more funding, but you can still draw on your non-monetary assets to add value to the work of your (former) partners.

8 **Communicate, communicate, and communicate.** Once you have taken an exit decision, you need to communicate. Take your time, use a variety of channels, ensure a unified message, ensure that the hierarchy takes its responsibility, repeat yourself and do not assume that your messages will be easily absorbed and processed: "Tell them what you will tell them, tell them, and tell them what you told them," encourages a seasoned practitioner.

9 **Revisit and learn.** Only rarely do funders go back five or more years later to revisit former grantees or partners to look back at the exit process and see what remains after the exit. It may not be a bed of roses, yet those who have done this have found it to be an enlightening and inspiring exercise. This guide is indebted to the published frank accounts of their findings, which are referenced in the resource list.

An annotated bibliography on

The Effective Exit, managing the end of a funding relationship, Grantcraft, 2007. This Grantcraft explores exit practices and moving on experiences are explored from the grantmaker and grantee perspective. The practical points and issues are neatly presented in highlighted boxes. The handbook presents four ‘typical’ cases, provides an overview of practice in the sector, and presents the learning of spend-down foundations in an accessible format. The final section on abnormal exits introduces the exit dynamics of an unexpected turn of events.

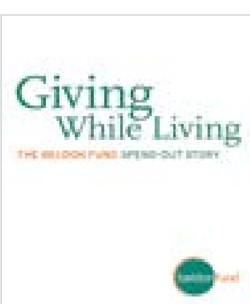
What we leave behind – Findings from the After Departure Visits (ADV) in Lesotho, Cameroon and Philippines; Helvetas, 2010. Helvetas conducted After-Departure-Visits to three countries, between two to eight years after they exited. Interviews with former partners and stakeholders confirmed the effectiveness of the Helvetas approach of financial support and capacity building. Feedback highlighted the on-going effects, and how these are influence by other donors and actors. Also unexpected outcomes at individual level stand out. The findings also highlight the importance of partner choice for sustained social change and a thoughtful exit are further lessons.

Making Achievements Last – Learning from Exit Experiences, Kvinna Till Kvinna Foundation, 2011. Kvinni till Kvinna worked in Croatia from 1995 to 2006, when they completely phased out. Based on that experience they formulated guidance suggesting all Kvinna till Kvinna country exit strategies should include exit-criteria, mechanisms and progress indicators, a time line for the exit process, a list of activities and a division of responsibilities. The guide emphasizes transparency at all stages of the grantee relationship. Flexibility and clarity are equally critical as are systematic support in fundraising. The guide emphasizes that working relations can be maintained after the exit and includes a 3-page exit manual.

Learning from Experience – an Impact Assessment of Work by the Bernard van Leer Foundation in Kenya, Colombia, Germany and Poland, Chris Harris, et al. 2012. This is a unique in-depth analysis of BVLF’s impact and exit experience in four countries. Using a combination of critical path analysis and Theories of Change, this review explores values and achievements, discusses internal organisational practice and identifies the strengths and weaknesses of the approach so far. This inspirational work makes clear recommendations on the need to address underlying causes and to make further steps in achieving more robustness in addressing issues of social justice.

Exiting Responsibly: Best Donor Practices in Ending Field Support - a study for the Robert Wood Johnson Foundation; J. Petrovich, 2012. A field is a branch of knowledge, policy and practice composed of a multiplicity of actors in relationship with each other. Building a field takes time, and is an emergent and complicated process. An effective exit is a respectful process for funder and field actors and promotes field sustainability. This study is an inspirational analysis of donor exits from fields and ensuring sustainability, and includes a listing of practices that are not conducive to good exits.

Giving our All: reflections on a spend out charity, The Tubney Charitable Trust. The case of a small UK trust established in 1997 where trustees decided early on they wanted focus and use the limited amount of resources of the trust to have an impact in a few specific, key areas. The journey describes how the trustees learn through two strategic reviews; how they develop a 'legacy mind-set' that emphasizes the relationship with partners; and that trust is fundamental for a thriving relationship. The guide stresses that: “feedback reporting has to be a tool for self-assessment of grantees rather than just to satisfy a contractual requirement”.

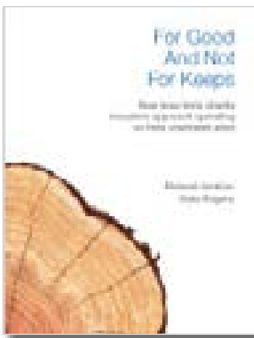


Giving while living – the Beldon Fund Spend Out Story, Beldon Fund, 2009. The Beldon Fund, 1998 – 2009, wanted to set societal change in motion and spend out its resources, a 100 million US$ endowment, in ten years. It took three years to develop a detailed, long-range financial plan for operations, grantmaking and closing down operations. Practical experience and approaches followed are at the heart

exits, transitions and moving on

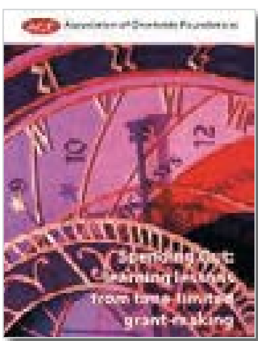
of this 'story'. A helpful section on programming and evaluation policies shows how to achieve impact in a limited period of time and synthesizes lessons learned on how to help grantees thrive. Contains a useful one page reflective summary of lessons and working principles.

When is it Time to Say Goodbye – Exit Strategies and Venture Philanthropy, K. Alter, P. Shoemaker, M. Tuan and J. Emerson, 2001. Venture philanthropists consider an articulated exit strategy as a distinguishing feature of venture philanthropy. An exit strategy is part of a sound investment in organisational sustainability and is developed early on. Identifying an exit strategy has a disciplinary effect on the partner and encourages creativity. Exit discussions are an honest exploration of intentions, values and 'desired' future. The document outlines different types of exit strategies all tailor-made depending on funding stages, grantee type and profile.



Tools for Funders and Philanthropists: A Funderconundrum, 2012. The final evaluation of The Diana, Princess of Wales Memorial Fund – that spent out in December 2012. The study explores lessons on their funding approach. The annex contains a spectrum of practical tools and choices. It invites you to explore and identify your funding mind-set and ways of working. Very useful for foundations that want to reflect and align their funding ambitions, motivation and vision with their ways of working and exiting.

For Good and Not For Keeps – How long-term charity investors approach spending on their charitable aims, Richard Jenkins and Kate Rogers, 2013. Very practical study on how much a foundation can spend while preserving the value of its assets. The analysis includes essential questions and presents key information for trustees, board members and executives of foundations that have assets as their only or as a partial source of income.



Spending Out: Learning lessons from time-limited grant making, ACF, 2010 This brief guide builds on the practical experience of UK trusts that share day-to-day experience around spending out and liquidating their foundation or trust. It presents a rationale for spend-out, reviews practical dimensions of governance, grantee-relationships, staffing and financial management. The guide poses thought-provoking questions on legacy and the learning that you want to leave behind.

RESOURCES ON THEORIES OF CHANGE.

GrantCraft published "Mapping Change" as a basic introduction to the use of theories of change.

The GrantCraft guide on **"Speaking Up! Foundations and Advocacy in Europe"** (literally) illustrates different pathways to policy change that underlie many theories of change of advocacy efforts.

HIVOS curates a site on **ToC Thinking in Practice.** Sue Funnell and Patricia Rogers. 2011, Purposeful Program Theory: Effective Use of Theories of Change and Logic Models

MORE BIBLIOGRAPHIES

1. Council of Foundations: Exiting Responsibly: Best Donor Practices in Ending Field Support – Resources List

2. Philanthropy Central – Center for Strategic Philanthropy and Civil Society undertakes a research project and publishes an online library of resources

3. Search for Common Ground published in 2005 an annotated list of resources in the context of conflict mediation and peace building

Revisiting partners after the exit: it may not be a bed of roses, yet those who have done this have found it to be an enlightening and inspiring exercise.

Contributors

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The One Foundation

The Diana, Princess of Wales Memorial Fund

The Tubney Charitable Trust

Trust for Civil Society in Central & Eastern Europe

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