Twelve commandments for exiting foundations

Andrei Kortunov

Exit is inevitably less inspiring than entrance. When a foundation opens a new field office, launches a new programme or enters a new country, it's always a challenge and an opportunity. Conversely, when it closes the office, terminates the programme and leaves the country, it's a sad reminder that everything comes to an end. Of course, exit might also mean that the challenge was (hopefully) met and the mission accomplished. However, exit is often much more difficult to justify than entrance. There is always some unfinished business, some pressing need not responded to, a number of grantees left out in the cold.

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EDITOR'S NOTE

As many contributors will know, *Alliance*, not wanting to preach to its readers, does not usually include recommendations, let alone 'commandments'. However, I have come across no others relating to exit strategies, so I felt it was worth making an exception in this case and offering these 'commandments' from Andrei Kortunov.

Exit is almost like a personal retirement: inevitable, natural and usually well deserved, but seldom a cause for joy or enthusiasm.

Moreover, I personally know of very few even relatively successful exits of Western foundations from Eastern and Central Europe – at least from the point of view of local partners, office staff and grant recipients. Most exits have been perceived by locals as something close to a natural disaster – impossible to predict, hard to understand and pointless to resist. Many personal careers and institutional destinies have been shattered by abrupt exit decisions that left a bitter aftertaste among those who had got used to continuous support from a particular donor.

If the definition of success is a sustainable institution left behind, the success stories are not plentiful. The less aggressive, less entrepreneurial recipient institutions often fall apart right after the donor leaves the scene; many of the more imaginative turn commercial or semi-commercial, often deviating from their initial mandate. Grantmaking NGOs turn into operational ones, trying desperately to retrain their staff so that former grant managers can become technical assistance experts. Ambitious NGO leaders migrate to politics, business or academia unless they are ready to confront a visible decline in their social status. And addicted individual grantees continue to make phone calls and knock at the doors of non-existent offices wondering why the financial flow has suddenly stopped.

Can we do better?

Is it possible to do it better? The question is an important one for Russia and other newly independent states because a major exit of large international foundations from the region has already started. George Soros has already dramatically reduced his investments here; USAID has announced its 'graduation strategy' for Russia and other newly independent states; similar statements have been made by a number of European assistance agencies.

Of course, the picture is mixed: some international donors leave, some are still coming. But the general trend is more than evident: Western funding of the former Soviet Union had reached its peak by the turn of the century and is now rapidly declining. Even more important, this funding is unlikely to be replaced by local sources – at least in the near future: corporate and personal philanthropy in the region is still relatively underdeveloped, and the state has little incentive to take care of the Western heritage (especially in such sensitive areas as human rights). Exit-related matters therefore become crucially important for both donors and recipients.

We are now witnessing at least two major exits from Russia and most of the CIS countries. The Soros exit from Russia was rapid and radical. Though by average foundation standards George Soros continues to invest a lot in the country, his current spending amounts to only one-tenth of what he was spending some four years ago. The Open Society Institute (OSI) left behind almost two dozen spin-offs, but only a very few of them have any chance of surviving a couple of years from now. The heritage Soros is leaving in Russia is not institutional; it is rather intellectual and cultural. OSI helped shape a whole generation of Russian intellectuals, educators and scholars.

The USAID exit is just starting. It seems that their exit strategy will be different: the 'graduation' will be slower and more staged, and the number of stay-behind institutions will be smaller in order to increase their chances of sustainability. More attention is being paid to coalition-building, though it is always difficult for a major donor to accept the programmatic and governance compromises that coalitions require. One of the examples of the new USAID approach is embodied in the newly launched New Eurasia Foundation. This joint American, European and Russian foundation is an attempt to turn the Russian programmes of the Eurasia Foundation into a joint enterprise with European and Russian charities (see p14). Though USAID stopped short of building endowments, it is evidently concerned about its institutional heritage in the country.

I think it's worth reminding people of some basics of what is a delicate business so, for what it's worth, here is my personal experience in the form of several pieces of advice to institutions starting to think about exiting from an area or a country.

1. *In every enterprise, consider when you will come out.* Foundations are often quite ambiguous about the time frame of programmes. Recipients usually interpret this ambiguity as an indirect indication of indefinite support for their activities. It is therefore critically important to get the message on the timing of programmes through to the particular target audience.
2. *Avoid making idle promises wherever possible.* All your words will be interpreted as your clients and partners would like to interpret them. You'd like to be sympathetic, you are attached to your clientele, and you are trying to help them find new sources of funding. Still, make sure that they do not cherish empty expectations about 'extensions', 'tie-off grants', 'endowments', if you have no plans for these extras.
3. *Remember that everything takes longer than you think it will.* While planning your exit, keep in mind that there will inevitably be procrastinations, delays and setbacks in implementation because of individual and institutional inertia, unforeseen side-effects and other complications. The earlier you start to plan your exit, the more successful it's likely to be.
4. *Don't tear down the east wall to repair the west.* When funding is running out, a natural temptation is to scatter more limited resources across a larger space. Money is taken out of one programme and moved to others just to keep the whole portfolio intact. Such tactics are usually counterproductive: in trying to rescue everything you will go below a certain threshold and sacrifice the integrity of all your programmes. It's better to choose the ones that you are ready to maintain till the very last moment.
5. *Turn your limitations into advantages.* Less money is sometimes better than more, and the exit stage has its own advantages. You can become more focused and more selective in your grantmaking; you can spend more time on grooming your former grantees and assisting them in many non-monetary ways.
6. *Don't let the tail wag the dog.* Every foundation over years accumulates long-term and costly institutional commitments. Sometimes the mere size of prior investments makes it very difficult to stop investing even more. However, you should not let previously made decisions guide your exit choices. Your exit strategy should not become a hostage to past successes or failures.
7. *The ripest fruit falls first.* Foundations like to stick to their best grantees; the most efficient recipient institutions are likely to be the last to be abandoned by donors. This is not necessarily always right: the strongest grantees might have a better chance of surviving on their own and the weaker ones might deserve more attention and care at the exit stage.
8. *Share the remote control.* The exit stage is the perfect time for spin-offs. But you cannot treat spin-offs as you did your former in-house programmes; it's important to resist all impulses to micromanage new institutions, maintain operational control over them, etc.
9. *Never cast an anchor in shifting sand.* When you consider passing your loyal clientele to other donors, make sure that these donors are not considering exiting themselves. Unfortunately, parallel exits from programmatic or geographical areas are common among Western foundations, and there is very little coordination here.
10. *String your pearls on a strong cord.* If you want to make a lasting impact, try to leave behind not a bunch of assorted grantees competing with each other for scarce resources but a network of institutions united by shared values and standards and by experience of working together. If they stay united after you leave, their survival chances will be higher than those of their competitors.
11. *It ain't over till it's over.* Try to avoid situations where your foundation is regarded as already non-existent though the exit process is still under way. Make sure you meet your commitments, and never hide. Continue your outreach efforts, participate in professional events, be visible.
12. *A bad dessert can wipe away the memory of a great meal.* The last memories are usually the longest lasting. Your foundation might have had an impeccable track record in a given area or country, but it is your exit strategy that will colour your long-term reputation more than anything else. @