

BREAKING UP IS HARD TO DO

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Funding relationships begin, and they end. An exit might occur as planned in a time-limited initiative, arise through new research or evaluation insights, or follow shifts in funder priorities. Whatever the reason, grantmakers can take steps to advance positive relationships and outcomes for grantees.

What do funders leave behind when they exit? What approaches to exits are most effective at preserving or extending the results of good work? At ensuring that grantees and fields thrive?

These and other questions were explored through interviews with a combination of funders and grantees, drawing from stories of more than a dozen exits. The greatest exit challenges related to the confluence of three factors: (1) the central role the funder had chosen for itself; (2) the scale of support offered, especially when it outpaced other support for the issue or organization; and (3) the difference between the expected and actual duration of that support.

While much more needs to be understood about why and how funders exit as well as about the effects, below are some sensible practices that can immediately improve both relationships and outcomes related to funder exits.

1

Assure strong alignment of mission and goals at the front end of any funding relationship and revisit the question of alignment regularly. In the words of one grantmaker: "Funders planning to exit a field should be mindful that the most durable investments will be those closest to the grantees' own core purposes. Grantees that 'stretch' to qualify for funding may not be able or willing to maintain the effort once the funder exits."

2

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

3

Consider grantee capacity and dependency throughout all funding relationships, and work to build grantee resiliency before an exit becomes necessary. Problems associated with exits likely have much earlier origins, such as grantees that have unsustainable revenue models to begin with. That's a challenge that you need to be paying attention to, and working on, well before an exit.

4

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

Advice from Funder to Funder

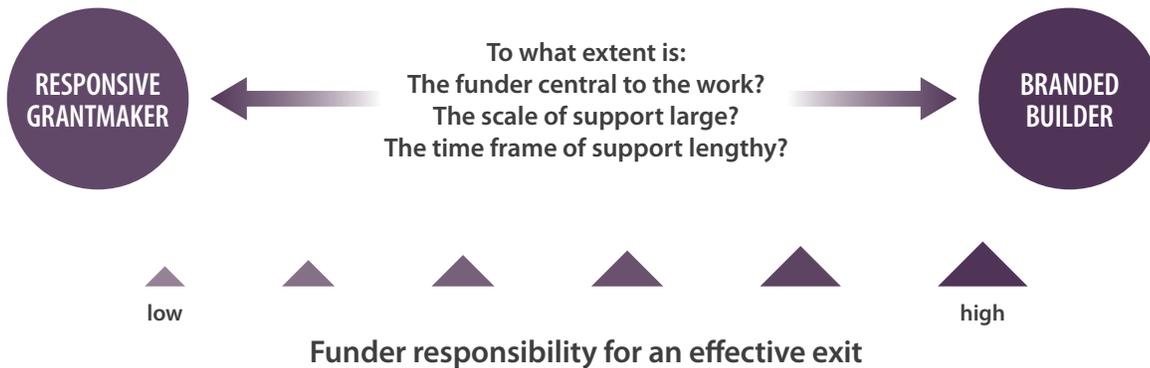
Speaking from experience, funders offer remarkably consistent advice to colleagues who are contemplating or making an exit. Overall, they advocate for respect, patience, flexibility, empathy, generosity, learning, and a consultative stance. They recommend:

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

Advice from Grantee to Grantee

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

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



From Responsive Grantmaker to Branded Builder: The continuum of funder responsibility

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

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

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

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