

## Learning Session

# Exit Strategies: Managing the End of a Funding Relationship

The following document was developed based on input emerging from a panel discussion held on September 9, 2009, with Kathleen Foley, Director of the International Palliative Care Initiative, Vicent McGee, former Executive Director of the Aaron Diamond Foundation and currently a Senior Advisor to Atlantic Philanthropies, Raquiba LaBrie, Director of USP's Equality and Opportunity Fund, and Anita Nager, former Executive Director of the Beldon Fund. The document attempts to provide some guidelines to help OSI staff navigate the end of a funding relationship.

### **Timing**

- Start to think about exiting since day one – foundation strategies change and no foundation funds a grantee or a field forever. Think of how your grants and support can help build the sustainability and resilience of the field.
- By thinking about your exit strategy early on, you can give your grantees a chance to plan for a “softer landing” and position themselves to attract new funding.
- Discuss, internally, what would be a fair timeframe for giving a “warning sign” to the grantee that you no longer intend to fund it. Some foundations believe that anything less than a year is not fair to the grantee. What is a fair timeframe for us?

### **Leveraging support from other funders**

- Think about developing relationships with the funder community and cultivating a cadre of like-minded funders who could sustain the work after your foundation exits.
- Funder briefings and affinity groups are a good way of bringing together funders and exploring potential future support. If there are no affinity groups in the field in which you work, you might want to think about starting one.
- Think beyond organizational funders -- individual donor outreach is a strategy to take into consideration.

- Engaging other funders is a time intensive endeavor that requires building personal relationships, opening lines of communication, sharing information, and successfully conveying why it might be important for them to take on a particular issue. Some foundations have decided to devote one employee to managing this process.

## **Communication**

- Communicate clearly inside your foundation: why are you exiting, when and how. If you have not been involved in the decision but have to implement it, make sure you have all the information you need to avoid any miscommunication with your grantees. If there isn't one, suggest a memo or letter from an appropriate figure within your foundation that clearly spells out the reasons and timing of the exit.
- Communicate clearly with your grantees and as soon as possible after the decision has been made and give them an honest assessment of when they can expect your foundation to end its support. It is much better to say "no" early and quickly.
- It is not unusual for some grantees to disbelieve the exit decision – nobody really wants to believe bad news! If you need to repeat the message several times, make sure that you are consistently delivering the same information.
- Avoid giving your grantees "glimmers of hope" if you know that continued funding is not feasible. This only leads to frustration and to increasingly difficult conversations that might end in embittered relationships.
- After you have communicated the decision to exit, be honest and clear about what the grantees can expect from you. Engage in upfront conversations with your grantees about expectations.

## **Strategies**

- The exiting funder may make several big grants to those grantees that, it believes, would sustain the field.
- The exiting funder may bring grantees and other funders together and use their input to inform the exit strategy. This helps to create transparency and a shared sense of responsibility on the decision to exit and on the details of how it will be managed.

- The exiting funder may decide, as part of its exit strategy, to invest in its grantees' capacity. For example, the Beldon Fund designed a capacity building program focused on fundraising for those grantees that were heavily dependent on Beldon's funding. Beldon hired a consultant to assess the grantees' capacity, and gave them access to training opportunities and planning grants. Beldon evaluated with some regularity and the metrics they used were very clear – at the end of the day they could see if the percentage of Beldon funding was decreasing or not.
- The exiting funder may choose to provide general support funds, to give its grantees more flexibility to build sustainability and resilience.
- The exiting funder may decide to engage in a conversation with its grantees to assess what percentage of the grantees' budget the foundation support represents. How hurt will they be when the foundation exits?
- The exiting funder may ask the grantee "How are you planning to continue your work"? Upon giving a grantee a final grant the Beldon Fund, for example, asked the grantee to present income and expense projections for the current year and the next. This forced the grantee to think and project for a future when Beldon would no longer be there.
- Upon exiting a field, the exiting funder may decide to leave an employee behind to manage all the paperwork and due diligence that still needs to be taken care of.