All Good Things Come to an End: Understanding Strategic Patterns during the Final Phase of Sunset Foundations

Alice Hengevoss, Center for Philanthropy Studies, University of Basel, Steinengraben 22 - 4051 Basel, Switzerland; alice.hengevoss@unibas.ch

Georg von Schnurbein, Center for Philanthropy Studies, University of Basel, Steinengraben 22 - 4051 Basel, Switzerland; georg.vonschnurbein@unibas.ch

Abstract

Sunset foundation – foundations whose closure is predefined – are gaining increased attention in the discussion on impactful philanthropy. The idea is that having a limited organizational life span allows for greater impact. However, there is little knowledge on how leaders of these foundations navigate this sunset phase. In this study, we take a first step in addressing the broader questions of what defines a "successful" closure in terms of created impact, and seek to understand the strategic and managerial requirements to achieve such success. We apply a multiple-case study approach to analyze an international sample of 11 sunset foundations. This allows proposing four distinct ideal-typical strategic patterns sunset foundations follow during their final phase. In particular, they differ in in terms of intended outcome goal at the time of closure, and as a consequence in the strategic and managerial considerations that allow achieving a set outcome goal. The proposed strategic patterns refer to as impact accelerators, urgency responders, resource spenders, and fade-outs. This classification is a first step in better understanding what happens when a foundation closes, and whether sunset foundation can contribute to a more dynamic philanthropic sector.

Keywords

Introduction

Sunset foundation – foundations whose closure is predefined – are gaining increased attention in the discussion on impactful philanthropy. Historically, foundations have developed to support a cause dear to their founders, and to carry on their legacy, long after their passing. With this idea of immortality, many foundations have been established to exist forever. However, there are calls on foundations to give away more of their endowment given the large social and environmental challenges the world faces (Fleishman, 2017; Galle, 2021; Reich, 2018). Sunset foundations allow increasing the reflux of philanthropic resources back into society, and contribute to a more dynamic philanthropic sector. By setting up foundations for a clearly defined period of time, their leadership is incentivized to follow a strategy for a timely impact. Founders increasingly choose to establish foundations whose existence is limited in time. These organizations are typically grant-making. The closing date – the sunset – can be vague as the capital is gradually spent down, or clearly predefined in the foundation deed. The imminence of a sunset raises the broader question of what constitutes a "successful" closure in terms of created outcome. Once, a foundation has defined what outcome it attends to create as a consequence of its closure, leadership needs to know what strategic and managerial considerations will get them there.

However, research on how foundations strategically plan and manage a deliberate closure is scarce. As a result, there is little knowledge in the nonprofit management literature on how leaders of these foundations navigate this sunset phase. To address this gap, we look more closely at the sunset phase of grant-making foundations and ask:

RQ1: What are outcome goals at the end of the sunset?

RQ2: What are strategic patterns of sunset foundations to achieve their intended outcome*?*

To address these questions, we followed a multiple-case study approach and analyzed an international sample of 11 sunset foundations from the UK, the US, Ireland, and Switzerland. For

some of these foundations the sunset date had been predefined in their deed. For others, the decisions to sunset was a consequence of either external pressures or a strategic assessment. Further, for some foundations the sunset had already taken place at the time of our analysis, while for others the sunset is still eminent in the years to come. Our analysis is based on a systematic analysis of written documents as well as on 8 semi-structured interviews with board members and managing directors.

We propose four different ideal-typical strategic patterns that describe how grant-making foundations manage their sunset: *Impact accelerators*, *Urgency responders*, *Resource spenders*, and *Fade-outs*. These strategic patterns differ in how sunset foundations define "successful outcomes" at the time of their closure. Further, they describe the strategic and managerial considerations that allow achieving a set outcome goal. Further, they are strongly connected to whether the decisions to close the foundation is tied to organization external triggers (e.g. an economic recession), or to organization internal triggers (e.g. a strategic assessment).

Our findings indicate that the sunset phase is a clearly distinct phase, which requires careful strategic consideration and reevaluation of the outcome the foundation wants to achieve by closing. The developed patterns contribute to the current nonprofit management research by taking a first step in better understanding what happens when a foundation closes, and whether sunset foundation can contribute to a more dynamic philanthropic sector. We add an empirically informed baseline to distinguishing different sunset strategies, to the predominantly grey literature on this topic. Our findings allow future leaders of sunset foundations to reflect on what defines a successful outcome, when closing their organization.

The paper is structured as follows: We review the current literature on sunset foundations; elaborate on the data and method; present the identified strategic patterns; in order to discuss recommendations for a sound sunset. The final section concludes.

Literature Review

Academic research on the closure of a grant-making foundation – and NPOs in general – is scarce. This may be due to the fact that the case of a deliberate closure of a grant-making foundation is yet an emerging concept (Fleishman, 2017; Galle, 2021; Reich, 2018). The few studies on NPO closure focus on charitable organization. Their closure is usually discussed as being the consequence of having failed to adapt to external pressures and competition (Ashta, 2019; Edenfield & Andersson, 2018; Zhou, 2016). Accordingly, there are ample studies on how their closure can be prevented (Ashta, 2019; Hasenfeld & Schmid, 1989). Duckles et al., (2005) add that for NPOs in general, closure can also result from mission completion, and can therefore be understood as organizational success. The planned closure of grant-making foundations is not the result from a lack of adaption to the external, but is rather given by their deed or a deliberate strategic choice to increase their impact in a shortened period of time. Similar to Duckles' et al. (2005) argument, their closure can be regarded as success, and requires distinct strategic attention.

There is yet little academic research on the closure of a grant-making foundations. Our literature review shows that there is at least some grey literature written by academics and consulting firms on learnings from closing a sunset foundation. The literature discusses reasons for founders to establish a time-limited foundation, or for leaders to decide to close the foundation. These reasons include the founders' desire to witness the impact of their philanthropic engagement during their lifetime, as well as being certain that the spending is aligned with their values (Fleishman, 2010; Ostrower, 2011a; Wolcheck & Renz, 2009). Further reasons include maximizing the philanthropic capital available to accomplish as much as possible in the short term; focusing attention; and help addressing an immediate need (Halverstadt & Kerman, 2017; LaSpada, 2011; The Tubney Charitable Trust, 2013).

Other publications focus on the challenges and lessons learnt when closing a foundation. Major challenges include the onboarding of, and communications with, grantees to be part of the sunset strategy. The development of a comprehensive communications strategy to explain the spend down decision is crucial to reach all relevant stakeholders (Linsky, 2014; Ostrower et al., 2015). For staff, the sunset is a time of uncertainty, which can affect their productivity and the success of the sunset. Accordingly, experts recommend to systematically focus on reducing uncertainty through clear communication of consequences, and contracting (Mansson, 2020). Finally, a focus lays on what outcomes to focus on, when closing and aiming for longterm legacy and sustainability of prior impact (Ostrower, 2011b). Some of the recommendations include investing in education programs to form the field's future leaders, building the capacity of powerful institutions and networks to continue making progress, mobilizing other philanthropists, funding proven programs that create lasting results, and supporting pioneering research to develop new solutions (Proscio, 2010; The Bridgespan Group, 2013).

To the best of the authors' knowledge, there is only one study that has appeared in an academic journal which pays attention to strategic closure of a grant-making foundation (Lena, 2018). Lena (2018) analyses the managerial changes after the decision to close an art foundation after the founder's death. She describes how after the founder's death employees fought to keep the organization alive. It was only after the final decision to close, that tasks and processes were reevaluated and redefined for a sound closure. In her case study, the closure was not planned from the beginning, but occurred in reaction to an external cause, that is, the founder's death.

This review shows that the grey literature offers valuable first insights into strategic aspects that need to be considered when sunsetting. Most of these insights, however, are based on single-case studies and therefore present anecdotal evidence. The study by Lena (2018) clearly indicates that the sunset is not a phase of consolidation, but that managerial processes and tasks

need to be adapted to the final strategy. Leadership plays a crucial role in reaching planed outcomes. We build on the insights from the grey literature and Lena's (2018) study to identify the different outcome goals at the end of the sunset, and describe the strategic patterns that lead to predefined outcomes goals. This will contribute to a better understanding in what forms sunset foundations allow increasing the reflux of philanthropic resources back into society, and thus contribute to a more dynamic philanthropic sector.

Method and Data

The intended outcomes at the end of a grant-making foundation's life cycle, and inherent strategic and managerial considerations to achieve these outcomes, have not been widely researched. Therefore, an explorative qualitative approach was considered most appropriate for this study. Stake (2010) highlights that qualitative research is characterized by interpretation, accommodating diverse perspectives and being sensitive to context. Therefore, a case study method was selected to gather insights from different leaders of sunset foundations. A multiple-case design was deemed appropriate to capture the spectrum of strategic approaches (Eisenhardt, 1989).

Sampling

Selecting appropriate case organizations is the first critical step to ensuring any research makes a contribution to the field. However, while there is a plea for sunsetting (Fleishman, 2017; Galle, 2021; Reich, 2018), to date there are no systematic statics in the number of registered sunset foundation. A study from the late 1980s on 435 US-based foundations reports that 10% of them at least planned to close eventually. A study from the early 2000s, again on US-based grant-making foundations, reports that of 850 staffed private foundations, only 8% intended to close one day (Ostrower, 2009). In her study, Ostrower (2011) conducts a case study analysis based on four US-based sunset foundations. More recent reports that document the closure of a

sunset foundations fall into the grey literature (Mansson, 2020; Ostrower, 2011; Proscio, 2010). They all document the closure of one specific sunset foundation, typically from the perspective of the board and staff themselves. In the Switzerland, the closure of a foundation needs to be predefined in the deed, in order for it to be legally possible close the foundation. In critical cases, where the foundation cannot follow its mission anymore, there are exemptions being made to close a foundation. However, legal experts explain that closing a foundation following the board's decision is not a common practice at all (Jakob, 2016). In many other countries, the closing of a foundation is often not supported by the law. In Germany, for instance, a foundation cannot easily be closed. Time-limited foundations are possible, but only with a lifespan of at least ten years and with less tax advantages than typical grant-making foundations (Schienke-Ohletz, 2022).

Due to the lack of systematic statistics and the anecdotal known cases of sunset foundations, we recur to the opportunistic sampling technique – one approach to purposeful sampling – which is useful for synthesizing a research area which is at its exploratory stage, or when the researcher does not have an insider status in the relevant field of research (Suri, 2011). In 2021, the researchers of this study were approached by a large Switzerland-based foundation whose sunset was eminent in the year to come. The foundation leader asked whether we were interested in documenting their closing process from a researchers' perspective. The leader then connected us to 2 further sunset foundations (1 Ireland-based, 1 US-based foundations). Based on desktop research and the researcher's network, we discovered 8 other sunset foundations (3 Switzerland-based, 2 UK-based, 3 US-based) that were ready to share their documents. Our final sample consists of 11 grant-making foundations from Switzerland (4 organizations), the UK (2), Ireland (1), and the US (4). In these foundations the sunset has already taken place or is eminent in the coming years.

The sample size is relatively small. Yet, given the context and in comparison with prior studies, it represents the largest feasible sample. Crouch and McKenzie (2006) confirm that in explorative studies like ours, a small sample size yields valuable insights for the construction of concepts. In line with these authors, we want to highlight that our findings are to be understood as first propositions on how leaders of grant-making foundations navigate the sunset.

The organizational life span of these organizations ranges from 10 to 63 years. Their sunset phases ranged from 4 to 18 years. For three of the foundations the date for the sunset has not yet been defined. The foundations were engaged in the areas of education and research, environmental protection and conservation, and social services. This constitutes a relatively homogenous sample in terms of field of activity. The total grants awarded during their organizational lifetime ranges from 12 USD mio to USD 8'000 mio. The average yearly grants made range from USD 2.6 mio to USD 205 mio. The geographic focus of foundations' grant-making is national as well as international in scope and covers different regions of the world. Table I provides an overview of the analyzed foundations.

[Table I here]

Data analysis

In a first step, we systematically evaluate publicly available reports, contents from legacy webpages, and other written documents, such as blogposts and newsletters for each foundation. In a second step, we conducted 8 semi-structured interviews with (former) board members and managing directors from 7 of these foundations to gather complementary information on their experience. Three key interview questions were designed to allow interviewees to reflect on what "success" in terms of outcome meant to them, on steps they took when closing their foundation, and what challenges they faced during that process. All interviews were transcribed verbatim.

The written documents were as well as the transcribed interviews were then analyzed applying thematic analysis, in the software MAXQDA. Thematic analysis is a qualitative research technique that involves analyzing data for themes or patterns. This approach prioritizes the organization and detailed description of the data (Braun & Clarke, 2006). This is accomplished primarily through the process of coding, which entails the identification of significant elements in the data and assigning them with corresponding labels.

To enhance the research's validity, the two researchers separately coded the same transcripts after coding two interviews initially, to ensure that the interpretation of data was consistent. The coding was undertaken according to the following three themes: (1) the reported causes that led to the decision to close the foundation; (2) the approach to spending-down the remaining endowment; and (3) relevant capacity areas that are mentioned to be strategically adapted. Table I indicates the type of documents we analyzed for each foundation, and for which foundation we additionally were able to conduct interviews.

Findings and Analysis

In this section, our goal is to explain under what conditions different strategies for a sunset occur by identifying different drivers, causes, and logics on strategic dimensions of the intended outcome goals, human resource management, grantee management, and operative preparedness. The identified themes are presented in the following order: (1) themes that emerge for the causes that led to the decision to sunset; (2) strategic approach to spending-down the remaining endowment; (3) relevant capacity areas that were strategically adapted as a result of entering the sunset phase. The latter can be categorized into four strategic patterns. As these patterns represent ideal-typical sunset strategies, some of the foundations might fall into more than one of the patterns. We did therefore abstain from attributing them to a specific pattern.

(1) Causes that lead to decision to sunset

One prominent theme that came up in the written documents as well as in the interviews was the reason that led to the decision to sunset. We identify multiple causes that lead to the closure of a foundation. We distinguish between organization "external" and "internal" causes. A major exogenous cause includes economic recessions. In our case study, multiple foundations decided to sunset in 2008 when the economic recession in Europe and the US was at its lowest. Reports showed that during that time, foundation leaders realized that government funding for NPOs in their countries was cut back, which severely impacted their grantees' financial stability. They realized that grantee organizations were likely to not survive this financial cut back. As a result, grant-making foundations realized that to ensure their grantees' organizational survival, they needed to increase their grant-making, which implied their spend-down. Other leaders reported an increased sense of urgency around a specific societal issue created awareness for the need of greater impact and grant-making, and therefore lead to the decision to sunset. In some cases, the foundations tried to postpone the sunset date fixed in the deed. While in some cases legal authorities allowed to redefine the date, others did not grant permission to do so. Finally, the founder's death can cause the decision to sunset.

Endogenous causes, besides a predefined date in the deed, include an internal strategic decision to increase the impact had on grantee organizations. In one report it states that in preparation for one of our strategic retreats, the executive director asked the board to reflect on what had been achieved to date and whether they would be satisfied that they had made the most significant impact possible. She suggested to ensure that key organizations working in their fields had the capacity to deliver the objectives they and the foundation shared. This led to the conclusion that the foundation should stop thinking about 'us' (the foundation) and their goals, and start thinking more about 'them', their partners. This is reported as being a crucial 'aha' moment for the foundation and triggered the decision to spenddown. Finally, the involvement of the

next generation of philanthropists can cause the decision to sunset. The new generation is aware of the social issues of their time and may want to dedicate their capacities to address them by the means of their own foundation. In our case study, this was especially the case in family-led foundations. Especially for foundations where the date for the sunset was not predefined, having clear decisions on when to close the foundations was reported to give a great sense of relief. In particular, knowing what time horizon to work with and in which direction to develop the strategy, allows to better plan the remaining years ahead.

Table II provides an overview of the identified exogenous and endogenous causes that led to the decision to sunset, and for each provides an exemplifying quote.

[Table II here]

(2) Strategic approach to spending-down the remaining endowment

Another theme that emerged from the written documents as well as in the interview data was the strategic approach to spending down the remaining endowment once the sunset phase had begun. The interview data suggests that once the decision to sunset has been taken, there are two different strategic logics leaders follow when it comes to spending down the remaining endowment. We coded them as the resource-focused dominant logic suggests that after the decision to sunset, the strategy depends on the size of the remaining resources to be spent. The resources define who the organization works with. The need-assessment-focused dominant logic suggests that after the decision to sunset, the foundation looks outwards to see the greatest needs of their grantees or the broader society. After this needs-assessment, the foundation evaluates on how to make the remaining resources work for these needs. Table III summarizes the two logics and provides exemplifying quotes for each.

[Table III here]

(3) Four Ideal-typical Strategic Patterns of Sunset Foundations

The two dimensions presented in the prior sections (the external and internal causes for closure, and the logic to spending the remaining endowment) allowed identifying four ideal-typical strategic patterns that further differ in the following strategic dimensions: intended outcome by the time of closure, management of staff as well as the management of grantees, and the preparedness of operational capacities. The proposed strategic patterns refer to as impact accelerators, urgency responders, resource spenders, and fade-outs. Figure I provides an overview of the patterns, which are elaborated on in the following.

[Figure I here]

Fade-outs (FOs). FOs are foundations for which the decision to sunset is predominantly caused by organization external factors and where the dominant logic is to spend the remaining resources. An example could be the unexpected death of the founder without adequate planning on how deal with the situation before hand.

The evaluation of reports shows that for FOs the decision to sunset is experienced as an exogenous shock and that the organizational strategic preparedness is low. As a results there is typically no time taken for strategic reflection of the intended outcome at the time of closure. The managerial preparedness to sunset is equally low. When it comes to managing grantees, the approach is uncoordinated. As the strategy for impact is lacking, grantees cannot be selected or prepared accordingly. Typically, the same grantees are maintained without preparation for the time after the sunset. The lack of strategy and grant management bears a high risk for fragmented grant-making and uncoordinated exiting as one foundation reports.

As the organizational preparedness in regards to managerial requirements is low, FOs risk being under- or overstaffed during their sunset phase as one foundation reports. In addition, FOs are characterized by a high level of fluctuation of staff due to the lack of strategic direction and clarity in tasks. The foundation eventually fades out.

Resource spenders (RSs). RSs are foundations for which the decision to sunset is predominantly based on endogenous factors and the dominant logics is to spend existing resources.

RSs focus on maximizing their impact during the sunset phase. Their intended outcome goal is to ensure that their grantees are ensured continuity in order to carry on the achievements made after the foundation's sunset. The focus lays on grantee organizations only. To this end, RSs typically invest in the capacity building of their grantees.

Due to the endogenous nature of the decision to sunset, there is a high level of organizational preparedness for managerial requirements. RSs focus on grantees that fit their strategic focus for impact and can therefore be described as instrumental. This can imply terminating partnerships with grantees that do not fit their strategy. To maximize their impact during the sunset phase, they will collaborate with what large established grantee organizations, which one foundation referred to as "big players". Grantees, however, have little voice when it comes to shaping the strategic focus of RSs. Foundations further report that they would start giving out grants in installments and focused on adapting their operational capacities to be able to process that stricter reporting requirements on impact from their grantees.

There are efforts made to reduce uncertainty among employees by communicating about job security. This includes retention packages. RSs accept the fact that their staff is likely to reorient after the announcement of the sunset. They prepare to be able to maintain the organizational capacity and manage short-term or unexpected departures, for example, by offering the option

of gradual transition to the new position while incrementally reducing the workload at the foundation.

Urgency responders (URs). URs are foundations for which the decision to sunset is predominantly triggered by exogenous factors and where the sunset-strategy is focused on initial needs-assessment.

URs create impact by "bridging the gap" where grantee organizations need urgent support for a limited time. According, their outcome goal is the mid-term survival of their grantees. Their impact is aimed at lasting for a limited time after the sunset. During this time, grantee organizations are expected to develop their own capacities to ensure their long-term survival.

The URs respond quickly to urgent external needs. In regards to managing the URs sunset, this requires planning adequate organizational capacities to not run the risk of having processes overstrained. Grantees are perceived as experts in the field, their management therefore follows a delegative approach. URs work with long-term grantee organizations that are provided with urgent funding and a relatively high level of freedom on how to best invest these funds to create impact. Due to the increase in workload and the needs to release grants fast, URs run the risk of overstraining their organizational capacities.

Regarding human resource management, the focus lies on retention as staff is seen as most valuable resource. In order to respond fast and unbureaucratically, URs rely on staff that has good knowledge of the field as well as established relations with grantees. However, due to the urgency and fast reaction time of URs, there is a high level of uncertainty regarding job security. Foundations report that due to their strategy to move quickly, it is difficult to anticipate the required capacities during this phase. Accordingly, it was difficult for them to give exact information about contract length.

Impact accelerators (IAs). IAs are foundations for which the decision to sunset is predominantly based on endogenous factors and where the sunset-strategy is oriented towards responding to external needs. For IAs there is a clear strategic focus and plan regarding the impact they want to create during the sunset phase and the legacy they want to leave after the sunset. The outcome goal AIs intend to achieve is to develop a philanthropic ecosystem where the achievements made are sustained and where there is room to address emerging needs for new philanthropic engagement. Contrary to prior patterns, IAs not only focus on their grantee organization, but widen their strategic horizon to include their grantees' ecosystem. This typically entails developing programs that involve and connect multiple stakeholders to create such a philanthropic environment. A philanthropic ecosystem consists of self-sustaining grantees that have been enabled to give back to their community.

This entails, on the one hand, promoting an environment where future leaders can evolve from. To this end, one foundation launched a fellow program that was aimed at fostering communities where future philanthropic leaders could emerge from. On the other hand, strengthening a philanthropic ecosystem involves promoting the idea of sunset foundations to the future generation of philanthropists. More concretely, one foundation, for example, has established a fund that is alimented by returns of their investments into social enterprises in line with their core values, as well as other donor organizations. These returns are then reinvested into new social start-ups. This way, the foundation has created a structure that will carry on their legacy after its sunset. With such a self-sustaining philanthropic ecosystem, the IA can exit while knowing that their legacy is carried on.

From a managerial point of view, there generally is a high level of awareness and preparedness for the different organizational aspects that need to be managed for the foundation to sunset soundly and ensure its legacy. The grantee management follows a collaborative approach. IAs work with longstanding grantees to jointly develop the strategic focus for the sunset phase.

During this process, grantees are given more agency and ownership as they are perceived as experts in the field of activity. Similarly, they take on a collaborative approach to fund allocation such that grantees get to have a voice in where and for what to allocate grants in their joint programs. There is regular tracking of spending to ensure that the allocated funds contribute to the strategic focus.

During the sunset phase, IAs can take on new partnerships to maximize their long-term impact, and end partnerships where impact is lacking. However, even when ending partnerships, IAs ensure what one foundation referred to as "soft landing" – that is, they make sure their joint projects are closed soundly. To develop a philanthropic ecosystem, IAs aim to connect their grantees to increase exchange and foster collaboration.

Human resource management has two aspects for IAs. First, there is the aspect of adaption in needed knowhow and capacity. As there is a high level of awareness for the demanding managerial requirements as well as eagerness for impact, IAs will either consult or higher experts that will support the sunset process. Similarly, due to the increased workload, IAs hire new staff to ensure that they have the necessary capacity to handle the increase in tasks. Second, managing staff that is confronted with having their job end in the foreseeable future well is crucial. In IAs, the wellbeing of staff is of high priority. Transparent communication about the implications of the sunset for job security is important to reduce uncertainty among staff. Staff is seen as a valuable resource with expertise and relationships required for a sound sunset. There are important efforts undertaken to retain these employees, for example, by offering them retention packages. Thereby not only formal contracts but even more so informal relationships and a sense of responsibility to achieve the organization mission jointly were the bonds that kept the team together.

Equally important is to prepare staff for their departure and time after the sunset. Foundations report that they support staff in their career development by giving time off to apply for other

jobs, or by offering them coaching session. One foundation reports that the main aim was that whatever decision an employee takes on whether to stay or not, that they feel supported in their decision.

Discussion

This piece of work adds to the current debate on the need for more effective and dynamic philanthropy (Fleishman, 2017; Galle, 2021; Reich, 2018). We present sunset foundations as one solution to create more timely impact, and shed light on what leads to, and on what happens during the sunset. In particular, we focus the outcome goals for the sunset and elaborate on strategies to achieve the intended outcome.

Intended outcome goals

Prior research and publications has mainly focused on the reasons as to why founders increasingly choose to option of setting up a time-limited foundation (Halverstadt & Kerman, 2017; LaSpada, 2011; The Tubney Charitable Trust, 2013). With our study we contribute to the debate by focusing on the created outcome of this choice. The interviews and reports allowed distinguishing four outcome goals sunset foundations aim for. These outcome goals vary in their time-horizon, as well as their scope of impact. Impact accelerators (IAs) and Resource spenders (RSs) aim to maximize the longevity of their grantee organizations. For both patterns focus on leaving a longterm impact for their grantees and in their field. As their closure typically follows an internal strategic decision or is defined in the deed, their organizational preparedness to plan for their outcome goals is high. While RS focus on the grantee organization by typically investing in capacity building, IAs focus on strengthening a philanthropic environment as a whole. This can, for example, involve creating educational programs for future leaders, mobilizing other donors, or working closely with political and legal institutions to create a more supportive regulatory environment for future grantees in their specific field.

Urgency responders (URs) on the other hand respond to the urgent need of their grantees. The decision to spend out and close is taken due to external needs. This implied that their organizational preparedness to set specific outcome goals is limited. Their focus typically lays on grantee organizations with whom they have well established relationships. The time-horizon for their intended impact can be descried as mid-term. By definition, their closure is a reaction an urgent need for higher impact. Their focus lays specifically on the longterm organizational survival of their grantees, but on their mid-term survival to overcome financial or other crisis. This typically involves increased unrestricted funding, such that grantees can use them flexibly as needed. UR further focus on increased capacity building to strengthen their grantees to attract new funding, ones the crisis is over and the foundation has spent out.

The closure of Fade-outs (FO) comes closest to what is discussed as having failed to adapt to external pressures, as discussed in the wider NPO management literature (Ashta, 2019; Edenfield & Andersson, 2018; Zhou, 2016). FOs are typically surprised by a shock to their organization. Such a shock could involve the sudden death of a founder or a general low organizational preparedness to close. The consequence of this shock is that there is no strategic consideration for a specific outcome goal. Due to fragmented grant-making or abrupt exiting, it is possible that they cause greater harm to grantees that have no chance to prepare themselves for new income sources. FOs not only fadeout without specific outcome goals, but they can potentially even leave causing more disruption for their grantees.

The different outcome goals not only depend on the causes that lead to their closure, but also on the initial resources they need to spend. The larger the endowment, the more likely it is that a foundation can invest holistically in the environment of their grantees, and not only the grantee organization itself. For a smaller foundation it can be more meaningful to focus on the capacity building of a small set of grantee organization. Therefore, there is not a "better" outcome. Rather a successful closure in terms of outcome requires leadership to plan ahead, to assess what

outcome is feasible given the endowment and time left. The case of the FOs further showcases, that the sunset requires early planning for different scenarios, such as the death of the founder.

Strategic aspects to reach specific outcome goals

Once leadership has defined their outcome goal, the strategy to reach the intended outcomes need to be established. Prior research has mainly identified strategic challenges and pitfalls to avoid, when closing a foundation (Linsky, 2014; Mansson, 2020; Ostrower et al., 2015). We contribute to these insights, by advancing four strategic patterns that allow reaching different outcome goals. In particular, we focus on how sunset foundations can manage their grantee relationships, their staff, and their operations to achieve a given outcome goal.

The common denominator regarding the management of human resources, is the stability of the organization and that the required capacities and capabilities are ensured. How sunset foundations approach this varies, however. IAs spend a significant amount of resources in the well-being and support of their staff during this time of uncertainty, to ensure productivity and stability. RSs and URs focus more on the retention of staff through the means of financial retention packages. FOs, on the other hand, do not have the capacity to systematically plan their human resource management. In this regard, not every strategic approach to staff management is feasible for every foundation. A smaller foundation, that may have limited resources, won't be able to afford career coaching to support their staff's future career. Nonetheless, to avoid struggles identified in prior studies (Mansson, 2020), leadership needs to consider the well-being of their staff, to maintain productivity and a stable organization. Offering more flexibility in the work schedule and open communication are effective tools to this end.

When it comes to grantee relationships, and the management thereof, our findings suggest two poles that oscillate between the foundation being the sole leader of strategic direction (RS), and the grantees being the main strategic director. Both approach have their function, given the reasons to sunset. However, our study highlights that balancing the own outcome goal and the

grantees' needs is a strategic challenge of many sunset foundations. Leadership is advised to establish a strategic plan that serves as a direction, but should maintain enough flexibility to deviate from that plan if required. A major challenge for sunset foundations is the decision on whom of the grantee organizations to continue working with, and with whom to end the grant-making relationship. When focusing on the aspect of impact longevity, which prior studies suggestion is at the heart of many decisions to sunset (Le Cornu et al., 2023; Proscio, 2010; The Bridgespan Group, 2013), our study results suggest that relationships with grantees, which likely will not survive the foundation's exit, should be ended rather sooner than later. This way, the remaining endowment can be spent on grantees that are more likely to carry on the foundation's prior achievements.

In terms of operational preparedness, the strategic approaches vary from a high level of preparedness (IAs and RS), to a relatively low level of preparedness (UR and FOs). This is closely linked to the cause leading to the sunset. For foundations where the decision to close is the result of a strategic assessment, or predefined, the organization typically has more time to adopt their processes and capacities. However, also foundations, where the decision to close follows external pressures, such as the consequences of an economic recession, processes can be adapted. Overall, out study suggests that even during the sunset phase, it can be meaningful to introduce new tools and to streamline processes, in order to increase effectiveness. Administrative tasks and capacities for grant management are likely to increase during the sunset phase according to our study results. In any case, our findings highlight that it is important to adapt operational capacities to the degree that fragmented grantmaking and abrupt exit can be avoided.

Overall, these insights suggest that the sunset is not a phase of consolidation, but that it is actually a time of strategic reorientation and adaption. By reflecting on the outcome the foundation wants to create by closing, a suitable strategic focus needs to be set. In line with prior research

(Lena, 2018), we argue that this requires deliberate and at times brave decisions by its leadership.

Conclusion

The overarching question we address with this study was whether sunset foundations are an effective vehicle to contribute to a more dynamic philanthropic sector. We found that there are different outcome goals that these organizations pursue when closing. These outcome goals vary in their time horizon, and are closely tied to grantees' needs and the available resource, and require a deliberate strategic orientation. Our study's limitation includes that the findings are based on a relatively small sample size. This is due to fact that there have not been many systematically documented cases of sunsets. Therefore, the sample constitutes the best feasible solution. Crouch and McKenzie (2006) confirm that small sample sizes can yield valuable insights for constructing concepts, such as our identified strategic patterns. However, they highlight that these developed concepts are to be understood as initial suggestions that need further confirmation. Consequently, we suggest that our findings are to be understood as initial proposition on how leaders navigate through their sunset. And we propose, that if strategically navigated, sunset foundations do have the potential to create timely impact, and can increase the flow of philanthropic capital back into society.

Our recommendations for future research consists of both calls for further theoretical and empirical analysis. As more founders choose the option to establish a sunset foundation, the more cases to study there will be. Our interviews suggest that future research is required to better understand the dynamics that emerge between the executive directors and the founders when decisions on whether to sunset diverge. Equally needed is research on the financial management of a closing foundation to answer questions on when to take investments off the market for more stability. Establishing a clearer theoretical foundation to predict expected dynamics during the sunset is needed.

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Table I. Descriptives of Analysed Foundations.

Foundation code name	Organizational life span (years)	Duration of sunset phase (years)	Country of registry	Field of activity	Geographic focus	Total grants awarded	Webpage contents	Reports	Interviews
A*	63	11	US	Research & Education Environmental protection	regional	USD 1'100 mio	x	x	
B*	38	18	US	Environmental conservation	multiple world regions	USD 8'000 mio	x	x	x
C	31	16	US	Education & Research Religion Environmental conservation Art	multiple world regions	USD 340 mio	x	x	
D*	28	6	CH	Environmental protection & conservation	multiple world regions	USD 1'003 mio	x	x	x

E*	25	12	US	Environmental conservation	national	USD 65 mio	x	x	
F	17	not definitely defined	CH	Social services	national	na	x	x	x
G*	15	4	UK	Environmental protection	national	USD 72 mio	x	x	x
H*	10	4	IRE	Education Social services	multiple world regions	USD 82 mio	x	x	x
I	not definitely defined	not definitely defined	CH	Education	Europe	USD 12 mio	x	x	x
J	not definitely defined	not definitely defined	CH	Education & research	national	USD 221 mio	x	x	x
K	not definitely defined	not definitely defined	UK	Education Health	multiple world regions	USD 100 Mio	x	x	

Note. Foundations for which sunsetting was built into its establishment are marked with a * next the years of organizational life span.

	Causes	**Example quotes from interviews or reports**
External	Economic recession	"The economy was experiencing severe recession. In terms of our exit strategies, it was critical to recognise that the challenge for the portfolio organisations was going to be much greater than had been originally envisaged when the Foundation was established." (Foundation H, impact report).
	Sense of urgency for emerging societal issues	"We recognized that the ecological challenges our funding region and the planet faced were urgent, and so we made the decision to spend out our endowment." (Foundation D, impact report).
	Death of founder	"When there is no sufficient planning for a successor, the death of the founder can lead to the closure of the foundation." (Foundation D, interview with managing director)
Internal	Predefined date in foundation deed	"But in […] it was more straightforward, since spend out was not initially a strategic choice but an organisational imperative, almost the only one imposed on us by our donors." (Foundation E, legacy report)
	Relatively small endowment	"With the size of the endowment I could put into a Foundation, it was clear to me, that only a spend-down foundation would make sense." (Foundation I, interview with founder)
	Strategic assessment	This was a crucial 'aha' moment for us and from this point on we sought to maximize the resources we could put behind what we termed our 'legacy'." (Foundation A, legacy report)
	Next generation	"These were focused on strengthening the next generation of Northwest conservation philanthropists, leaders, and advocates." (Foundation B, legacy report)

Table II. Causes that lead to the decision to sunset.

Logic	**Example quotes from interviews or reports**
Need-assessment focused *(What do our grantees need?)*	There were three core elements to our strategy as follows: maintaining strong organizational capacity in our grantees; helping them to develop their fundraising capabilities to the highest level […]." (Foundation A, legacy report)
Resource focused *(What are the remaining resources to spend?)*	"These include requesting 6-monthly financial reports to be able to monitor spending and also more stringent rules on reallocating funding that has not been spent or committed. This is all with an aim to maximizing impact of our funding and being able to celebrate major achievements by 2022." (Foundation D, interview with leader)

Table III. Strategic approach to spend-down

Figure I. Four strategic patterns of sunset foundation.

		External causes - *Economic recession* - *Urgent societal problem* - *Death of founder*	Internal causes - *Strategy assessment* - *Short organizational life span* - *Next generation*
Dominant logic	Need-assessment focused *(What do our grantees need?)*	**Urgency responder**	**Impact accelerator**
	Resource focused *(What are the remaining resources to spend?)*	**Fade-out**	**Resource spender**

Note. The number of foundations that could be attributed to each strategy is shown in brackets.