Catalysing
Impact
Investing

The
Case of Emirates
Foundation

2017

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Introduction:

Prior to 2011, Emirates Foundation had a rapidly expanding portfolio of grants which covered a wide range of areas including education, science, technology and environment, social development, and arts and culture, while also managing a handful of operational projects focused on volunteerism and youth empowerment. After five years of operation, the Board of Directors ("Board") decided to conduct a review of the Foundation to see whether its grant-making business model was effective in delivering positive social value in the country. The Board, which consisted of a group of senior decision makers in the UAE, including three ministers, was aware that the government was reviewing its own strategies towards sustainable development in the United Arab Emirates (UAE). This parallel development reflected the government's heightened realization of the need to adjust, restructure, and build the capacity and competitiveness of its local workforce. In line with the country's focus on sustainable development, organizations such as Emirates Foundation repositioned and adjusted their strategies towards a more long-term focus.

Another area of concern for the Board was the extent to which the Foundation was really creating long-term systemic change, which prompted the Board to begin a formal comprehensive review process. The reasoning behind the Board's decision lay in their hopes that the Foundation could transform its mission and deliver work that is more impactful, measurable, and scalable. To assess the process that the organization underwent, we must understand what instigated the need for a restructuring in the first place.

An Organization in Turmoil?

The comprehensive review of the organization quickly highlighted significant challenges. McKinsey's report showed organizational and structural issues within the Foundation and identified several opportunities and gaps in the philanthropy market that the Foundation could fill. On the macro level, the lack of focus and clear strategic mission and vision were the primary reasons behind the Foundation's inability to deliver long-term scalable impact. On the micro level a few issues were identified as barriers preventing the organization from realizing its full potential. The one that most clearly stood out was the fact that Emirates Foundation was working multiple sectors and thus spreading their resources and outcomes thinly. In other words, the Foundation was giving out grants in too many areas, leading to diluted impact and making it quite difficult, if not impossible, to measure the effects. It also meant the focus was on financial support rather than broader technical support. This was clearly supported and felt throughout the organization.
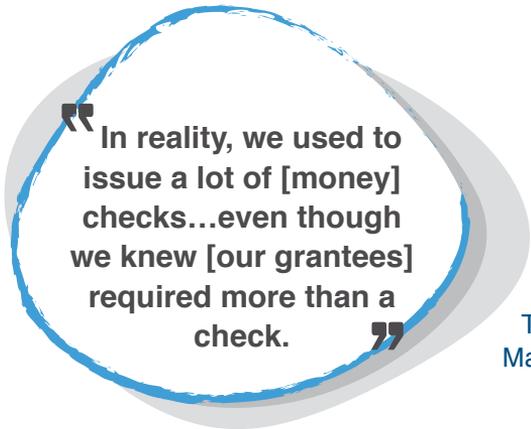
> **In reality, we used to issue a lot of [money] checks…even though we knew [our grantees] required more than a check.**
>
> The Chief Programs Officer, Maytha Habsi, stated

Another major issue was related to the lack of clear communication about the organization's mission and model, which often led to inconsistent and sometimes muddled messages—both internally and externally. These factors rendered internal organizational cohesion and effectiveness challenging, which further impacted the organizational culture and motivation of the employees. This contributed to the growth of a silo-based organizational structure with little cross-departmental collaboration which further impeded the functioning of each department and program, lead to a deficiency in cross-program learning and created a lost opportunity for greater impact.

The review process also highlighted some additional challenges such as vague organizational objectives, unclear reporting lines and static jobs with limited room for professional growth and skill development. It concluded in a general set of initial recommendations which captured the thoughts and insights of core external and internal stakeholders, identified clearly the challenges and laid the initial foundation for a subsequent fundamental transformation of the organization.

Venture Philanthropy:

A Model for the Future
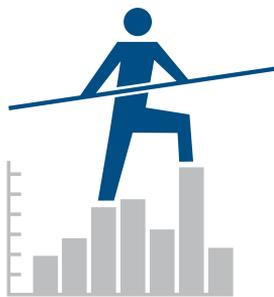
As the Foundation searched for a blueprint for the future, one that best suited the new philanthropic direction they were aiming for, a search began to secure a new CEO to build the new business model for the Foundation and lead the organization into a new era. Several months after the review, a new CEO was found and Clare Woodcraft joined Emirates Foundation in November 2011. Coming from the Shell Foundation, a pioneer in 'enterprise-based' or 'venture' philanthropy (VP), and with a background in sustainable development in emerging economies, Clare was a strong advocate for a philanthropic model that took a market-based approach and delivered scalable and sustainable outcomes. The CEO's first task was to review the entire output of McKinsey's work and study their recommendations for a sustainable strategy, vision, and mission for the Foundation. This involved realigning the team's approach to focus on sustainable social investment.

> ❝ *The restructuring that we have undergone was triggered by the review process of the organization which provided a provisional draft strategy. The next question was: how do we apply this?*
>
> *Clare Woodcraft, CEO* ❞

After extensive discussions with the McKinsey team and the Board in order to understand the challenges facing the organization, Clare launched the new business model of Venture Philanthropy, shifting the Foundation from short-term grants to long-term social investment. Ven-

ture philanthropy comes in many forms. Interest in this field has grown since 1997 with the publication of an article in the Harvard Business Review, expounding on the usefulness of venture capital to philanthropists (OECD netFWD, 2014). While there are many definitions of the term, the one provided by the Organisation for Economic Cooperation and Development (OECD) report of 2014, entitled Venture Philanthropy in Development: Dynamics, Challenges and Lessons in the Search for Greater Impact, seemed to fit the purpose of this study.

Venture philanthropy for development is an entrepreneurial approach to philanthropy that combines a variety of financial and non-financial resources to identify, analyse, co-ordinate and support self-sustaining, systemic and scalable (for and not-for profit) solutions to development challenges aimed at achieving the greatest impact.—OECD, 2014

Venture Philanthropy Model

Incubation	Pilot	Scale-Up	Exit*
2 - 0 years	4 - 3 years	10 - 5 years	15 - 10 years

Decision Gate 1   Decision Gate 2

3 KAYANI
2 KAFA'AT
2 SANID

3 ESREF SAH
1 THINK SCIENCE
1 TAKATOF
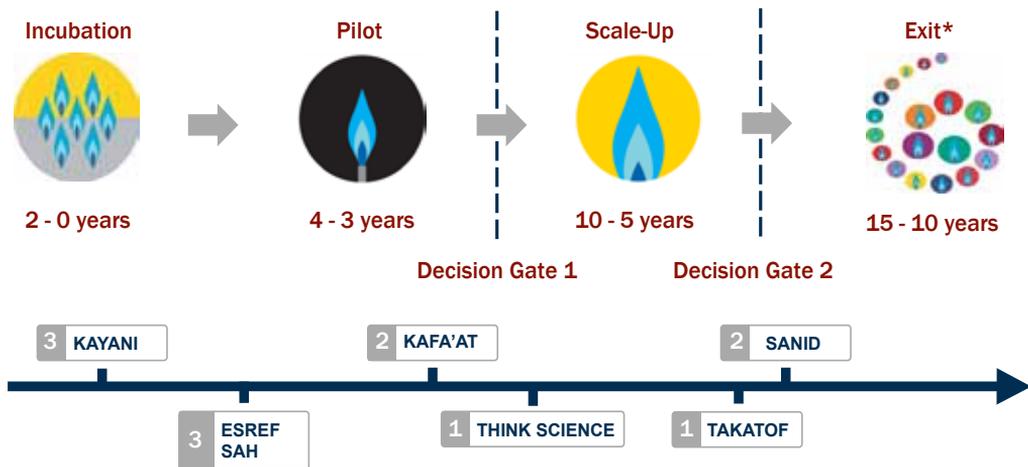
EXIT OPTIONS

1 HIGH-PERFORMING NON-PROFIT

- Generates revenue equal to <%10 of direct costs through program-specific activities
- Personnel and Indirect Costs covered by EF or other sponsor (e.g gov)
- Registered as independent non-profit or absorbed by government entity
- EF could retain governance role

2 HYBRID SOCIAL ENTERPRISE

- Varied income sources including traditional sponsorship
- Generates enough revenue to cover >%10 of costs through trading
- Registered as independent legal entity
- EF could retain governance role

3 FOR PROFIT SOCIAL ENTERPRISE

- Financially viable independent enterprise with social mission
- Responsible for generating all sources of income through trading
- Registered as Establishment, PJSC or other
- EF could retain governance role

Hence, the Emirates Foundation sought to make the shift in the organization's model with a view towards rendering the Foundation's work more dynamic, impactful, and scalable. This also required the Foundation to be more focused; instead of supporting numerous different and disconnected projects with one-time grants, the Foundation would now focus on a single area—youth development—so that it could create sustainable and scalable programs that would achieve measurable impact against predetermined Key Performance Indicators (KPIs). This long-term model and newfound focus would be better equipped to provide systemic solutions—or solutions that are comprehensive in addressing the root causes—for youth development issues.

On a more personal level, Clare's goal was to create a culture of transparency, communication, and engagement with the staff, which she identifies as the most important aspect of implementing a successful transition. Before officially starting at the Emirates Foundation, Clare flew out to the UAE to introduce herself to the general staff and to alleviate the concerns typical of a transition period that had mounted over the past year. In her first meeting with employees she explained that the organization would be adopting a new business model, a new organizational structure, a new approach to fund-raising, and a new form of philanthropy—namely, venture philanthropy. The staff was reassured that this restructuring would be beneficial to all of them and would offer a chance to explore different opportunities within the organization. The general response of the staff was positive yet cautious, as ideas were only being communicated and had yet to be put into effect. However, a strong sense of buy-in, trust, loyalty, and excitement had been generated among the staff. At the end of the day the organization made a major breakthrough with regard to the restructuring process, where it identified a new model for operation, and the full launch of the internal restructuring was set to begin.

Designing

Designing the New Organizational Structure
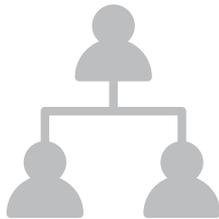
Management and Programs:

The immediate critical need was for an organizational structure that would be in line with the new business focus, thus allowing the Foundation to be more streamlined, efficient, and collaborative, allowing it to achieve its newly defined goals and objectives.

6 **3**
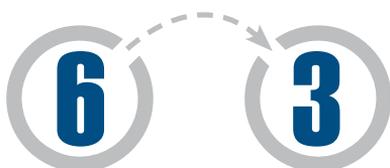
Therefore, the senior management and the board agreed to consolidate the core program areas that the Foundation was working on and focus only on youth development.

MISSION

" *Working in partnership with the private and public sectors using venture philanthropy and engagement programs to positively and permanently impact the lives of youth* "

VISION

" *Working to inspire, empower and guide the youth of the UAE to ensure a sustainable future for the nation* "

A management team was created to help drive the organizational change. The focus was on the current senior managers. Through discussions with the Executive Committee, three top management executives were selected to carry the organization through this transition. The executives were expected to address shortcomings of the previous organizational structure, and ensure that the new structure would avoid these pitfalls. This meant overcoming issues such as information overload due to siloed departments, disjointed processes, lack of transparency, and inadequate cross-department communication that had led to delays, duplication of efforts, and neglect of other matters that negatively impacted the work of the Foundation. To improve the performance of the Foundation, the management team focused on streamlining the departments so that the reporting structure and delineation of roles and duties were clear and understood, and so that lines of communication were open and transparent across all departments.

The organizational restructuring of the departments and programs was constantly being modified for the first few years. Initially, there were 4 main core departments, which were eventually reduced to 3:

(1) Programs Department, led by the Chief Programs Officer (CPO)

(2) Sustainability Department, led by a Chief Sustainability Officer (CSO)

**(3)** Operational Department, led by a Chief Operations Officer (COO)
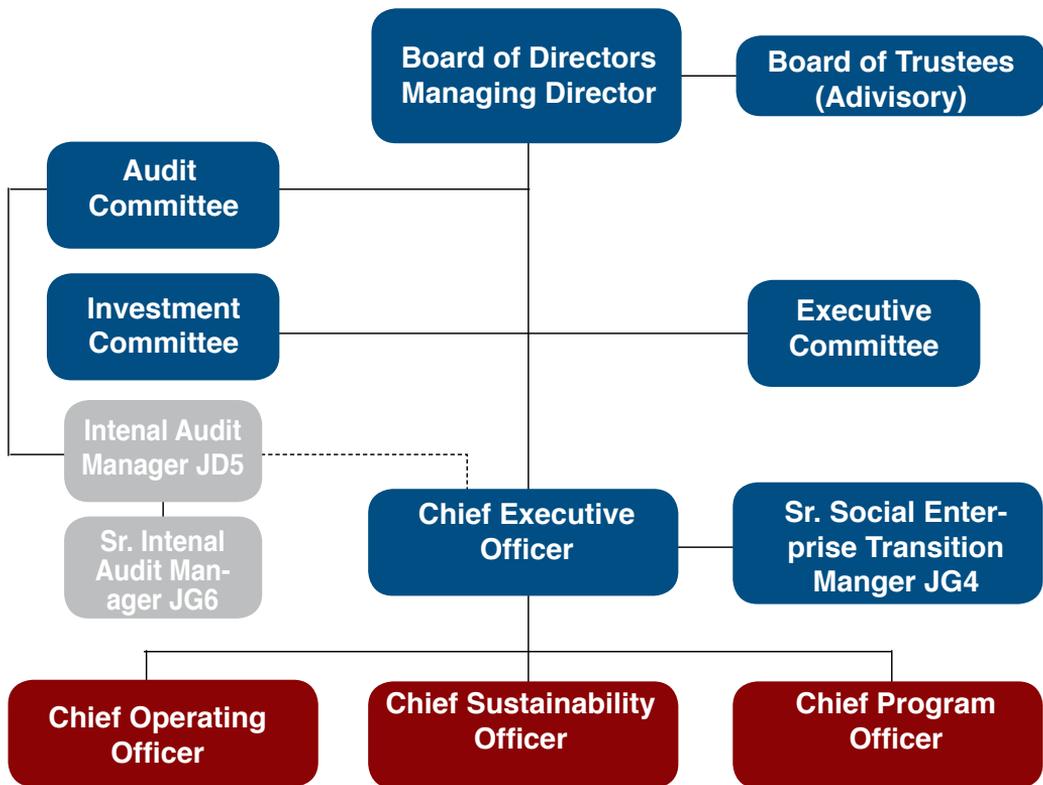
Figure 1 Revised Organizational Structure.
Source: Emirates Foundation

This reorganization directly affected the reporting lines and communication between the various departments and, effectively, the organization. Whereas in the past, 10 managers had reported to the CEO, "some reporting due to organic growth rather than a clear business rationale," according to Clare, currently only the CSO, COO, and CPO would report directly to the CEO. This was a major organizational and cultural shift for the Foundation, one that would avoid micromanagement, as this had been an issue in the past that impeded the efficiency and focus of the Foundation. The new organizational structure was designed as an efficient hierarchical structure with department heads, where the day-to-day responsibilities were delegated to the appropriate departments, thus empowering staff to become more responsible for their work. To avoid recreating the lack of transparency of the past, the management team would now meet on a weekly basis, in addition to monthly meetings with all staff. This enabled all members of the team to take ownership of, as well as participate in, all decision-making processes.

The Programs Department and the Sustainability Department were the two newly designed departments in the Foundation. "Previously, each program and grant portfolio was managed by different directors," explained the CPO. "Each director had their own different experience, management style, and beliefs on the best ways to deliver impact. This was challenging for our internal team because there was no unified vision or target audience." With the creation of the Programs Department, the Foundation's projects portfolio would be under the management of one department for the first time. Since it was decided that the focus of the Foundation would be on youth development, research was conducted to understand the critical issues that the youth in the UAE faced. Stemming from this, the department decided to focus its work in three areas:

1	2	3
Social Inclusion	**Community Engagement**	**Leadership and Empowerment**

Now, all the program directors share one vision and employ the same style and approach, with more control over the delivery of the projects.

> *Now it is centralized, with one Chief Programs Officer for the entire program portfolio who oversees the program directors and managers. This hierarchy keeps everything consolidated and happy. Everyone is happy and comfortable as the roles, deliverables, and objectives are now clearly defined, leading to more productivity and impact of our programs.*
>
> *Maytha Habsi, CPO*

In line with the more focused approach of the organization, the pattern of the Foundation providing many scattered grants has changed. The

organization worked towards exiting all grants already issued, and over the course of a year, managed to reduce the number of grants from **450 to 100**, all paid up-front.

Empowering the Staff:

In the beginning of 2012, the new positions and job descriptions were announced, based on the new organizational structure, and employees were reassured that the hiring process would prioritize them. Senior management reinforced this message across the board, insisting that the process would be fair and transparent and that the priority was to recruit internally. Employees were given the opportunity to apply for three positions in the organization.

This staffing approach was in line with the previous management's message that this restructuring was not about downsizing staff, but about refocusing the direction of the Foundation. The new projects would be dynamic, would engage the community in a more substantial manner, and would deliver more long-term impact. Thus, the new jobs would be more proactive and dynamic. Moreover, a newfound emphasis on volunteering opportunities was emphasized, to help employees develop their leadership skills.

The senior management team and the HR department kept the lines of communication open during this period and emphasized that the role of senior management was to build trust through face-to-face communication.

> *"My main job is to reassure," declared Clare. "Reassure staff that this would be a fair and transparent process. Reassure management that the process I am putting in place is in line with the best practices. It is important for me to engage with broader staff by being accessible, visible, and leading open discussions.*

As the head of HR explained, "Even while we were constantly communicating with the employees, there were inevitably a lot of inquiries.

People started to raise the same questions again and again and were unsure whether the process was truly fair and whether they would get what they asked for." Concerns were alleviated by holding lunch sessions that brought management and staff together to allow staff to voice their concerns and management to address them.

Managers in different departments were encouraged to hold weekly meetings with their staff, educate them on the concept of Venture Philanthropy, and get them involved in the restructuring process. "Since the day [Clare] joined," explained the CPO, "her role has been crucial in keeping everyone engaged, working with everyone in the Foundation and giving them the chance to contribute to the new mission and vision and agree upon the new values of the organization. This allowed all of us to feel that we are part of the decision-making process." Along with lunch sessions and weekly department meetings, the Foundation held team-building days, in which management and staff would come together for brainstorming sessions.

By the time the new structure was officially put into place in April 2012, the staff was eager to move forward and embraced the new change. Employees were informed of their new positions; most of them received increases in their position grade, benefits, or salary. Employees were given a transition period of 3 months to work with their line managers to ensure a smooth handover and transfer of knowledge. There was no need for forced interaction between staff members, as cross-department communication flowed smoothly and reporting lines and structures were clear. By July 2012, everyone had settled into their new positions at the Foundation.

Based on the delineated goals, the organizational restructuring process was quite successful. First, there was very little turnover in this massive restructuring; over 80% of the employees remained in the organization. Second, and perhaps more important, this process ensured that the jobs were filled by people who were truly engaged, passionate, and dedicated to the new concept of Venture Philanthropy. As the COO explained, "at the beginning of the restructuring process, more employees were planning to leave the Foundation, but then they found better opportunities within the Foundation." Employees were now increasingly motivated and there was complete alignment on the Foundation's mission, vision, and strategy.

Integrating Sustainability

Another major challenge the Foundation had once faced was its inability to monitor and measure the impact of its work and grants. Prior to the restructuring, the only means of measurement were quarterly indicators showing how many grants were given. This system would not work for operational programs, and therefore the Foundation needed to conduct research and data collection, which had previously been conducted on an ad hoc basis, with no defined methodology or frequency. In line with the Foundation's new focus on Venture Philanthropy, sustainability had to become an institutionalized aspect of its work. This was achieved by creating the role of Chief Sustainability Officer (CSO). The CSO initially managed three main units:

1	**2**	**3**
Monitoring and Evaluation (M&E)	Research and Advocacy (R&A)	Corporate Communication

> *This was soon revised, however, and the M&E and R&A departments were merged and retitled the Strategy and Performance (S&P) department. M&E represented the performance aspect, while research and sustainability represented the strategy aspect. Developing these concepts and units was essential, as the future Emirates Foundation would require a robust M&E system to properly identify and develop a set of Key Performance Indicators (KPIs) to measure social impact.*

This department and these KPIs represented a shift in the organizational mindset: henceforth, performance was to be tracked and documented, to ensure the highest levels of efficiency and sustainability. Previously,

the Foundation had never systematically evaluated the impact of the programs it supported. Now, with the newly created M&E Department, the Foundation developed evaluation tools in conjunction with the program design occurring in the Programs Department.

Today, KPIs are constantly being reviewed to ensure that they reflect the realities of the programs, along with quarterly reports. The staff has largely welcomed this system, as their every task is being accounted for, and is reflected in the general performance of the respective programs. The result is a sense of ownership and encouragement. The establishment of an internal reward system further encouraged employees. Nevertheless, establishing this system has not been without its challenges. Employees initially resisted the idea of documentation, as it resulted in a heavier workload. Ultimately, however, the staff began to see the value in documenting their performance and achieving milestones, and fully embraced this system.

Regarding communication and marketing, the Communications Department is now in charge of external marketing, as well as internal communication among Foundation staff members. As explained by the head of the Communications Department, "Previously, our department had a more reactive approach to marketing and communications. Now, in line with our new mission, it has become more proactive." The Communications Department also redesigned the Foundation's logo—a fresher and more dynamic one to reflect its new focus on youth development. Internal communication had previously been under the purview of the Human Resources (HR) Department and was done on an ad hoc basis. The Communications Department sought to centralize the Foundation's internal communications by creating a web portal for the organization's staff to use to provide resources and services. The main goal of this initiative is to have a defined strategy for cross-department communication, which is further aided by designating one person from each department to act as the main intermediary with the Communications Department.

The Emirates Foundation Four Years Later: Where Is It Today?

Emirates Foundation has come a long way since 2011. The internal restructuring process was finally completed in July 2012. The organizational structure has continued to undergo several modifications over the years, all with the purpose of continual improvement and streamlining. In 2014, the management team developed a new corporate strategy map, along with consolidated balanced scorecards, which have cascaded to all departments and programs. This corporate strategy map is supported by the business plans, strategy maps, and KPIs of individual departments and programs. This further ensures that all staff roles and functions are aligned with the organization's strategic plan, goals, vision, and mission, while also signaling maturity in the business mindset.

This business acumen has greatly benefitted the organization and has enabled it to achieve numerous milestones since becoming operational. It includes

engaging more than

63,000
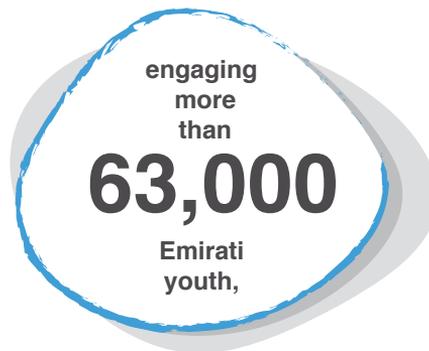
Emirati youth,

engaging more than 63,000 Emirati youth, embedding the financial literacy program designed by the Social Inclusion department in the national curriculum of the UAE, and reaching the scale-up phase for two programs: Takatof and Sanid. Both Takatof and Sanid existed before the transition and have now become two of the biggest and most successful programs. The Foundation was by no means a failure prior to 2011 but like many foundations, it was struggling to create scalable and measureable impact. As Linda El-Omari, Senior Analyst in the S&P Team, stated:

> *"There was never a problem with achievement; it was always a problem with documenting and measuring what we do.*

" One of the main obstacles to these programs in the past was their inflexibility, or more aptly, the inability to take a program from point A to point B simply because neither point A nor point B was identified or tracked. This is supported by the following statement:

> *Kafaat, Sanid, and Takatof were good programs from the old system, but only when these programs got systems and KPIs did they start working well.*
>
> *Dr. Sabha Al Shamsi, Director of Social Inclusion*

Measuring social impact only by the number of grants awarded can create a deflated sense of return on investment, leading to a rather murky vision of the future. With the renewed emphasis on mission and vision, and the improved ways of measuring the effectiveness of its programs, it is now quite clear that the organization is fulfilling its promise, and doing well. Any comparative perspective of the organization pre- and post-transition must be tempered by the knowledge that the challenges an organization faces as a start-up differ quite drastically from when it is fully operational.

In conclusion, Emirates Foundation represents a case where practices of good governance and management, along with adopting innovative solutions to long-standing problems, have resulted in a viable model in Venture Philanthropy. The Foundation's annual Youth Philanthropy Summit has become a flagship event, eagerly awaited and attended by over 700 participants in 2015. The Foundation's choice in adopting Venture Philanthropy seems to have paid off several times over, and the six programs the foundation runs have now reached quite mature stages of development and produced substantial and measurable results, given that the organization has only been operational for four years. This is illustrated below:

Emirates Foundation Transition

RESEARCH-BASED SOLUTIONS CREATING MORE SUSTAINABLE AND COST-EFFICIENT WAYS FOR DELIVERING LARGE-SCALE SOCIAL IMPACT

TRADITIONAL PHILANTHROPY/CSR	CATALYTIC PHILANTHROPY/ SOCIAL INVESTMENT
Short term projects	Long term programs
"Outsource" solutions to 3rd parties	"Build" in-house solutions
Not-for-profit interventions	Using the model of social enterprises
Subsidy dependent	Target financial sustainability
Multiple projects/sectors	Focus on one core area
Minimise staff costs	Systematic measuring through program KPIs
Development/Comms expertise	Business discipline for efficiency
Ad hoc performance measurement	Continually capture 'lessons learned'
Limited sharing of lessons	Full Transparency around impact

"Catalytic Philanthropists go beyond giving to become active participants in solving social problems – they use multiple tools to bring about transformative change, they work collaboratively with other community actors, and they share lessons about what they have done. Catalytic Philanthropists punch above their weight."

FSG, Mark Kramer and Leslie Crutchfield

   Possibly the truest test of the Foundation's success will be how well the programs do as independent social enterprises when they reach their spin-off stage. Clare has stated, time and again, that her hope is to hand over the reins of the organization to a native of the UAE, having achieved true sustainability. With the trajectory that Emirates Foundation has been on for the past four years, this is poised to become a reality, and a successful one at that.

ACKNOWLEDGMENTS