A case study of a foundation
as social enterprise investor:

The Creation of iTaLAM

AVI CHAI

Part I: From Start-Up to Success

This case describes a foundation's effort to help a major grantee prepare for a secure future, adapt to technological change, and forge a complicated but necessary partnership with a for-profit company, as the foundation neared the end of its grantmaking. The case is meant to prompt a discussion about how far a funder should go in helping to plan a grantee's future and re-think its management, finances, and governance.

In the late 1990s, the AVI CHAI Foundation began devoting the preponderance of its North America grantmaking to the support of Jewish day schools. Among the needs the Foundation identified, over months of reconnaissance, was that standards of teaching and learning, particularly in Jewish studies, were uneven. "Until there are high-quality curricula available for Jewish day schools," a staff memo concluded in 1999, "the educational level of these schools cannot rise."

In the ensuing search for curricula that were both rich and practical to use, Foundation program officers came upon the Bronfman Jewish Education Center of Montreal, an agency of the Montreal Federation. AVI CHAI staff concluded that the Bronfman Center was, at the time, "the only organization in North America that has proven itself capable of developing high-quality curricula that are actually used in day schools." The Center had recently introduced a new curriculum for first-graders called TaL AM — an integrated set of materials and teacher training covering the students' entire Judaic education, including Hebrew — which was already being used in 175 schools representing every denomination. Ongoing operating expenses for the project were covered by school fees, but philanthropic support would be needed for the development of curricula for additional grades.

Over the next decade, AVI CHAI provided roughly $9 million for the expansion and marketing of TaL AM, including:

- The accelerated writing, field-testing, and marketing of curricula for Grades 2-5;
- Development and expansion of training programs for teachers using the curricula;
- Subsidies to reduce schools' cost for purchasing TaL AM and for training faculty;
- Responding to market competition and a period of lagging sales, by adding field staff, teacher mentoring, and marketing.

Noting that the leaders of the Bronfman Center "do not have the contacts or know-how to be fundraisers," AVI CHAI chose to accept the role of principal funder. "It is in AVI CHAI's interests," the staff and Board concluded, "for these superb professionals and lay leaders to spend their time developing the curriculum, not raising money." Later, when TaL AM separated from the Montreal Federation and became an independent Canadian charity, an AVI CHAI Trustee and Program Officer both joined the new organization's board, thus cementing the Foundation's role as, in effect, an equity investor.

In the fully developed program, four subject tracks — Shana Yehudit (daily life, Shabbat and holidays), Torah, Parashat Hashavua and Tefilah (Prayer) — were all taught in Hebrew. These four tracks were linked and sequenced so that each reinforced the study and learning skills of the others. TaL AM used multiple approaches to present its subject matter, including visual, physical, emotional, and musical interpretations, to suit children of all different learning styles. It had thoroughly revolutionized teaching and learning in all the component subjects.

By 2010, the first five grades were finished and in wide use, and by all visible evidence, TaL AM was a monumental success. Its market was still ballooning, with over 30,000 students using the program in 326 schools in 38 countries around the world. Going forward, it was expected that TaL AM's principal work would consist of sales, support for an increasingly larger number of participating educators, and maintenance and updating of the product. TaL AM had downsized and restructured in 2009 and 2010 and was now a much leaner, more service-oriented operation.

However, a new set of challenges was becoming visible on the horizon, and overcoming them would call for a completely different kind of response. As the second decade of

the 21st century approached, educational innovation was beginning to enter the digital arena. It seemed clear that the greater efficiency of online learning tools would eventually give schools an opportunity to blend technology with traditional teaching to offer students much more than had been possible in the past. But at this point, TaL AM dwelt entirely in the realm of ink and paper — with all the costs of production, distribution, and updating that came with them. Its Montreal warehouse stocked and shipped more than 1,300 different TaL AM items to schools around the world. Fulfilling orders for physical materials was becoming an increasingly demanding line of work. TaL AM's support to teachers was also strictly in-person: seminars, conferences, person-to-person mentoring and problem-solving. For all its pedagogic ingenuity and inventiveness, the TaL AM team was short on technological expertise and thus slow to recognize the need for a fundamentally new approach to its market.

This purely analog approach to education and training risked becoming passé in the emerging digital marketplace. Worse, it was imposing high costs on both the producers and consumers of the curriculum — costs that were more and more obviously avoidable. In a rare fundraising coup, the organization in 2010 had attracted support from the Gruss Life Monument Funds to create a set of online skill-and-drill exercises for portions of the Grade 1 Hebrew language curriculum. However, these turned out to be very slow to develop and implement, leading some to question whether anything more would be done in this arena. "A strategy must be planned and executed," AVI CHAI concluded in 2011, "so that TaL AM can be relevant and effective under new conditions and delivered at as low a cost as possible."

Looking toward its future, TaL AM faced a second risk — sadly common across the nonprofit sector — a lack of preparation for executive succession. So much of the program depended on the "virtuoso" leadership of Tova Shimon that AVI CHAI staff and Trustees were becoming anxious about what would happen when she retired. In fact, all four of TaL AM's senior leaders were approaching retirement age. The TaL AM board also was short on the kinds of expertise it would need to steer the organization through a changing environment.

Nonetheless, these impending retirements still lay some years in the future. At the end of 2010, TaL AM's market was still growing, and schools that invested in it remained exceptionally loyal. But trends were subtly shifting, and for the sake of the program's long-term future, at some point it would be essential to make the leap into the digital world and prepare for a new generation of leaders and supporters.

The question facing AVI CHAI was whether to undertake a significant new effort with TaL AM to develop products and leadership for the digital future. Undertaking a new effort would likely be financially costly and organizationally destabilizing to an organization that currently had a growing customer base and a profitable bottom line. Perhaps the Foundation should leave well enough alone.

Questions and Choices: What Should a Funder Do?

Before describing the choices that TaL AM and AVI CHAI ultimately made, let's pause to consider what you would do if you were leading the Foundation at the start of 2011. The question raises universal questions about good philanthropy, and about the rules that govern (or ought to govern) the always-sensitive relationship between funder and grantee. Specifically:

- Should AVI CHAI press TaL AM to move forward on both the digital products and the leadership succession faster than its leaders would have undertaken on their own? How deeply should AVI CHAI immerse itself in TaL AM's business planning? Foreseeing a period of digital challenges to TaL AM, what should AVI CHAI do to help TaL AM prepare?

- Is it right for the Foundation to exert influence on a grantee's leadership succession planning at all? Given that many nonprofits are run by a visionary founder whose absence they view as almost unimaginable, should foundations take strong steps to press them into thinking about future leaders? Or does that risk undermining the founder's authority and stature?

What choices would you make?

Part II:
AVI CHAI's Response – The Creation of iTaLAM

In 2011, AVI CHAI invited Ms. Shimon and her team to draw up a vision of what a digital TaL AM would look like. Their first, tentative plan would have mostly just digitized the print curricula, with all the materials appearing on computer screens but otherwise functioning as before. TaL AM and AVI CHAI agreed that something more was needed — something that took full advantage of the interactive possibilities of educational technology, not merely a print product using pixels instead of ink. But that would be a task well beyond the capacity of TaL AM to undertake on its own, even if it were to add some tech specialists to its staff.

So with help from the Foundation's Chief Educational Technology Officer, TaL AM and AVI CHAI set out on a search for a technology organization that could supply the necessary expertise and creativity, while recognizing and adhering faithfully to the pedagogic essentials that had made the program great. The organization would have to work in Hebrew but also have experience dealing with school systems and educators outside of Israel. It would also need to be at home with more than just curricula and standard learning aids, but also with online learning games and other interactive experiences that engage students' imaginations. Despite extensive searching, this set of criteria proved to be all but impossible to satisfy in the nonprofit world. That meant searching for a for-profit partner — but could that work?

TaL AM already operated in many ways like a business — funding its operations largely with revenue from products sold, reinvesting excess revenues in the maintenance and improvement of its curricula. A for-profit firm dedicated to education, with sufficient respect for TaL AM's mission and strengths, might well be able to form a productive relationship. Based on criteria developed by Ms. Shimon, and in a selection process that she led, the search led to Compedia, then a 25-year-old Israeli educational gaming firm whose customers included Fortune 500 companies and a variety of nonprofits around the world.

Even as this exploration was taking shape, the future of TaL AM's leadership was also becoming a critical question. To allow time for a smooth transition from the experienced hands of the four TaL AM senior staff to a new generation of leaders, a succession plan would have to be devised quickly. A thorough re-thinking of the organization's structure, market, and business model would have to unfold at the same time. During the transition, it was understood that Ms. Shimon, reporting to the Board, would remain in control throughout the creation of the new partnership, including the onboarding of a new CEO. She would also oversee the development of the new product and remain the ultimate arbiter of its quality.

In September 2011, AVI CHAI's Trustees set aside $5.9 million for TaL AM to cover the costs of an executive search and transition, the new CEO's salary for up to three years, and a down-payment on the development costs for the digital curriculum and additional adjustments to the organization's products, operations, and business model. Although this would bring AVI CHAI's total support for TaL AM to more than $14 million, the alternative — "a TaL AM that slowly fades away because it has not adapted to the future" — was close to unthinkable, given the reliance on the program by so many schools to educate their students.

The relationship between the nonprofit and the for-profit company also had to be settled. Some believed that a vendor-client relationship, with TaL AM purchasing tech services from Compedia, would be the best option, even though imperfect. Otherwise, they feared, it might be a constant struggle to maintain the balance between nonprofit and for-profit goals if the nonprofit was not solidly in the driver's seat.

Yet the more AVI CHAI, TaL AM, and Compedia explored the possibilities, the more logical a full partnership — in essence, a joint venture — became. AVI CHAI, in particular, was persuaded that the transition from print to digital would work only if the two sets of talents — the curriculum experts and the digital experts — could deliberate together as equals. Creating a new nonprofit, jointly governed by leadership from TaL AM, Compedia and the funders, seemed the best way forward.

The new platform and the partnership that produced and manages it were named iTaLAM. The freshly launched organization, housed in Compedia's offices near Tel Aviv, is governed by a seven-member board: two representing the original TaL AM organization (currently Tova Shimon and the head of Toronto's Jewish communal fund); two from Compedia, and two from AVI CHAI — the same Trustee and staff member who had long served on TaL AM's board. A seventh member represents the Gruss Life Monument Funds, an early private funder that renewed its support.

The four-part structure of the board was designed partly to ensure that a majority of the members (at a minimum, those representing TaL AM and the funders) would be dedicated unreservedly to the organization's educational mission, and that profit considerations would never be able to outvote educational ones. Compedia, for its part, has accepted this structure and expressed full dedication to the nonprofit mission. A new CEO for iTaLAM, Shoshi Becker, started work in September 2014.

That same year, the pedagogy and assessment specialists at TaL AM and the programmers, animators, and illustrators from Compedia set off to design the program's look and behavior — incorporating the "virtual classroom," characteristic of the TaL AM series, together with component games, animations, possibilities for personalization, and other interactive features. A new Learning Management System (LMS) embedded in the software would let teachers track student progress down to the finest detail.

The workload would be immense: Each grade level would need several dozens of animated songs, around 200 interactive activities and games, and 50 to 100 e-books. Production of everything through Grade 5 would take around seven years. But just as difficult would be the procedural challenges: harmonizing the workstyles and responsibilities of teams with profoundly different cultures and skill sets. And all of this would have to take place while the embryonic partnership took on new leaders and a new organizational structure that was still not fully determined.

The blended-learning product that the team was developing was unlike anything in Jewish education (and so was the scale of its development, with as many as 45 people working on the program, most of them full time). Organized around a few core domains of content — Shana Yehudit (daily life, Shabbat and holidays), Torah, Parashat Hashavua, Tefilah (Prayer), and Hebrew — it covers a panoply of academic, language, and life skills relevant to Jewish text and practice. Any given task, such as a game or exercise, can be presented to a student at his or her own level of proficiency, with the degree of difficulty escalating or declining as students make their way through the material. The digital environment in which all this takes place is all-encompassing, engrossing, and often fun.

For teachers, the LMS software provides an opportunity to track students' progress in multiple skills in real time: They can know, throughout the day, how long it took a given student to complete a prescribed activity, how well the student performed, and how far that performance moves the student toward the goal for that unit of work. The system continually aggregates this information, so a teacher can see how far each student has progressed on each prescribed skill, and can view, on demand, a chart showing every student's strongest and weakest skills.

The creation of so dense and multifaceted a product was taking place even as the creators were trying to navigate a shifting marketplace — embarking on a whole new technological vision at a time when the future of digital education was still taking shape. Only in 2016 did the project's real potential start to become clearer, as pilot testing yielded to full-scale marketing of the Grade 2 curriculum, and market uptake proved to be at least as strong as expected.

Not so for fundraising, at least at first. Apart from an additional $1 million grant from the Gruss Life Monument Funds, other sources of support were elusive. Compedia found opportunities to develop technologies for other clients that were then incorporated in some of iTaLAM's materials, offsetting potential iTaLAM costs by hundreds of thousands of dollars. The last of AVI CHAI's 2011 grant would be spent by the end of 2016, and without a substantial new investor, it seemed likely that production would have to cease, with Grade 4 not yet finished and Grade 5 not yet begun. AVI CHAI, just 36 months away from its planned sunset, was no longer willing to play the role of prime funder. It provided $3.2 million in 2017 and, later, an interest-free loan of $800,000, to allow for the completion and marketing of Grade 4. But Grade 5 still had no budget.

Fortunately, in 2018, the Azrieli Foundation, based in Canada and Israel, came forward with an extraordinary $5 million grant.

The foundation's founder, David Azrieli, had been an early supporter of a forerunner to TaL AM, and the Board of Directors of the Azrieli Foundation saw enabling the completion of iTaLAM as a fitting way to build upon their founder's vision as well as provide a great benefit to the Jewish community. Azrieli agreed to pay for the addition of Grade 5, enriched assessment tools to measure student progress, and enhanced online training opportunities for teachers. The combination of the Azrieli grant and strong market performance now appears sufficient to close iTaLAM's funding gap and to allow it to begin thinking about ways of expanding its products to other markets. With an enthusiastic reception among both teachers and students, 215 schools are now using the program worldwide, an adoption rate faster than anticipated. Another 100+ schools continue to use only the older TaL AM print curriculum, and many of them are assumed to adopt iTaLAM over time.

For AVI CHAI, the grantmaking has ended, but its in-kind support has continued, through the efforts of its chief financial and educational technology officers. The Trustee and Program Officer who sit on the iTaLAM board have become its chair and vice-chair, respectively — positions they will retain even after AVI CHAI has ceased its grantmaking. The extraordinary level of personal and financial support the Foundation has devoted to this venture places iTaLAM among its greatest philanthropic endeavors. Whether it becomes a lasting legacy after AVI CHAI's departure is still impossible to know.

How Does This Relate to Your Work?

Do the steps AVI CHAI took in this story strike you as representing good philanthropic practice? For example:

- Do you think that it is appropriate for a foundation to sit on the boards of the organizations it funds? Would you be willing to engage as deeply as this with the inner workings of one of your grantees? Would this suit some grantees but not others? Where does the boundary lie?

- Do you consider some of your grantees so integral to the success of your mission that you feel duty-bound to press them to go beyond their comfort zone? When is this appropriate, and when does it improperly cross a line?

- Do you encounter a lack of succession planning among your grantees? If so, how do you respond?

- What factors should be considered before a foundation encourages a non-profit to partner with a for-profit company?

We invite you to discuss these and other aspects of this case that may be relevant to your own work, and to dissect the questions — philosophical, ethical, strategic, and tactical — that you consider important to the principled and effective conduct of philanthropy. Finally, please share with the others at your table how you might apply your thinking to your own philanthropic work going forward.