

FORUM IV

A Time for Downsizing, a Time for Kehilla Leadership

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The Chinese do not have a word in their vocabulary for "crisis." The word they use in its place is "opportunity." Administrative theory also follows this theme by emphasizing that moments of crisis provide unique opportunities for change. Jewish communities in the United States and Canada are now in the midst of such a crisis and have an opportunity to make extraordinary changes within planning strategies and service delivery networks for their communities.

CUTBACKS IN FUNDING

With the exception of a few modest increases in some stronger communities, UJA campaigns (excluding special campaigns) have either flattened or declined during the past decade. As a result of these flat campaigns, social planning has been confined to containment of services, retrenchment of services, and priority setting of existing services. Establishment of new programs or the significant expansion of subsidized programs has been stringently limited.

The increased movement toward designated giving by the United Way will have negative consequences for the Jewish community. Designated giving will also spread within the Jewish community as donors, more assimilated into American life and thus more assimilated into general philanthropic causes, will reap greater rewards as their philanthropic dollars are disbursed into the general community. The threat to federated fund raising is apparent, although I am not aware of any organized program within the national Jewish community to reverse this trend. If we are not able to contain this trend and protect the concept of federated fund raising, there will be a

continued erosion of campaign dollars available to Israel and to local agencies. Community leaders "are worried and frightened by the magnitude of the demands being placed on the American Jewish philanthropic dollar. Israel cannot walk away from its challenges, they say; what scares them is that American Jews can" (Goldberg, 1991).

Cutbacks in government funding have intensified the scramble for corporate and foundation funding. Most agencies have neither the personnel nor the experience to undertake this task effectively.

Combining the cutback of government, corporate, and foundation funding with the shift to designated giving and the reduction in federation allocations, the entire profile of Jewish service agency sources has changed, and our communities have not yet mobilized an effective method of coping with this new profile.

With limited resources to allocate, intense scrutiny and oversight by allocation committees has created underlying suspicion, ill will, and often resentment within the service agency leadership. Even those communal leaders who wear several hats are becoming anxious about their conflicting roles. As service agency lay leaders, their resentment is building; as federation leaders they are becoming very uncomfortable with their roles in restricting and reducing agency programs. Very few of them assumed communal leadership to restrict programs. Underneath a public image of communal unity, dissension is brewing. Local agency leadership observes that combined special campaigns (Operation Exodus I and II, Operation Solomon) are raising record dollars while at the same time they are receiving smaller allocations and curtailing programs. When people feel they should

be protected and are not, they then begin to feel victimized. In times of crisis, institutions also assume this human trait.

Federations *are* aware of these new attitudes, and they are sensitive to them. New efforts in agency-federation relationships are being explored; however, bold steps in community planning are now required to deal with these attitudes effectively.

INCOME ENHANCEMENT

Service fee increases have escalated in the past few years. Within the current competitive environment, new and accelerated increases could push our fees higher than our competition and in so doing eliminate a significant segment of our middle- and lower-income Jewish clients from our service rolls. Although Jewish communal agencies do have sliding fee scales, many can no longer provide scholarships for lower-middle-class families. A new population segment has emerged within the last few years—middle-class families who will not ask for financial assistance, but who cannot afford agency fees. We are now beginning to disengage these families from Jewish services, thereby adding to the already large number of unaffiliated Jews.

The popular catch phrase today is “income enhancement.” Agencies have increased income by raising service fees, developing endowment programs, creating profit centers, expanding efforts to attract government and foundation funding, and conducting limited fund-raising projects within their own communities. This new intensity in income enhancement has important consequences.

On the one hand, enterprise can enable a non-profit to diversify its income base; strengthen its management, board and finances; increase its visibility; and permit new program initiatives. On the other hand, such activity may also thwart or dilute the organization’s charitable mission, disrupt operations, raise legal issues, endanger the group’s tax-exempt status, alienate internal and external support and cause substantial financial harm (La Barbera, 1991).

Most not-for-profit agencies that engage in enterprise projects do not hire sufficient staff to operate them, and as a result, the time required to implement these ventures is taken from time dedicated to primary missions. Dependence on unrelated business income placed into operating budgets leads to “Boeko’s Junkie Theory”: “Unrelated business income placed into the pulsating veins of annual budgets requires steady and annual injections.” When this happens, an agency begins to devote all its efforts to the “fix,” rather than to what it does best—serving clients with needs. Further complications arise when profit goals compete with nonprofit goals for staff time, loyalties, and resources.

This movement toward profit enterprises and related tax exemptions is currently being challenged by a Washington D.C.-based organization called the Business Coalition for Fair Competition (BCFC). It has introduced legislation in a number of states that would limit the business ventures of nonprofit organizations and government entities, such as colleges and universities (Graham, 1991). In addition, the current economic crisis facing our cities has compelled them to scrutinize the profit activities of nonprofits and their nonpayment or reduced payment of real estate taxes.

INCREASED AGENCY COMPETITION

As local agencies have become more consumer driven, more entrepreneurial, more independent, and more aggressive, the lines of demarcation of agency purpose have diminished. As a result, agencies increasingly bump into each other with similar programs and compete with each other for clients. Combine this aggression with normal diversification of the client base, and the competition increases even more.

Consider these examples:

- Informal education and recreational activities, once viewed as primary to Jewish Community Centers (JCCs), are often included in the offerings of bureaus of

Jewish education (BJEs). Similarly, extensive Jewish educational programs, often the domain of BJEs, are now being sponsored by JCCs.

- Jewish family service (JFS) agencies that once solely offered extensive casework services have extended their services into parenting programs, a staple of JCCs. Therapeutic groups can now be seen in many communities offered by Jewish vocational services (JVS), JFS, and JCCs.
- Homes for the aged have expanded their programs to new population groups, often competing with programs offered by Jewish hospitals and JCCs. In many communities programs on legislation on the right to die, living wills, retirement seminars, and grandparenting are being sponsored by three or four communal agencies.
- Many of the programs now being conducted in community apartments for the aged could be operated by existing staff of JCCs and homes for the aged.

Many will counter with the phrase, "Competition is good for our agencies." I, too, once encouraged competition, but I cannot encourage competitive programs that duplicate existing services in an economic environment that is beginning to remove the safety net from the indigent, families in crisis, the elderly, and other important client groups. Budget shortfalls are also neutralizing our efforts in community building, youth outreach, services to the intermarried, and other hard-to-reach constituencies.

As agencies begin to see programs as fund-enhancement activities and as income from nontraditional sources increases, community planning will erode. In addition, as fund-raising activities become more ingrained into the operating budgets of agencies, there will also be less adherence to current fund-raising guidelines imposed by many federations. In moderation, agency fund raising can be an effective means of maintaining some programs. However, uncontrolled fund raising will definitely

undermine the federated fund-raising concept. Lay leaders who often saw their work with local agencies as a respite from the hectic fund-raising environment of federation are now beginning to rebel as heavy fund-raising burdens are being placed on them by local service agencies.

THE CASE FOR DOWNSIZING

The term "downsizing" is confusing and often misunderstood. Downsizing is not cost containment. Cost containment is a term that is used for efficient administration that eliminates waste and gains in efficiency. The scope of service delivery usually remains the same, but at a lower per unit cost. The cost-benefit ratio is improved.

Downsizing is not retrenchment. Retrenchment is a cutback in services and personnel, but most often only on the lowest levels of service delivery. Retrenchment rarely reaches administrative levels. Too often, optimists like to call retrenchment "rightsizing," thus putting a positive connotation on service reductions. In theory, rightsizing is the lowering of personnel and expenses without denying services to a worthy segment of the client population.

In contrast, downsizing is the complete and total elimination of a service or program at all levels: line level, middle-management level, and top administrative level. Downsizing can be the elimination of a total agency, with important services being integrated or merged into other agencies. Or, downsizing within a single agency can be the total elimination of an administrative level. This form of downsizing maintains personnel at the most productive direct service levels while at the same time bringing service delivery professionals closer to administration.

Downsizing is necessary today because most current planning methods are not working and the economics of these times dictate it. We have all witnessed the failure of community priority-setting programs because they did not have community backing and were attempted during low

allocation years. The community priorities system as practiced by United Way has had a negative impact financially on many communities, thus adding to the aversion toward this practice. The popular method now being utilized by federations is "across-the-board" cuts or increases in allocations. Across-the-board allocations in recent years have ranged from 85% to 105% of the previous year's allocation. Yet, even the highest percentages usually were not sufficient to cover incremental increases in salaries and inflation.

Across-the-board cuts are not effective planning tools for many reasons. First and foremost, such allocations are usually enacted when political solutions overcome sound community planning and business practices. Across-the-board cuts are severely criticized in the business world as "panic masquerading as a plan. . . . It is taking a blunt ax to a company when a surgeon's scalpel is required. Not all divisions and corporate functions are created equal. Some units deserve additional investment, not retrenchment" (Train, 1991). The chief executive officer of American Standard, Inc., stated, "Across-the-board cuts punish good management as well as poor management. . . . Across-the-board cuts are the worst way to reduce costs. Cutting by percentage is a crude and ineffective short-term solution to a deep-rooted problem. It's instant gratification that does nothing to fundamentally remedy the situation" (Train, 1991, p. 15).

According to Peter Drucker,

It takes as much effort to cut 10% off a cost item of \$5000 as it does to cut 10% off a cost item of \$1,000,000. Usually 90% of the costs are incurred by 10% of activities. Therefore, the only truly effective way to cut activities is to cut out an activity altogether. Trying to cut back costs of a small program is rarely effective. There is little point in trying to do cheaply what should not be done at all. . . . Effective control of costs requires that the whole business be looked at; otherwise costs will be reduced in one place by simply being pushed somewhere else. Once the activities

are retained you can be sure that they will eventually resurface at inflated costs within a few months or years (Drucker, 1964, p. 69).

As difficult as downsizing is within one single agency, the complexity intensifies when one has to consider community downsizing. Reshaping the community infrastructure will require a different environment and unique forms of leadership. First and foremost, our communities must accept the fact that if we are to continue the rescue of Jews from the former Soviet Union, Ethiopia, and elsewhere and to recognize our responsibility to increase our support to Israel, we must begin to use the information available to our current community planning processes in new and courageous ways. By planning in a total community environment, we will begin to engage in downsizing through agency mergers, consolidations, and acquisitions.

Mark I. Singer and John A. Yankey (1991) in their article, "Organizational Metamorphosis: A Study of Eighteen Non-profit Mergers, Acquisitions and Consolidations," identified these significant reasons for mergers and consolidations.

- *Greater organizational efficiency* through economies of scale, such as combined management functions and physical facilities, reduced staffing levels, and increased purchasing power
- *Increased effectiveness of client services* in which two organizations combined may provide a more comprehensive array of services in a single setting
- *Greater organizational stability* through a partner that has strong leadership and management
- *Greater financial stability* through such factors as an increased or more reliable base of funding
- *Increased market power* by gaining control over the prices of services
- *Increased community image* by absorbing an agency or program with a poor reputation into an organization with a good reputation

- *Increased power and prestige* for executive or board members
- *Reduced competitive fund raising* by combining resources

Previous efforts at priority setting have failed because they were never attempted during such an urgent Jewish international crisis. Today, if we are to maintain quality competitive services, major changes are necessary to survive and compete effectively. Most importantly, local agencies were rarely brought into the priority-setting process at its conception or during all phases of its implementation, but only after some initial guidelines were established. For downsizing to work within a politically complex community environment, all local agencies must be convened at conception, involved at all community discussions, and participate in the decision-making process as well.

KEHILLA LEADERSHIP

If change and community planning are to be effective, then the best way to bring them about is to involve those who will be affected. Planning decisions

cannot be made in a vacuum but must involve many related parties. Relevant participants should not be limited to final decision-makers (boards of trustees and top management) but also include professional and other staff as well as community. Coordinating the participants toward a common objective by providing them with accurate and timely information and allowing them to have a voice in the process will help build the framework needed for accomplishing the goals and objectives (Singer & Yankey, 1991, p. 359).

Involvement of those being affected by change has several levels. The first is understanding the need for change. The second level is accepting the notion that change is required. The next level is actively participating in achieving that change, and the final level is the complex job of educating the community to this new vision. Leader-

ship is of primary importance in this process. Time consuming? . . . yes. Longer lasting? . . . yes. Effective? . . . yes.

The coordination of community leadership can be achieved by convening a special Leadership Kehilla Council, the intent of which is to secure the alignment of the entire community to a new plan, a bold plan that will deliver services in a new way, unfettered by tradition or ownership, and that in the end will avoid further erosion in the delivery of services to needy clients. Through face-to-face discussions, in which all parties are equal, federation leadership, agency leadership, professional leadership, established leaders, and new leaders create a new community vision.

This Kehilla can only be effective with a special brand of leadership. Currently, we manage our communities by urging leaders in the right direction. Good management brings a degree of order and consistency to such key dimensions as the quality and quantity of services. Whereas "management leadership must be as close as possible to fail-safe and risk free" (Kotter, 1990, p. 104), Kehilla leadership must set the environment for change, the direction of change, the motivation for change, and the linkage and realignment necessary for change. Kehilla leadership must excite the community and all participants to adopt new methods, new forms of service, and new visions. They must explore concepts and alignments that were either never talked about or, if so, only in secluded whispers. Kehilla leaders must be individuals who are "self starters, who are not afraid to take the necessary risks, have a clear sense of the organization's mission, and an understanding of the needs of clients and community" (Singer & Yankey, 1991, p. 360).

The most difficult task confronting the planners will be to avoid creating consensus solutions, even though achieving consensus has traditionally been the effective and conventional wisdom of organized Jewish life. Yet, consensus often blunts the voices outside centrist American Jewish life, resulting in what Albert Vorspan, vice president

of the Union of American Hebrew Congregations, calls the "bland leading the bland." During moments of crisis, political differences must be put aside when the overall outcome will be the preservation of important community services.

The Leadership Kehilla must have the trust of all parties. What is required is a business-like approach with solutions to complex issues that are then put to the test of meeting our social and human responsibilities. Tradition must be respected, history must be examined, and sentiment must be expressed, but these factors must not be dominant in the final outcome. The downsizing plan should be contained in a written report with all goals and objectives clearly expressed. Periodic reports must be shared with all interested parties and an evaluation conducted within a reasonable period.

What should downsizing accomplish? It may be possible to eliminate one or two agencies while still maintaining their important programs. "Eliminating an entire operation is by far the most effective way to cut costs, and the only one likely to produce by itself permanent cost savings. It is by no means accidental that the only places where cost cutting done during the past few years has produced total savings are where an entire operation has been eliminated" (Drucker, 1991).

Although each community is different and will have to design paths compatible to its unique characteristics and constituencies, every Jewish community should consider these questions:

- Can apartments for the well aged be administered by either homes for the aged or by JCCs? Can programs within these homes be administered by senior adult staff of JCCs? New York UJA-Federation is currently exploring joint ventures in housing management.
- Can BJE's and JCCs be consolidated into one agency and still retain the extensive priorities of their missions?
- Can the functions of JVS and JFS agen-

cies be integrated into one community service agency?

- Are extensive real estate holdings now administered by separate agencies? Would central building administrative services be more economical? What about centralized printing, mailing, and accounting systems? What synergies can be created between agencies that can lead to contract services, rather than duplicate services?

In 1991, two YWCAs in Bergen County, New Jersey, merged. According to Rhoda Pauley of the YMCA national headquarters staff in New York City, the merger allowed the new entity "to avoid duplicating programs, while cutting costs and combining fund raising campaigns at a time when more agencies are searching for fewer grants. Nationally, the merging of community YMCAs into regional organizations has become a common way of improving services and stretching resources (Toupousis, 1991). The consolidation of F.E.G.S. with Altro Health and Rehabilitation Services in New York City resulted in savings of \$1 million, the closing of one facility, greater administrative efficiency, and the maintenance of all client services.

Yes, there will be personnel cutbacks in this process. The Kehilla Leadership must provide for those dismissed with compassion, with fair retrenchment packages and with comprehensive outplacement services.

Undoubtedly, the subject of downsizing can be very threatening to communal professionals and is much more complex than any such efforts that have been attempted before. We have been trained to protect all our services and the integrity of our agencies. We have fought off attempts to eliminate programs through budget restrictions, and priority setting, and therefore will instinctively be resistant to institutional and structural change. Responding to an early draft of this article, Stephen D. Solender, executive vice president of the New York UJA-Federation, stated, "We have come into this business to help people

and are intuitively wanting to increase services. Downsizing, emotionally and psychologically, runs counter to our natural tendencies. I think we need help in adjusting our own personal and professional objectives to the demand for downsizing." We will, therefore, require opportunities to share our concerns and resolve our own inhibitions if we are to provide effective leadership to our lay leaders. I truly believe that the outcomes without downsizing will be far more tragic to the most important constituency—our clients and our communities. When we accept that premise, I am confident that our profession will respond appropriately.

CONCLUSION

The time is ripe for downsizing, not only for the maintenance of critical programs but also for a spiritual revival of lay leadership within our communities. Our lay leadership ranks are now thin; lay leaders are overworked and stressed out and do not want to become involved in continued agency cutbacks. Yet, if they can be mobilized to undertake this task and are effective in their deliberations, they will have participated in an historical realignment of service delivery and will have written a bold and inspiring chapter of Jewish com-

munal life. They will have engaged in a task that at first seemed impossible and that during the initial stages will have been painful. Yet, they will emerge enthused in their accomplishments and reinvigorated as community leaders.

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