

RECAPTURING FEDERATION'S STRATEGIC EDGE

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A competitive business strategy requires an organization to pursue mutual reinforcing activities in a manner different from and more effective than its competitors. Federations can recapture their dominance in the Jewish philanthropic marketplace by focusing on and reinventing four classic characteristics and activities of Federation: dynamic lay networks, a reinvigorated lay professional partnership, impact giving and "big ideas," and the global reach of their mission and activities.

In the November-December 1996 issue of *the Harvard Business Review*, Michael E. Porter published a now-classic article entitled "What is Strategy?" The article redefines the discussion on strategy, moving away from a model based on achieving operational effectiveness and implementing strategic plans toward a more dynamic model based on strategic positioning. What follows is the application of some of Porter's key concepts to the federation system.

To sustain a dominant competitive position in the philanthropic marketplace, federations must return to and nurture a set of traditional federation activities. These activities include the following: developing and supporting stakeholder networks, reinvigorating the lay-professional partnership, focusing on "big ideas" and "impact giving" as the centerpieces of the federation fundraising purpose, and maintaining the global reach of our mission. In one sense, this article is a simple reminder of what elements made federation great, which should not be lost in the ever-necessary process of reimagining and retooling. New and creative beginnings can begin by reclaiming old truths.

WHAT IS STRATEGY?

Porter offers a simple explanation of strategy: "Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique set of values."

As Porter explains, doing one thing well falls under the heading of operational effectiveness. While desirable, operational effec-

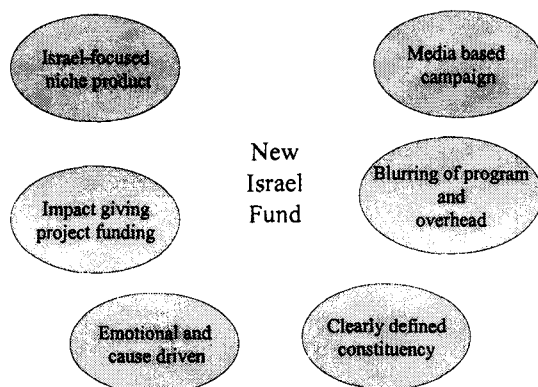
tiveness invites an organization's more talented and resourceful competitors to imitate the activity and thereby compete effectively. However, when a strategy is based on multiple and complementary activities it becomes increasingly difficult for others to imitate and compete. In Porter's words, "Operational effectiveness is about achieving excellence in individual activities. Strategy is about combining activities." When successful activities are mutually reinforcing, the organization achieves what Porter calls fit: "Fit locks out imitators by creating a chain [of activities] that is as strong as its strongest link."

THE NEW ISRAEL FUND—A CASE OF EFFECTIVE STRATEGY

The New Israel Fund (NIF) is a prime example of a federation competitor with an effective strategic position (see Figure 1).

The NIF offers sets of products that are entirely Israel focused and appeal unashamedly to a left-of-center Jewish constituency. NIF makes few ongoing or sustaining allocations, focusing instead on "high-impact" program funding. This has tremendous appeal to its cause-driven donors who are anxious to effect qualitative change in Israeli society. Furthermore, the NIF utilizes hard-hitting print ads, which reflect clearly and in strong language its particular ideological position. Given its mission and the relative homogeneity of its donor base, NIF appears not to worry about alienating either right-of-center Zionists or Orthodox Jews. In addition, since the New Israel Fund seeks to change minds as well as programmatic reali-

Figure 1. The mutually reinforcing activities of the New Israel Fund.



ties, the high cost of media ads is presented and perceived as being an educational program cost, rather than as fundraising overhead. The activities of the NIF “fit” together in a strong, mutually reinforcing manner, guaranteeing it a special place in the hearts and pocketbooks of its niche constituency.

When some federations sought to imitate successful NIF activities (either through making specific allocations or taking public positions on the pluralism issue), they came in conflict with segments of their broad-based donor pool who believed federations were involving themselves in issues beyond their scope and purpose. Porter describes attempts to imitate the activities of a successful competitor while maintaining an existing strategic position as “straddling” and warns that such a strategic approach brings with it a host of complexities and pitfalls.

THE FEDERATION MOVEMENT— PARADISE LOST

In the 1970s and 1980s the federation-UJA system was the unrivaled leader in the Jewish philanthropic marketplace. Its dominance was derived from a collection of clearly defined and fine-tuned activities, each mutually reinforcing the others and many entirely unique within the philanthropic world, both Jewish and non-Jewish (see Figure 2).

At the core of the classic federation model were networks of lay stakeholders who felt and

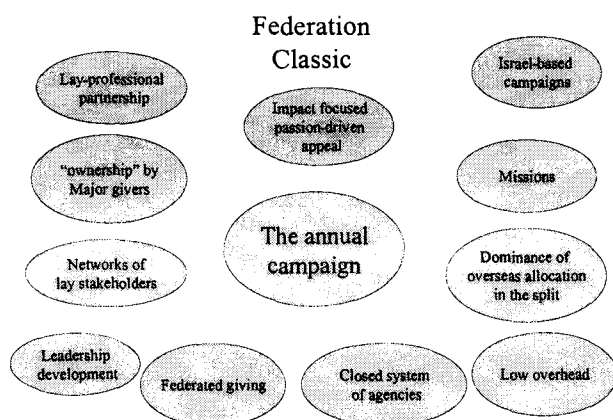
asserted ownership of the Jewish communal enterprise. Intricate family and social ties, a common world view, and personal history forged by the American experience, the Holocaust, and the birth of the State of Israel reinforced these networks and affinity groups. Through federation structures and processes (most notably the highly structured annual campaign, the lay solicitation process, and major gifts missions), the federation system aggregated donors and thereby made peer-driven fundraising and community building a remarkable tool that yielded record-breaking results.

Many charities and non-profits network their donors. However only federations have made those networks the cornerstone of their activities and an end in its own right. Indeed, the whole concept of community building, so central to the federation vocabulary, is inextricably linked to the nurturing of leadership networks.

Bolstering this network of lay stakeholders was an unrivaled lay-professional partnership built on trust, professional competency, and shared vision. The key role of the professional was to steward those network-building processes so essential to the health of the system and to inform and educate the lay-driven committee structures where policy was to be made.

Israel, as myth and purpose, was also at the very core of the federation success. The direct partnership of federations and the Israeli gov-

Figure 2. The activities of federations in the classic age.



ernment through the Jewish Agency and the global scope of rescue and resettlement efforts gave federations a unique product unbeatable in the world of Jewish philanthropy. No other Jewish charity offered a programmatic reach that extended from one's own neighborhood and community to the farthest corners of the Jewish world.

However, it was not Israel alone that gave federations their competitive edge. Rather, it was the scope and magnitude of federation's adopted task that set it apart from its competitors. In the decades following World War II through the early 1980s, Israel was the "big idea" in Jewish philanthropy, an unparalleled vehicle for Jewish impact giving. To build a safe and secure Jewish State, to restore Jewish pride, to gather in exiles of 2,000 years was the Jewish equivalent of "putting a man on the moon"—impact philanthropy of the highest form. No greater quest could be conceived of, and therefore no other charity, Jewish or non-Jewish, could make as successful a claim for Jewish support. In this sense, the parents of today's young Jewish philanthropists were no different from their children. They gave to make the big things happen. And the results of their giving were delivered on the front pages of the newspapers they read each morning. In the Israel product, federations had an unbeatable "franchise."

Significant sustained giving for agency ser-

vices—federated giving in the form of one gift supporting many ongoing services—was a pleasant by-product of UJA/federation fundraising. Clearly, it was a "convenience" product for many major stakeholders and donors, who were constantly called upon to support a myriad of local and national causes and agencies. It was, however, seldom the prime motivator for increased giving.

The "split" in federation allocations was therefore always on two levels, though not often perceived as such. As traditionally viewed, it was a split between overseas and local needs. On a more subtle yet perhaps more important level, it was a split between impact philanthropy (overseas needs) and sustaining philanthropy (local agency services). As long as 60 to 70 percent of dollars went to make the big difference (overseas), then donors and stakeholders were content and even willing to see 30 to 40 percent of the ever-increasing pie shared with ongoing local services.

It is worth observing that the big "bumps" in federation giving often came during and after an overseas emergency appeal when the second-line gift was folded into the next year's ask. More recently, and in some communities, local "impact" projects such as capital campaigns have led to similar results. It will be interesting to observe whether programmatic big ideas in the renaissance or human services areas can perform a similar catalytic function.

THE MILLENNIAL NIGHTMARE

In the 1990s, through wrongheaded design, desperation, and naive blunders, the federation movement in many but not all communities squandered and undermined the very strategic assets that served it so well in previous decades (see Figure 3). Important segments of the federation movement chose to imitate successes occurring in university, boutique, and agency-based fund raising.

The new strategy hastened the disaggregation of donors from networks to "markets of one" and placed the professional cultivator/solicitor at the visible heart of the enterprise. Rather than seeking to coalesce donor interests around a few new and big ideas that would complement a maturing relationship with Israel in the hearts and minds of donors, federation fund raising began pandering to the narrow interests and idiosyncrasies of individual donors. While donor choice could easily be reconciled with a modern variation of federation giving, experiments have more often than not undermined the uniqueness of the annual campaign by allowing agency designation. Rather than aggregating donors around a menu of large and inspiring purposes, federations too often strive to maintain their connection to key donors by servicing their interests in particular agencies and niche programs and causes.

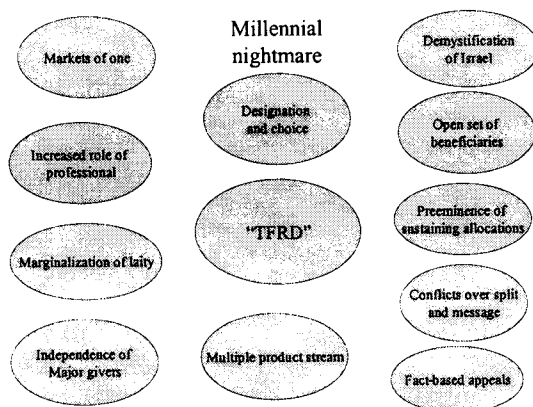
The primacy of the professional in the new fund raising and planning model accelerated

a decline in the partnership between laity and professionals. The new professional took on an aggressive and visible core persona as primary fund raiser or, as in the case of a number of top executives, as community visionary. The increased visibility and personality of the professional often overshadowed the stakeholder networks. This phenomenon tended to marginalize key laity and undermine the trust and intimacy that have long characterized the lay-professional relationship.

It was inevitable that some lay stakeholders, particularly in wealthy foundation families, began seeing themselves more as targets than as partners. In response, they took a portion of their Jewish philanthropy outside the federation system and constructed independent and floating networks for their own brand of collaborative giving. It is worth noting that only a minuscule percentage of Jewish foundations have yet to professionalize and that those that do often shy away from accepting federation assistance and services.

The current split between sustaining giving and impact giving is another albatross on the system. Jewish donors respond generously to passion-driven appeals that promise significant impact and results. They relish the opportunity to make big things happen. Yet, 90 to 95 percent of federation dollars are spent year after year on sustaining philanthropy, either locally or overseas. The federation movement itself inadvertently celebrates

Figure 3. The millennial nightmare.



this phenomenon by creating "cults of organizational personality." The Jewish Agency and the American Jewish Joint Distribution Committee—their names, structures, and politics—are often given greater visibility by the system than the purposes they carry out.

On a local level, planning, a most likely source of big and compelling ideas generated in a collaborative process, has been downplayed professionally and institutionally. Where once federations at least had the pretense of being community builders, today they focus on and highlight their fund-raising prowess. It is little wonder that consortiums of major donors are coming into being to have an impact outside the federation system.

The endowment area is a singular exception to the above-described 1990s phenomenon. There, opportunity, demographics, nostalgia, the maintenance of old relationships, and a dynamic that lends itself to technical professional expertise work effectively to the benefit of the system. Sometimes, running downhill you can pick up speed.

TO RENEW OUR DAYS AS IN OLD

The federation of the 21st century will not look like that of the last half of the 20th century. However, that is not to say that new wine cannot be placed in an old vessel. Even as issues, demographics, and circumstances change, the architecture of federation success can remain intact when bolstered by the following four core and enduring activities. Taken together they can continue to achieve a fit that locks out competitors and assures federation market dominance.

Reinvigorate and Sustain Networks of Major Stakeholders

The local federation must reassert itself as the arena where significant Jewish philanthropy takes place. At the core of that reassertion must be a focus on nurturing local networks of stakeholders. The primary relationship of stakeholders to the system must continue to be their peer relationships. Nur-

turing and empowering those relationships encourages a multi-purpose agenda, an atmosphere of respect and civility, and the ability to think in big and global terms. As in the past, rooting those networks in building model local Jewish communities and bringing significant projects to fruition, while serving as a broker for nurturing overseas ties, expands and extends the timeframe of Jewish philanthropy and reinforces the annual campaign with its message of a permanent though dynamic Jewish agenda. To be sure, many contemporary philanthropists demand a smaller size or greater intimacy in their networks and often ask for more control over the distribution of funds. However, as successful experiments in Washington and New York have shown, these needs can be accommodated easily and successfully through venture funds and philanthropic *chavurot* or giving collectives.

Many new donor networks will look significantly different from those of an earlier generation. High-tech entrepreneurs, Jewish foundations, and corporate CEOs have styles and expectations that will leave their mark on the system and the nature of community planning, the annual campaign, and other resource development efforts.

Foundations in particular offer an important and unique challenge. The rise of the charitable foundation is the single greatest recent change in the philanthropic landscape, analogous to the rise of the corporation in the market economy of the late 19th and early twentieth century. As each foundation has an internal collective dynamic of its own, it is a special challenge to federations to network foundations to each other and to connect them to the federation agenda.

Resurrect a Strong Lay-Professional Partnership

The federation professional of the 21st century will be skilled in direct solicitation processes and will not be a quiet voice at the table when significant ideas are discussed and a collective vision developed. The new laity demand and require partners of talent and substance. However, both laity and pro-

professionals must understand the delicate power sharing that has always been the hallmark of federation practice. Professionals cannot dominate the visioning process to the point of disempowering volunteer leaders nor can they insert themselves too prominently into that informal network of relationships so as to supplant the group dynamic. To do otherwise undermines the fit of federation activities and invites the gurus and the competing professional fund raisers into the arena. Surely, as has already occurred, they will raid the system and co-opt dollars, leadership, and the agenda.

When United Jewish Communities (UJC) was created, it was formed around four programmatic pillars. Aside from the mistake of bifurcating planning and visioning, an unintended consequence of the formation of the pillars was to upset the balance between a discussion of policy and the focus on the lay process. To restate the obvious, federation is a volunteer-driven process where the passion and informed views of lay stakeholders must dominate. Much like governmental agencies, the pillars run the risk of becoming the captive of institutional vested interests, professional experts, and Jewish policy wonks at the expense of the system's lay citizenry. While it may be unwise and too late to once again restructure UJC in the near future, the creation of a fifth pillar that focuses on leadership building and the lay-professional partnership would be most prudent.

Restore Vision, Big Ideas, and Impact Philanthropy to the Core of the Federation Agenda and Message

The split between impact giving and sustaining giving in local federations needs to be thought through and adjusted. It is both uninspiring and ultimately unreasonable to have 90 to 95 percent of dollars going for sustaining needs on a year-to-year basis and expect the enthusiasm and giving level of donors to increase significantly from year to year. Breaking the stranglehold of agency entitlement and promoting the expansion and protection of allocable funds put aside for

major initiatives and new, one-time, and pilot projects (both locally and overseas) are essential for growth, creativity, and the maintenance of donor loyalty. Having the ability to mobilize significant resources and making big Jewish things happen differentiates the federation from other charities and is the hallmark of the federation image. In the long run, a shift toward impact giving will reflect both the interests of federations and donors and create a rising tide of resources that will assist beneficiary agencies.

In addition, the planning resources of federations, a great value-added element of the system, should not be maintained as the private brain trust of allocations processes, but should be placed at the full service of foundations, individual donors, and ad hoc philanthropic consortiums. Federations would be well advised to do less allocating and more planning and advising. The influence federations can hold will be at least as important as the power they yield. To accelerate a renewed federation/major donor dialogue and strategic alliances, it would be wise to hold the 2002 annual meeting of federation planners concurrent with the Jewish Funders Network conference.

Maintain the Israel Connection and Global Reach at the Core of Federation Purposes

Israel and overseas needs are to federation what hamburgers are to McDonalds. They connect stakeholders both to a larger Jewish consciousness and an unlimited philanthropic agenda. And even as the relationship with Israel changes and matures and the percentages of the local/overseas split change from decade to decade, the magic and allure of a Jewish state with a majoritarian Jewish culture, serving as a laboratory for Jewish values, will continue to captivate the Jewish imagination. The overseas agenda will remain a primary tool for networking philanthropists on a national and global level, and it is the ongoing common agenda linking federations to each other. To be sure, the processes and language that pit overseas needs against local interests must be changed. We

must create a conversation that speaks to a global Jewish agenda and global Jewish needs. Visioning processes, on a local and national level, should be undertaken to anticipate and articulate the needs and agenda of a post-rescue and resettlement Jewish world. As a further mechanism for maintaining the competitiveness of overseas needs and reinforcing a global consciousness, federations should integrate their allocation approaches so that quality overseas initiatives compete directly with quality local initiatives.

CONCLUSION

Strategy is about choice. It is about choosing some activities and rejecting others. It is about choosing the activities performed so that each complements each other and each is strengthened by others. In the federation model, visioning and big ideas, peer-driven

fundraising and leadership building, the synergistic partnership between volunteer leaders and professionals, and the global scope of the federation mission are neither discrete nor ephemeral tactics. They exist as strategic pillars upon which the architecture of organizational success rests. By necessity, each must evolve in creative and new ways to meet the changing Jewish realities of the 21st century. None can be abandoned.

"Laugh who will at this zealous regard for the cask; the history of those who cherish the wine will give him pause."

Ahad Ha'Am (1892)

REFERENCES

- Porter, Michael E. (1996, Nov-Dec). What is strategy? *Harvard Business Review*, 61-69.