

# REORGANIZING A JEWISH COMMUNITY

## A Local Community's Experience at Functionalization

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Corporate America, beset by a cruel economic environment, has popularized the term "downsizing" to describe its attempt to promote a healthy bottom line. In many respects, the nonprofit agency's response to the same phenomena is characterized by the terms "functionalization" or "consolidation." Although both downsizing and functionalization/consolidation have positive and negative aspects, I believe that our experience at the Jewish Federation of Greater Clifton-Passaic can help other agencies choose a consolidated model of operation that will maximize the positive and minimize the negative.

What is a functional approach to community organization? Put simply, it is a method of consolidating community services whereby the central community institution, such as the federation, assumes the responsibility for providing major social services and programs. In many cases these services had been provided by local independent agencies, such as Jewish Community Centers and Jewish family services; under the functional model of operation, they are directly administered by the central community organization. In the federation world, the functional model has had limited application and can be found in operation in only a few small communities (Bernstein, 1983; Lurie, 1960).

In his authoritative book, *Community and Polity: The Organizational Dynamics of American Jewry*, Daniel J. Elazar (1980, pp. 165-166) states that federations have passed through three developmental stages. The first federations were *leagues of individual operating agencies* for the express purpose of combining fund-raising efforts. In this embryonic stage, "the allocation of funds col-

lected was essentially based on balancing the sources of contributions so that every agency received more or less the same proportion of funds that it might have received through independent fund raising, but the amount was larger." As federations became more sophisticated, they created *confederations of their operating agencies* and "began to assume a role in allocating funds based on some overall planning, as well as balancing the sources of contributions." In the third stage these community organizations became "*federations* with important community-planning functions entrusted to them, so that their power stems from a combination of fund raising and planning."

As we approach the new millennium with its changing philanthropic climate, we will see an increase in the number of federations that will enter into a fourth stage, that of becoming functional operations. Flat annual campaigns will be a motivating factor for communities to find creative ways of economizing communal operations. The economic environment will continue to influence federations, especially intermediate and smaller-sized ones, to adopt consolidated communal structures.

### COMMUNITY DEMOGRAPHICS

In the Clifton-Passaic Jewish community, the federation has been a constant in Jewish life since it was established in 1933 as a community council of 19 organizations. Its agencies date to 1907 when the YM-YWHA (Y) was established (Krieger, 1959). The federation catchment area comprises 13 cities in parts of Passaic, Southern Bergen, and Hudson counties. The current population is estimated at 8,000 individuals, which is categorized within the federation system as a small/intermediate-sized community. Today its major local beneficiaries include (1) the Y and Jewish

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Family Service (JFS), both of which are now federation divisions, and (2) Hillel Academy and Daughters of Miriam Center for the Aged, which are independent beneficiary agencies.

During the 1960s and 1970s, the Jewish population of this area began to decrease, with a steady movement to adjacent communities. Recognizing this reality, in the early 1980s the federation brought together interested community organizations and initiated a proactive program called "Project Growth," the *raison d'être* of which was to attract newcomers to the area. The federation's Project Growth Task Force, which was an outgrowth of the efforts of a small nucleus of private families affiliated with a local Orthodox synagogue, mobilized the resources of the entire community. An allocation of seed money from the federation was used primarily for marketing the strengths of the community through various media, including advertising in metropolitan newspapers. The volunteers from the Task Force, in conjunction with real estate agencies, helped individuals find housing and become acquainted with community agencies and institutions and then assisted newcomers in their various needs once they moved into their new homes.

The result of Project Growth was an influx of young married professionals, predominantly Orthodox, into the area. The results have been encouraging to the extent that the community has seen a revitalization. However, parallel to this growth has come an intensified demographic reconfiguration, with veteran contributors moving away, dying, or, with retirement, being no longer able to support the community as they had in the past. The newcomers, even if they had the desire to support the community, do not as yet have the means to replace veteran contributors.

#### THE DECISION TO FUNCTIONALIZE

The road to functionalization can be a rocky one. Ours began in the early 1980s when the federation suggested to the Y that consolidation of services would be beneficial. Because of the growth that our United Jewish Cam-

paign was experiencing during the 1980s, the Y leadership initially resisted consolidation. However, in 1991, our community suffered an economic disaster of monumental proportions: In one year our campaign proceeds declined by 37 percent. In 1990 we had raised \$2.2 million in the regular campaign and another \$140,000 for Passage to Freedom, making it the highest amount ever raised in the community's history. Then three of our largest contributor families, all associated in the same business, filed for bankruptcy. That, along with others who were affected by the economic downturn of the early 1990s, created a scenario in which the community lost \$800,000 in one single year.

The federation leadership realized that community services would face extinction if they did nothing to alleviate the impact of this tremendous financial loss. Immediately, federation leadership began a thorough planning process to determine how to best meet the challenge of providing necessary community services with dramatically curtailed funding.

Two agencies in particular would be most affected by the dramatic campaign downturn—the Y and the JFS. Both agencies were and are still located in the Y facility, which serves as the central community home not only for them but also for the federation itself, the Holocaust Resource Center, the Jewish Community News, and a variety of other fraternal and youth organizations. The federation's annual allocation was a significant percentage of the total budgets of both of these major agencies. In 1990, the federation provided 31 percent of the Y's budget and 63 percent of the JFS funds, including its service to New Americans.

As soon as the federation leadership realized the probable disaster facing them in the 1991 campaign, they called together the heads of the various constituent agencies, alerting them to the likely shortfall and urging them to plan their budgets accordingly. This meeting occurred in the spring of 1990 toward the end of the 1990 campaign and prior to that year's allocations process. At the time, we

did not know how prophetic we were to be, but we recognized that drastic changes were about to occur.

As the enormity of the crisis became clear, the federation's Executive Committee began meeting to develop a course of action. It consulted first with the Council of Jewish Federations and, at later stages, with the parent agencies of the Y and JFS, namely, the Jewish Community Centers Association and the Association of Jewish Family and Children's Agencies. The Executive Committee considered its three options:

1. develop a new communal structure that would consolidate services at a reduced cost
2. explore the feasibility of merging community agencies with other similar agencies in neighboring communities
3. providing limited funding and thus placing the onus of fiduciary responsibility and agency survival directly in the hands of the agencies themselves

In considering a functional or consolidated model, many questions were raised: Are there economies available through consolidation? Does each agency need an individual chief operating officer? Can we save money on total administrative costs? Can we reverse the perceived deterioration of some agencies? This last point had special relevance and concern for the Y.

The committee identified three major reasons for favoring a functional approach to community organization.

1. Some agencies could not survive a radical reduction in funding from the annual campaign.
2. Some agencies' administration and programming were perceived as operating inefficiently, thereby draining vital resources from the community.
3. Some agency board members lacked the financial astuteness and/or commitment to make the fiscal changes and adjust-

ments required to meet the impending economic crisis.

Federation leadership considered the pros and cons of a consolidated operation and concluded that the advantages would be as follows: (1) It would achieve economies by reducing administrative and operating costs, (2) centralize personnel and bookkeeping services, (3) maximize the use of scarce community dollars, (4) create a stronger sense of community by uniting different agencies into one operation with different departments, (5) provide professional staff with new growth opportunities, and (6) enable a more efficient use of volunteers.

There were several disadvantages as well. Federation would be perceived as a "big brother" imposing its will and would be on the firing line to make sure its new divisions were functioning properly. Its personnel would need to be more involved in the day-to-day operations of the new divisions, taking away time from federation tasks. Federation would have to pick up the deficits of its new divisions, and there would be no one but itself to blame if its new divisions did not adequately serve the community.

After reviewing the options thoroughly, the federation Executive Committee concluded that the functional approach had the most merit. However, to alleviate concerns about the "big brother" charge, the federation requested that the Y, which had in the past been opposed to any type of consolidation, first develop a consensus on the issue. After months of discussion, the Y Board of Directors requested that the federation take the lead in creating a new communal structure.

Once the Y Board agreed to this step, the federation's Executive Committee unanimously approved the creation of a consolidated communal operation and established a Transition Committee, which initially included representatives of both the federation and the Y. Subsequently, the JFS joined the process after its leadership voted in favor of being part of a functional operation.

During the next few months, the Transition Committee considered questions of governance, management, staffing, and legal issues. At the conclusion of its deliberations, the committee recommended a multi-tiered governance structure in which the federation's Board of Trustees and its Executive Committee would be responsible for the functional federation, with governance operating through a variety of standing and ad hoc committees, including Budget and Allocations, Y Program Services, Finance, Human Resource Development, Community Center Facility, Jewish Family Service, Nominations, Jewish Education, Campaign, Women's Division, Marketing, Community Relations, Endowment, Legal, and Public Relations. On the staff side, there would be one executive vice president and two assistant executive directors—one for Program Services/Operations and the second for Financial Resource Development (FRD). The Director for Program Services/Operations was to be responsible for the supervision of Y programs, JFS counseling/resettlement, and the JCC campus. The FRD Director would be responsible for overseeing the annual campaign, departmental fund raisers, and cash collections. In addition, a controller would be appointed to supervise such office functions as bookkeeping, clerical services, and computer data processing.

To a large extent, we have adhered to the original organizational plan. A major exception was the FRD position, which, for budgetary reasons, was not filled until recently.

Following the recommendations of the Transition Committee, in June 1992 the Board of Directors of the Y and JFS decided to dissolve their agencies as separate corporate entities. In great measure, their decision resulted from the realization that both economic difficulties and the diminution of volunteerism prevented them from continuing as independent and financially viable entities.

Recognizing that both the Y and the JFS were providing crucial services to the community, the federation agreed, effective July

1, 1992, to be responsible for many of their services.

### **IMPLEMENTATION AND LESSONS LEARNED**

The magnitude of the challenges posed by the community restructuring were staggering. It demanded a fundamental review of both policy and modes of operation.

Given the new budgetary realities, the only way we could provide services previously offered by the Y and the JFS was to implement cost-cutting measures to increase efficiency and to reallocate resources. These measures included staff reduction, better utilization of staff, and joint purchasing. The goal always remained to meet critical needs and use scarce resources as efficiently and effectively as possible.

Since 1992, there has been a growing acceptance of the functional operation within the Greater Clifton-Passaic community. That is not to say that it has occurred without a struggle. Probably the major area of struggle has been the resistance to change both by lay leaders and, to a lesser extent, by staff. Some volunteers simply did not want to give up turf. They were being put out of business and understandably were concerned that the federation would not be sufficiently involved with their agency's mission. Although we put forth a tremendous effort to assuage such concerns and smooth ruffled feathers, some leaders just would not buy into the new structure.

We also learned that there are some aspects of functionalization that should have been implemented differently.

First, in order to gain community participation in creating a new communal structure, it is important to market proposed changes early and often. There should be an inaugural gala kickoff or similar function that can create a high level of interest and excitement. Media and public relations vehicles should be used to the optimum. Although we did attempt to set the tone with a new slogan, "Building Community Together," which we

publicized everywhere, much more needed to be done in marketing the change.

Second, it is wise to coordinate the creation of a new corporation to coincide with the federation and agencies' fiscal years. We did not consider sufficiently the accounting problems that resulted from trying to merge three separate agency books into one during the middle of our fiscal year.

Finally, if possible, agency, rather than federation leadership, should play the major role in articulating the positives about creating a new communal structure. No matter what we said about our role as implementing functionalization in response to the agencies requests, we were perceived by some as the reason their agencies were forced to dissolve.

Nevertheless, significant savings have occurred as a result of functionalization. Economies have been forged simply by streamlining management and staff organization. Through a combined operation we have saved tens of thousands of dollars in such areas as health insurance and maintenance contract costs. What is harder to quantify are the many savings that have been achieved as a result of the increased utilization of staff for tasks that transcend their specific division responsibilities. For example, a federation secretary may be asked to assist the Y, or the federation bookkeeper may be needed at the JFS. The functional model of operation breaks down agency barriers, thereby increasing the overall productivity of staff.

Through the efficient use of staff, coupled with the constant evaluation of the fiscal merits of activities offered, selected division programs have both grown and diminished since we altered the communal structure in 1992. Our JFS, for example, currently is involved as the lead agency in a state-wide effort to address the problems of domestic violence. This is just one illustration of how services to the community have been expanded without the loss of critical programming.

One indicator that we have used in quantifying savings is the history of allocations to federation and its functional divisions, then

independent agencies. Two years before the agreement to functionalize, the agency allocation was \$1,065,982. In the year that the agreement was being negotiated, with anticipated change already in the air, the community allocation for these agencies was \$835,912. In the first year of the agreement the allocation decreased further to \$719,910. In the subsequent years following the advent of functionalization, the total allocation for these divisions has increased moderately, but has not exceeded the pre-functionalization totals despite inflation.

Increased economies will continue to take place as a result of being one corporate entity. However, achieving significant savings over that achieved initially as a result of the creation of the functional structure is highly unlikely. What is clear is that if we had not created this structure, and the agencies would somehow have been able to continue operating, the total community dollars allocated for these divisions would certainly have been much greater.

It is difficult to gauge what impact, if any, functionalization has had on the outcome of the annual campaign. Except for one year, the annual campaign has not experienced growth over the previous years' totals. This is no doubt attributable to the changing socio-economic environment of the community, rather than to functionalization. What is clear is that there is a greater awareness, especially by leadership, of the central role that the Y and JFS services provide for the community. Hence, the previous "Us versus Them" mentality has been slowly receding and is being replaced by a greater sense of unity.

Now that we have over three years of experience with functionalization, we can appreciate the fact that the number three assumes special significance in Jewish thought. It conveys the idea of completeness, having a beginning, middle, and an end. It has the status of *hazaka*—a sort of permanent, lasting strength.

In addition to the cost savings, we have also achieved a revitalized human compo-

ment; a reenergized feeling permeates our work. Perhaps the most telling indicator of this reenergized feeling is the renewed commitment from a number of veteran leaders who have spearheaded a capital campaign on behalf of the Y to modernize its facility and adjacent camp site. This effort, which has commitments of over \$600,000, has already created a new sense of hope for the future of the community and its central home.

Although there are always going to be periods of ups and downs, and the challenges we face often seem overwhelming, an increased feeling of optimism is now emanating from our activities. Above all, our volunteers and staff have recognized the need for change. In Greater Clifton-Passaic, we have realized that by using the tool of functionalization effectively we could meet both economic and social change in a positive and creative fashion.

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