



Consolidating the Springboard and Leaping 2008-2010 Development Plan

Shevat 5768
February 2008

Dear Supporters and Friends,

The Reut Institute is pleased to present its 2008 Development Plan for 2008-2010. This plan will continue to further the framework and organizing logic of our 2007 Development Plan, which has been 'Consolidating the Springboard and Leaping'.

2007 has been a year of tremendous progress. The 'Israel 15 Vision', which calls for Israel to become one of the fifteen most developed nations, has seen outstanding advancements. In the area of national security our work remained cutting edge and timely, particularly in regard to the Palestinian challenge. At the end of 2007 the Reut Institute is roughly fifty percent larger in comparison to 2006 and a significantly more robust and agile institution.

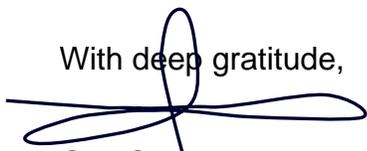
At the beginning of our fifth year of operation, Reut has 23 full-time employees, an expected \$2.1 million budget and four policy teams focusing on national security and development. Although our vision, mission, basic strategy and unique value proposition remain solid, we are permanently seeking new ways to be more effective and efficient.

Our objectives for the 2008-2010 are ambitious yet achievable. They are:

- To make tangible contributions to Israel's prosperity and national security and to promote the 'ISRAEL 15 Vision';
- To be an effective and significant agent of change helping the State of Israel effectively identify and deal with strategic surprises and opportunities;
- To be the primary out-of-government provider of premium strategic decision-support services to Israeli decision-makers in the areas of our operation;
- To apply our unique model to new areas of the Israeli and Jewish public sphere by launching at least 3 additional policy teams;
- To become a model that will be emulated by government agencies;
- To be Israel's top school for strategy and leadership training our staff for a life-long contribution on strategic matters in the Jewish and Israeli public spheres;
- To finalize the process of transition into an institution.

The Reut Institute is ready, trained, equipped and motivated to become a leading agent of change in Israel. Offering our services pro-bono, we remain dependent on your friendship, support and generosity. As always, we look forward to your feedback.

With deep gratitude,



Gidi Grinstein
Founder and President

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SCOPE

This document presents the 2008 Development Plan of the Reut Institute for 2008-2010 (hereinafter '2008 Development Plan'). It focuses on the major concepts and efforts that are shaping the future of the Reut Institute and consuming most of the attention, energy and resources of its team.

This document does *not* offer detailed discussion of important issues such as content, impact strategies, budget and finances, categories of decision-support services, human capital or our training program for strategy and leadership. These issues are discussed in greater detail in the following two documents:

- **2007 Annual Report**, which covers the major organizational and substantive developments of the Reut Institute in 2007. It highlights the key issues that our policy teams focused on and offers an overview of our performance.
- **2008 Work Plan**, which discusses in greater detail our plans for 2008 in the areas of substance, government relations, organizational development and strategies of impact.

VISION

The vision that drives the Reut Institute is one of a State of Israel whose existence is secured and citizens are safe; a prosperous state that is a leading nation in terms of its quality of life; a state that is Jewish in character and make up, offering a qualitative Jewish experience that is distinctly Israeli at the heart of the Jewish world; a democratic state, which embraces universal humanistic values and aspires to create a society that sets an example for the family of nations. This is our 21st Century Zionism and vision.

MISSION

The mission of the Reut Institute is to sustain significant and substantive impact on the security and well-being of the State of Israel and the Jewish people and to leave an indelibly Israeli and Jewish imprint on the future of the world. In other words, the Reut Institute seeks to become an agent of change promoting relevant, effective and efficient policies in the service of its vision.

STRATEGY

Our strategy for serving our mission has three pillars:

- **To become a 'primary address' for decision-support in the State of Israel.** The Reut Institute aims to become the 'go-to-place' for the Government of Israel and its agencies when they deal with strategic challenges and to provide premium services helping decision-makers incorporate long-term considerations into their on-going decisions and actions on a real time basis.
- **To serve as a model for the design of strategy** that is based on the cutting edge package of theory, methodology and software tools of Praxis (www.praxis.co.il). The Reut Institute hopes to be emulated by government agencies, hence enhancing their capacity to take better decisions.
- **To make a lasting impact by recruiting and training a cadre of Israel's future strategic thinkers.** The Reut Institute hires individuals that are committed to life-long service in the Jewish and Israeli public spheres and offers them Israel's premier training program for strategy and leadership.

UNIQUE ADDED VALUE

The Reut Institute focuses on its unique value proposition to the Israeli and Jewish public spheres, which stems from the following:

- **We identify strategic surprises and opportunities** – The Reut Institute focuses on the fundamental level of policy – its premises. Reut specializes in highlighting working assumptions and checking their relevance to uncover potential strategic surprises and opportunities;
- **We ask questions in order to leverage already existing resources** – The Reut Institute provides decision-support services, which focus on *how* to think and not on *what* to think or do; We focus attention on issues that had been ignored and aim to turn them into the subject of detailed research by government, academia and other think tanks;

WHAT IS AN 'INSTITUTION'?

The Reut Institute was established in January 2004 with the aim of becoming an *institution*, which will be Israel's leading policy group and an effective agent of change in the service of its vision.

The idea of becoming an 'institution' has been central for the Reut Institute. It means maturing into an organization that has the capacity, agility and resilience to serve its mission effectively and efficiently transcending any specific context over a long period of time without dependency on any single individual that is part of its community.

THE KEY EFFORTS OF REUT'S INSTITUTION BUILDING

The process of becoming an *institution* has been going on since the summer of 2006 and is expected to materialize during the timeframe of the 2008 Development Plan, i.e. by 2010. It has focused on anchoring Reut's vision, mission and values; making its Board of Directors more robust and formalizing the principles of its relationship with the CEO and the management team; de-personifying its functions and systematically handing over responsibilities from Gidi Grinstein in his capacity as the Founder and CEO to the management team. Overall, this process will have included five major efforts as follows:

- **A New Charter**, which enshrines the vision, mission and values of the founders of the Reut Institute, was completed in November 2006 and formalized as one of the official founding documents of the organization;
- **Amended Bylaws** have been submitted to the Comptroller of Nonprofits for ratification. The new bylaws consolidate the mechanisms of management and oversight of the Reut Institute by the Board of Directors, the CEO and the management team. This process is expected to materialize in 2008;
- **Three-year development plans** have been instituted. They are not only a critically important management tool but also provide for smooth transitions from one management team to another;
- **Transcending the founder** – The Reut Institute has undertaken a systematic effort of documenting its key processes of management and development and handing over responsibilities from the Founder and CEO, Gidi Grinstein, to the management team. This process has been completed in the areas of human resources and operations and is underway in the areas of government relations and knowledge creation. Development remains heavily dependent on our CEO.
- **Achieving Operational Integrity of the policy teams** has been central to this effort. Our aim is that each policy team would have the capacity to *independently* identify its focus areas, create new and relevant knowledge, engage decision-makers and provide them with premium pro-bono decision-support services. This effort is expected to be completed by the summer of 2008;
- **A new CEO** – The Board of Directors of the Reut Institute aims to begin a search for a new CEO in the spring of 2008 with the intention of handing over CEO responsibilities in the summer of 2009. Our Founder, Gidi Grinstein, will then transition to becoming Chairman of the Board.

CONSOLIDATING THE SPRINGBOARD AND LEAPING

In the first three years of its operation – from 2004 to 2006 – the Reut Institute grew very quickly, roughly doubling its budget and size *each year*. However, this growth was *not* sustainable primarily because it was heavily dependent on the Founder and CEO in most key areas such as operation and financials, government relations, knowledge creation, fundraising and human capital. In fact, without a profound organizational transformation the Reut Institute was destined to hit a glass ceiling and was extremely vulnerable to Gidi Grinstein's departure or absence.

Against this backdrop, in the summer and fall of 2006 we made the decision to lay the foundations for becoming an institution, which will be able to grow steadily and quickly thereafter.

As mentioned above, we defined an 'institution' as an organization that has the capacity, agility and resilience to serve its mission effectively and efficiently transcending any specific context, over a long period of time and without dependency on any single individual within its community.

In more practical terms, our objective was to prepare the Reut Institute for adding *at least one* additional team and focus area each year (each new team comprising of four analysts and support staff) *while* enhancing institutional resilience and *without* compromising the performance of the rest of the organization.

Hence, the 2007 Development Plan (for the years 2007-2009) was framed as and titled: 'Consolidating the Springboard and Leaping'. Its underlying idea was to devote 2007 to making the foundations of the organization both robust and scalable (hence, 'Consolidating the Springboard...') in order to allow for steady and quick growth as of 2008 (hence, '...Leaping'). Part and parcel of this process has been the objective of promoting the Reut Institute's maturity into an institution.



Gidi Grinstein, Ms. Raia Strauss, Professor Ricardo Hausmann at the ISRAEL15 Business Sector Event, January 2008

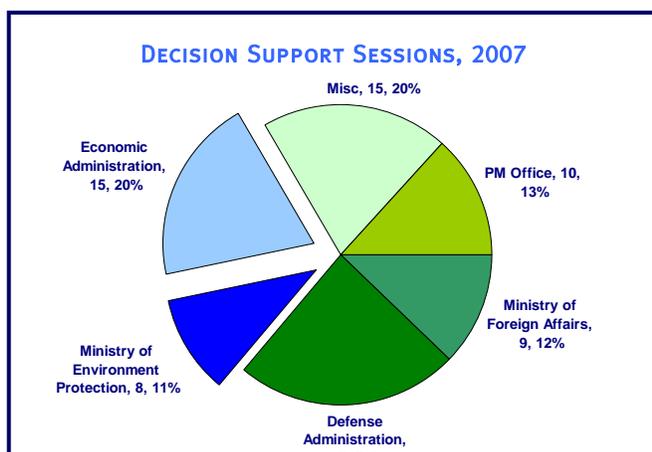


Professor Hausman, Ministry of Finance
Director General Ariav and Gidi Grinstein.
Public Sector ISRAEL15 Workshop

2007 END OF YEAR STATUS (HIGHLIGHTS)

- **Effect: becoming an agent of change:** In 2007, Reut had a number of distinct successes of significant and substantive impact based on our unique value proposition in the areas of national security, specifically in relations to the Israeli-Palestinian political process, as well as in the context of the ISRAEL 15 Vision. In the fall, Reut overhauled its impact team expecting to see results in 2008.
- **Improving decision-support services:** In 2007 Reut provided 75 policy briefings and support sessions, which represent a 20% increase from 2006. We have dramatically improved our decision-support services and focused our organization on providing superior distinct value to decision-makers.
- **ISRAEL 15: From concept to operation** – In 2007, the resources dedicated to the 'ISRAEL 15 Vision' doubled in size and improved in capacity. Our first team, launched in September 2006, has matured methodologically and substantively. In December 2007 we launched a second team focusing on educating decision-makers on the importance of aligning the structure of their agencies for the challenge of leapfrogging.

The first project of the Israel 15 teams was launched in May 2007 focused on enhancing Israel's competitive mindset working primarily with the Ministry of Finance. It was followed by many projects since. A highlight has been the visit of Prof. Ricardo Hausmann to Israel in January 2008, which was prepared in the fall of 2007.

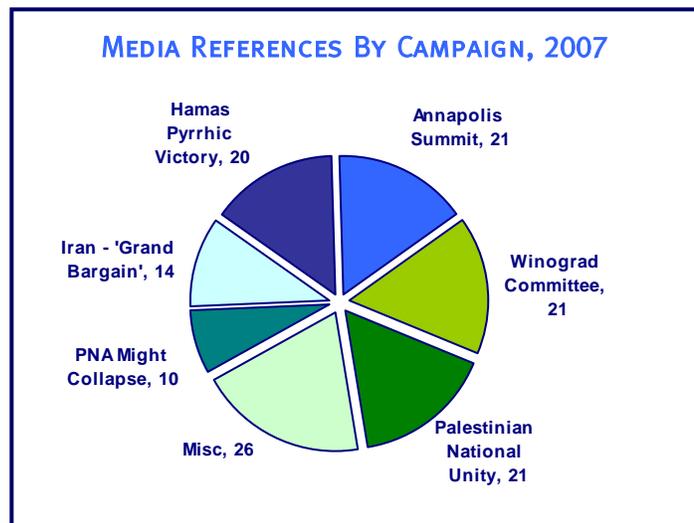


- **Human Capital:** Five analysts joined our team in 2007. Our training program had been consolidated and a strong feed-back mechanism has been introduced. In addition, Reut received a \$160,000 annual pledge from the Schustermann Foundation and AFRI received a \$100,000 annual pledge from the Chais Family Foundation to help Reut execute its training program.
- **Impact and Media:** Our 2006 media exposure (176 in local and international media) set a high bar, primarily because of the war in Lebanon. Nevertheless, in 2007 our media profile continued to mature. Over 130 references in major media outlets recognized our work, including Thomas Friedman's assessment of Reut as "Israel's premier strategy policy group" (March 30th, *New York Times*).
- **Financials:** Reut's budget grew by nearly 50% (from \$920k in 2006 to ~\$1.3k). In addition, we have met the benchmark set by our 2007 Development Plan of having 35% of our 08 budget (\$2.1m) pledged by December 2007.
- **Institution building: New Charter and amended Bylaws:** In 2007, Reut approved its new Charter and revised its Bylaws. We have also expanded our Board of Directors.

2007 Vs. 2008 DEVELOPMENT PLANS

At the end of 2007, in spite of significant progress that had been made towards achieving the goal of "Consolidating the Springboard", we recognize that several additional steps are needed. Hence, we decided to dedicate the first half of 2008 to completing this process in order to allow for growth to begin as of the second half of 2008. The key areas that require further effort are (for a detailed summary see Annex A):

- **Human capital** – In 2007, we have successfully institutionalized our recruitment process, training program and feedback mechanism. To finalize this process, in 2008 we will upgrade the training program of our team leaders.
- **Knowledge-creation** – The knowledge-creation methodology has been fully embedded in all our policy teams, while the service package requires further work.
- **Operation** - All responsibilities of operation have been systematically handed over to the management team.
- **Becoming an institution** - We have formulated and ratified our Charter; we have amended our Bylaws, which are awaiting ratification by the Comptroller of Nonprofits; a 3-year development plan has been in place since 2007. In 2008, we will ratify the amended Bylaws, further expand the Board of Directors, establish an 'Advisory Board', and recruit a new CEO.
- **Impact** – The impact team of the Reut Institute has been overhauled, expanded and upgraded in order to generate more effective interventions of fundamental impact.
- **Development** – As mentioned, in 2007, the Reut Institute grew by 50% compared to 2006. Our objectives have been and remain, to decrease the dependency of the Reut Institute on the CEO and to raise more resources in and from Israel. Hence, in 2007, we established and trained a fundraising team. However, our CEO still carries most of the burden of our development.



In conclusion, finalizing the process of 'Consolidating the Springboard' requires the following efforts: ensuring 'operational integrity' in all policy teams; transferring fundraising responsibilities from our CEO to the development team; further institution-building and specifically expanding the board, establishing an Advisory Board and recruiting a new CEO.

The highlights of our 2008 Development Plan are as follows (see Annex B for details):

EFFECTS

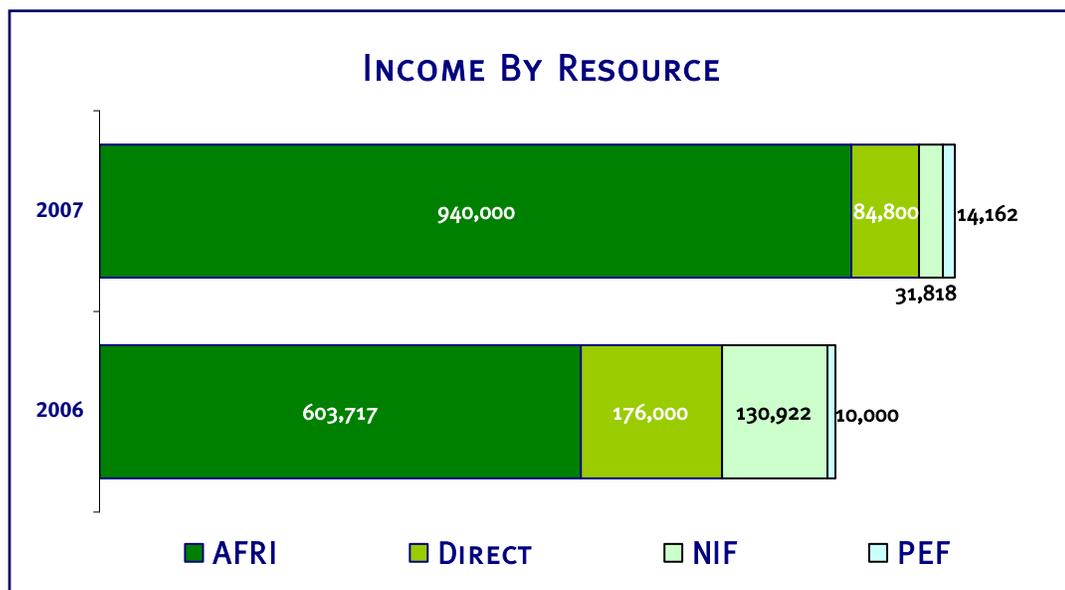
- **Significant and substantial contribution to the Israel 15 Vision** – By 2010 the Reut Institute intends to have made a significant and substantial contribution to the alignment of Israel towards the challenge of leaping its socioeconomic performance into the fifteen most developed nations.
- **Effective agent of change; Significant and substantive impact on multiple government agencies** – By 2010, the Reut Institute intends to have been able to make multiple interventions of significant and substantive impact in the areas of national security and socioeconomic development coming from its unique value proposition focusing on strategic surprises and opportunities.
- **Premium decision-support services** – The Reut Institute intends to deliver the most relevant, effective and efficient decision-support package to Israeli decision-makers and to be recognized as such.
- **A model to be emulated** – By 2010, the Reut Institute intends to have been recognized as a cutting edge model for strategic thinking ‘best practice’ and to have been emulated by at least one government agency.
- **3-5 placements of Reut veterans in key places in the public sphere** – By 2010, Reut would like to be able to point to 3-5 of its staff that have successfully transitioned to key positions in the Israeli or Jewish public sphere and perform roles where their capacity for strategy and leadership is relevant and valuable.

OUTPUTS

- **Top quality analysis, decision-support services and products** – Reut will continue to improve the quality of its products and services adhering to the highest professional standards.
- **Israel's leading training program for strategy and leadership** – Reut intends for its training program to be Israel's premier in the areas of strategy and leadership and to be recognized as such.
- **Annual 'ISRAEL 15' Conference** – Reut will hold an annual ISRAEL 15 Conference focusing on the challenge of the leapfrogging Israel's socioeconomic performance.
- **Annual Quality of Life Report** – Reut will publish an annual report on Israel's quality of life and competitiveness.
- **Reut website will be a ‘primary resource’ and considered a ‘primary address’** – Reut will continue to develop its website to serve as a primary resource for leaders and decision-makers. By 2010 we plan for our website to be recognized as the primary internet address on Israel's strategic agenda.

INPUTS

- **Policy teams with 'operational integrity':** By the summer of 2008, all Reut policy teams should be able to meet the benchmark of 'operational integrity' i.e. to independently identify strategic surprises or opportunities, create new knowledge and orchestrate effective interventions of significant and substantive impact while providing premium decision-support services.
- **Growth: at least one additional focus area and policy team each year:** This objective requires adding a minimum of 5-6 new members to our staff each year, which mandates recruiting and training 10-12 analysts annually. Hence, Reut intends to have at least six policy teams by 2010. Our staff is expected to grow from 26 in 2008 to 40 by 2010.
- **Budgetary resilience:** Reut's budget for 2008-10 is appreciated at 2.1 million



USD in 2008, 2.5 million USD in 2009 and \$3.0 million in 2010. In this context:

- We have set **tangible objectives to assess our budgetary resilience**. Our objective is to have 50% of our budget pledged before the beginning of the year and 30% of our resources to come from Israelis or from Israel. In addition, we plan to raise 20% of our budget from foundations.
- We have built our **2008 budget based on a realistic assessment of our fundraising capacities** i.e. on already existing pledges, an appreciation of recurring gifts and a modest 20% growth in pledges.
- **Institution-building:** By 2010 the Reut Institute expects to have completed its institution-building i.e. to expand and strengthen the Board of Directors; to establish an 'Advisory Board' and to recruit a new CEO.

The work plan of the Reut Institute for 2008 consists of the following:

- **4 policy teams with operational integrity; preparing for a 5th** – In 2008, Reut intends to consolidate its four policy teams and ensure their operational integrity, as well as to prepare for the launching of the fifth team.
- **5-6 new staff** – In 2008, Reut plans on recruiting 12 new people in order to grow its team by 5-6 analysts and to prepare for the launching of an additional policy team in January 2009.
- **Human Capital: focus on the team leaders** – In 2008, Reut intends to focus on strengthening its team leaders to lead knowledge-creation processes, provide premium decision-support services, generate impact and mentor junior analysts.
- **Institution-building: Stronger Board of Directors, new Advisory Board and a new CEO** – In 2008, we plan to complete the expansion of our Board of Directors, establish an 'advisory board' of senior people to help Reut in content, government relations, development and impact and to recruit a new CEO.
- **ISRAEL 15 PROJECTS** – In 2008, Reut plans on holding three high-profile events:
 - **Workshops with Prof. Ricardo Hausmann** (*held in January 2008*) – Reut hosted Prof. Hausmann, one of the world's leading economists who researches why some countries are poor while others are rich. Prof. Hausmann had a series of workshops and meetings with decision-makers, media, academia and business leaders.
 - **Annual ISRAEL 15 Conference** – In June 2008, Reut plans on holding its first annual Conference on the ISRAEL 15 Vision featuring Thomas Friedman as the key-note speaker.
 - **Israel's annual Quality of Life and Competitiveness Report** – Reut will publish Israel's first annual Quality of Life and Competitiveness Report.
- **Upgrading our website as a 'primary resource'** – In 2008, Reut will continue to upgrade its cutting-edge website in order to serve as a primary resource for leaders, decision-makers and media, and become a unique platform for engaging researchers and experts in the service of Israel.
- **Fundraising** – Reut expects to raise an estimated \$2.1 million during 2008 (compared to ~\$1.3 in 2007). Our objective is that 30% of the funds that we receive will come from Israel or from Israelis. In addition, Reut will continue to develop the independent capacity of its fundraising team, as well as focus attention and resources on raising funds in Israel and from foundations.
- **Priorities** – Reut is aware of the extent to which our development plan is ambitious. Its timely implementation is dependent on our capacity to raise the necessary resources, \$2.1 million in total, on time.

Hence, Reut has identified its priorities for possible cutbacks in the sum of \$260,000 in case its fundraising objectives are not met. These priorities will be adjusted according to expenditures and the funds that will be raised.

The 2008 Development Plan serves as a framework for our development and growth. By 2010 we plan to have made significant and substantial contribution to the ISRAEL 15 Vision; to have been an effective agent of change having made significant and substantive impact on multiple government agencies; to have delivered premium decision-support services to Israeli decision-makers.

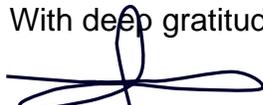
Furthermore, Reut is committed to becoming a cutting edge model for strategic thinking 'best practice' and, most importantly, to helping members of its staff to successfully transition to key positions in the Israeli or Jewish public spheres.

In order to achieve these objectives, Reut intends to become a full-fledged institution and Israel's leading out-of-government policy-group and provider of decision-support services. In addition, we will become Israel's premier school for training future strategic thinkers.

It is our hope that this document has presented you with all the information you need in order to evaluate the effectiveness of your support for us. We look forward to providing any additional information. As always, we welcome your observations and comments.

As we will continue to provide our decision-support services free of charge, we remain dependent on your generosity and friendship. We hope that we have made you proud of your contribution to the Reut Institute and inspired you to continue your partnership with us in the service of our vision and mission.

With deep gratitude,



Gidi Grinstein
Founder and President

'CONSOLIDATION OF THE SPRINGBOARD' PROGRESS AND OUTSTANDING ISSUES

Area	Requirement for Consolidating the Springboard	Status (12/07)	Further Steps in 2008
Human Capital	Institutionalization of recruitment, training and feedback mechanism.	Institutionalized: recruitment process, training program, feedback mechanism.	Training program on project management and team leadership Introduction of a training module based on Jewish sources.
Knowledge Creation	Policy teams that have 'operational integrity' i.e. can execute the knowledge-creation process, provide a full package of services and implement training program.	In all four teams: The knowledge-creation methodology has been fully embedded. Service package partially embedded. Two teams still do not have operational integrity.	Full embedding of service package. Operational Integrity in all teams.
Management	Become an 'institution'	New Charter ratified; New Bylaws awaiting ratification by the Comptroller of Nonprofits; 3-Year Development Plans in place;	Ratify new Bylaws; Expand Board of Directors; Establish 'Advisory Board'; Start recruiting new CEO
Impact	Increase number of success stories of fundamental impact	Consolidation of impact and communication team including: director of communications, strategic consultancy team.	Maturation of impact communications team
Fundraising	Effective fundraising operation that is <i>not</i> dependent on CEO	Fundraising team established and trained CEO still raises most of the funds in and from the USA.	Raise more money in and from Israel; Raise more money not through the CEO primarily from foundations.

2007 vs. 2008 DEVELOPMENT PLANS

Category	2008-2010 Development Plan			2007 vs. 2008 Development Plans	Comments
	2008	2009	2010		
Policy Teams					
Total	5	6	7	Increase by one policy team per year + benchmark reframed from 'primary resource' (in 07') to 'operational integrity'	Focus areas change and are determined with the view of providing Reut's unique value proposition.
'Operational Integrity'	4	5	6		
Staff (Annual Average)	26	33	40	These numbers indicate a reduction by roughly 5 analysts <i>per year</i> in comparison to 2007 Plan.	Reduction in recruitment goals is due to understanding that extra year is needed for consolidation before scaling is possible.
Budget	\$2.1m	\$2.5m	\$3.0	Budget is smaller based on more modest recruitment goals.	Budget is appreciated at twice the expected cost of human capital.
Funds pledged by Jan 1st	35%	50%	50%	Same	This parameter is considered key to our budgetary resilience.
Funds raised in / from Israel	30%	30%	30%	Same	This parameter is considered key to our budgetary resilience.
Institution building	Expand Board; establish 'Advisory Board', recruit new CEO	Begin operation of new CEO	Process of Transition to an institution finalized	Delayed by 1 year due to additional time needed for consolidation of springboard.	