
ASSOCIATED BAPTIST PRESS

April 15, 2008

(8-40)

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Texas Baptist board report recommends budget cuts

DALLAS (ABP) -- According to a Baptist General Convention of Texas report, the group's anticipated 2008 income falls \$5.3 million short of budget, requiring cutbacks in spending and staffing for the second time in as many years. The report calls on the Executive Board to provide greater financial oversight -- particularly regarding the convention's use of investment assets, which have dropped about \$27 million in seven years.

"The BGCT has come to this point because we sought to sustain and even expand our ministry during a time of financial challenge. The desire to promote kingdom work exceeded the level of financial resources available at a prudent level," said the report, compiled by board members Fred Roach and Elizabeth Hanna. "In the newly reorganized board, it became evident that the process review and oversight of the budget and financial condition of the convention was inadequate." The 2008 budget anticipated "higher levels of income than can reasonably be expected," the report said.

In response to the anticipated budget shortfall, six convention positions have been eliminated in a cost-cutting measure. BGCT leaders also expect additional staff cuts in response to the report. However, they do not promise to be comparable to a large round of layoffs in 2007.

Roach served as chair of the BGCT Executive Board's ad hoc subcommittee for review of investment spending and is chair of its finance subcommittee. Hanna is chair of the board's administration support committee.

The budget called for an approximately 8.5 percent increase in Texas Cooperative Program giving -- about \$3.4 million. Through March 31, actual receipts are running at just below 95 percent of budget and at 94 percent compared to last year's giving. "On the investment side, the BGCT projected use of about \$6.8 million, which is \$1.9 million beyond the level recommended by the Baptist Foundation of Texas for 2008," the report states.

In response to the anticipated shortfall, staff will cut spending to 90 percent of budget. Full details of the necessary cuts have yet to be determined, BGCT Executive Director Randel Everett said. The convention staff's leadership council, is in the process of deciding which specific budget items to reduce.

The Baptist Building already has shut down its outbound calling effort effective March 31, according to Gus Reyes, director of the BGCT congregational relationships team. Six BGCT Service Center positions were cut. Of those six, one employee left the BGCT for another ministry, two employees were reassigned and three were transferred to fill vacant positions.

Some other positions will need to be eliminated in order to reach the 90 percent budget level, Everett said, but not on the scale of the 2007 layoffs. "It is always difficult when any person loses his or her job, and the leadership council is committed to a minimum reduction of personnel while at the same time identifying and sustaining the priorities of the BGCT -- especially the programs that relate directly to the support of the churches," he said.

The report by Roach and Hannah notes a combination of factors contributing to the anticipated shortfall -- decreased Cooperative Program giving, a general economic downturn and a decline in investment assets. In part, the report attributes the drop in BGCT investment assets -- close to \$27 million in seven years, despite overall market growth during much of that period -- to unusually high use of those funds. "In the six years prior to 2006, the BGCT had expenditures that averaged 7.1 percent on its investment assets, while investment earnings for this period averaged 2.6 percent," the report states. "In the past two years, the average rate of expenditures was 13.4 percent (15.5 percent in 2006 and 11.2 percent in 2007), while investment income for the two years averaged 11.8 percent.

"The change in investment assets from Jan. 1, 2001, to Dec. 31, 2007, which was \$27 million, means that we will receive less income in the future on these decreased assets. If investment assets were still at the 2001 level and if the 12.5 percent rate of return experienced in the past five years continued into the future, then there would be \$3.4 million more available every year for use in BGCT missions and ministries. In other words, such a drawdown of assets negatively impacts our future by millions of dollars per year.

"It should be noted that these expenditure levels were pursued with the best intent of sustaining important ministries to and on behalf of Texas Baptist churches. There was a genuine hope that [budget] giving would rebound in order to continue these efforts. That hope, however, has not been realized, at least not to the level that would be required."

The report also notes that in 2007 the Texas Legislature adopted new regulations regarding the prudent management of institutional funds. "In short, the new regulations recognize that organizations go through periods of economic upswing

and downturn. They set forth that to expend more than 7 percent of investment assets in any given year would be imprudent. This should be the benchmark by which the BGCT operates in the future,” the report states.

The Baptist Foundation of Texas, which manages the majority of BGCT investment funds, has recommended a regular distribution of about 5 percent of assets per year, the report says. Taking both the state regulations and foundation guidelines into consideration, “the BGCT should generally be expending between 5 percent and 7 percent of its investment assets during any given year,” report concludes.

Churches often borrow from business world

(ABP) -- Churches can learn from the business -- for better or for worse. Some best practices in the corporate world translate well to the nonprofit sector, including churches, experts insist. And at the same time, churches can benefit by looking at some lessons failed businesses learned the hard way. Baptists with expertise in both business and congregational life note several areas where churches can discover lessons worth learning:

-- Core values and mission: “Start with a core set of values -- an irreducible minimum of non-negotiable basics,” said Chris Stull, executive pastor at First Baptist Church in McKinney, Texas. “For churches, those core values are always biblical, and they are always straight from the heart of God.”

Stull, who earned a master of business administration degree from the University of Oklahoma, believes the business world has “helped churches get their arms around” the importance of using core values to determine mission and strategy. Mitchell Neubert, who holds the Chavanne Chair of Christian ethics in business at Baylor University’s Hankamer School of Business, agreed; for-profit businesses have learned the importance of understanding their mission clearly, and churches should embrace that principle. “That’s a critical idea that goes to the matter of core identity,” he said. “From its mission, the business or church makes decisions about where it invests its resources.”

A growing number of churches -- particularly congregations that have adopted the purpose-driven model espoused by author Rick Warren -- recognize the importance of being able to state their mission clearly, he noted.

The process of defining values and developing a mission statement can be a learning experience for congregations. Phill Martin, deputy chief executive officer of the National Association of Church Business Administration, noted churches benefit from the dialogue surrounding the adoption of a shared vision and by asking missional questions. “The hard part is deciding what are the things that we could do well as a congregation but that we shouldn’t do because they are not central to our mission,” he said. “Saying ‘yes’ to some things also means saying ‘no’ to other things. The mission can become derailed if the church tries to do everything and goes off in every direction.”

-- Goals: A growing number of congregations recognize the value in adopting a statement of mission or vision. But many struggle with taking the next step in the business model -- adopting measurable goals related to that mission, said Neubert, who has been part of Evangelical Free Church and Baptist General Conference congregations in the past and currently attends Highland Baptist Church in Waco, Texas.

Granted, some of a church’s goals -- particularly related to the spiritual growth of its members -- may be difficult or even inappropriate to quantify, but he insists the discussion generated by setting goals can be beneficial in itself.

Neubert recommends churches regularly engage in these kinds of discussions, paying particular attention to how the Holy Spirit seems to be leading in affirming what is important or essential. “People find it easier to direct their attention toward goals. It’s a mechanism to motivate and to measure how far we’ve progressed,” Neubert said. He suggested that churches and nonprofit organizations can develop quantifiable goals by adapting the balanced-scorecard approach -- a strategic-planning and management system developed by Robert Kaplan of Harvard Business School and consultant David Norton -- to their mission.

The balanced-scoreboard approach challenges business leaders to look at their organizations from four perspectives: learning and growth, internal processes, the customer’s viewpoint and financial health.

Neubert, who has consulted with nonprofits and worked five years as a ministry director with Campus Crusade for Christ, believes the system can be successfully adapted to a church or other religious nonprofit. For example, spiritual vitality may be one component, measured at least in part by the number of people involved in programs at the church, in missions projects and in community ministries, he noted.

Churches also can learn from business how to develop effective strategies to meet their goals, Martin added. A growing number of churches are mirroring a trend in business away from long-range plans to shorter “seasons of decisions,” he noted. “You don’t see many businesses with a 20-year strategy that are not radically evaluating their strategy every two or three years,” he said. “It’s OK to have a dream of what you want to see over 10 years, but a two-year or three-year strategy for a church seems more realistic.”

-- Accountability and integrity: “One of the issues that’s at the forefront right now is transparency in accounting and governance,” Martin said. Whether it’s corporate scandals like Enron, financial collapse like the subprime-mortgage crisis or governmental investigations, such as Iowa Sen. Charles Grassley’s probe of several televangelists’ ministries to see if they are complying with tax laws, the demand for accountability grows ever higher, Martin noted. “Churches are learning there is a high level of expectation that churches will be honest with their supporters -- with their shareholders, to put it in business terms,” he said.

When it comes to financial management, churches should not shy away from the same kinds of discussions that happen regularly in business -- topics such as costs versus benefits and return on investment, Stull said. “Long-term, a church should not presume upon tomorrow,” he said, particularly when it comes to taking on inordinate amounts of debt. Bob Bass, a retired general contractor and layman at Bon Air Baptist Church in Richmond, Va., believes churches benefit from many of the same basic financial practices that guide successful businesses.

“One of the most basic is to keep costs and expenses within income,” said Bass, who has been involved with his local association of churches and the Baptist General Association of Virginia. “Our churches need to be honest about income expectations,” he said, noting the danger of church leaders sometimes interpreting prudent financial practices as lack of faith. When churches encounter financial difficulties, they need to “work both sides of the problem,” finding ways to increase income and reduce costs, he noted.

Considering another aspect of integrity, Bass counseled churches to avoid promising more than they can fulfill. “I see businesses that create artificial expectations in their advertisements, trying to dupe people into doing things they shouldn’t do,” he noted. “Churches should be honest, faithful and not make unsubstantiated claims.”

-- Structure: Churches should follow the common business practice of developing written policies and procedures -- but without becoming slaves to them, said Dennis Lambert, administrator at First Baptist Church in Washington, D.C. In previous careers, Lambert has served as chief of staff to members of Congress and has worked in city management. He believes organizational structure, clearly defined expectations and explicit policies and procedures provide a vital framework for churches. “Flexibility is a wonderful quality, but it’s only positive if you have organization in place. Otherwise, flexibility only leads to chaos,” he said.

-- Motivation: Churches can learn from business how to motivate workers, paid or volunteer, Neubert observed. Obviously, business holds an advantage over churches in one respect. For-profits can entice workers to work harder by offering more money, and they can fire workers who don’t meet expectations.

But, Neubert insists, external motivators -- tangible rewards and threat of punishment -- generally just generate short-term results. “In business, we are finding some of the best long-term results come from intrinsic motivation,” he said. “That includes giving people a sense of ownership, the opportunity to be creative and the chance to do tasks they find more interesting, challenging and exciting.”

Of all places, he noted, churches should excel at offering intrinsic motivation -- giving people an opportunity to do meaningful work that fits their spiritual gifts and God-given talents. “As Christians, we recognize God has gifted people for different types of ministry. The challenge for leaders is to figure out where people fit,” he said.

-- Key differences: For all that can be learned from business, Martin advises congregations to remember fundamental differences exist between the for-profit sector and churches. “Business is about making money. It’s about producing products or providing services,” he said. “For churches, ministry is the bottom line.... Ultimately, you can’t measure a church by the sum total of its assets.”

Craig Harwood, a human-resources director with Coca-Cola, leadership consultant and former bivocational pastor in New York, stressed the importance of context. Some of the biggest “train wrecks” in congregational life occur when well-meaning lay leaders try to “help” the church by imposing business practices that do not fit the character and context of a specific congregation, said Harwood, a member of Roswell Street Baptist Church in Marietta, Ga. Even valid business principles may be rejected if they are not translated into terms acceptable to a congregation, he added.

“There can be a backlash against applying business language in churches,” he said. Some members may see discussion of marketing or performance evaluation as too secular or as compromise with the world. “Every principle needs to pass through the filter of Scripture,” he advised.

Neubert agreed that not all business practices can -- or should -- be transplanted into church life. For instance, although he believes in the importance of setting goals, he added churches should guard against viewing the achievement of goals as their ultimate measure of success. “In God’s economy, faithfulness is more important than results,” he said.

Best church, business leaders have some similar qualities

(ABP) -- The same leadership skills that make many of the best business leaders successful also can enable church leaders to fulfill their potential, some Christian business experts note. “In both worlds, ... leaders go first. Leaders set the culture,” said Craig Howard, a human-resources executive with Coca-Cola and former bivocational pastor. Whether in the corporate world or in congregational life, the facilitative leadership model brings out the best in other people, said Howard, a layman at Roswell Street Baptist Church in Marietta, Ga., who has worked as a leadership consultant with churches and associations of churches.

“Facilitative leaders establish strategic direction and then let go of control of the vision,” Howard said. “It takes team-building skills and the ability to articulate a vision.” A facilitative leader must be “comfortable enough in his leadership skin that he can let go of control,” he said.

When church workers -- paid or volunteer -- fail to find a good “fit” and end up performing below expectations, Christian leaders have the responsibility to model a redemptive leadership style that seeks the best for all parties involved, said Mitchell Neubert, who holds the Chavanne Chair of Christian ethics in business at Baylor University’s Hankamer School of Business. “Clarity grows from two-way discussions where both parties come to know what is expected,” he said. “Grace allows for growth and learning, and it means seeing if, over time, the fit improves. But if it doesn’t, then through loving, constructive dialogue, the leader may come to the point of saying, ‘We both realize this is not a good fit, but we want to support you in trying to find a different position, either here or somewhere else.’”

Neubert believes true servant leaders possess great strength of character. “It takes a stronger constitution to be a servant leader than it does to give people orders,” he said. While some iron-fisted CEOs who followed the hierarchical top-down style of management certainly have succeeded, Neubert believes a growing number of business leaders are beginning to recognize the value in the servant-leadership model.

For example, in *Good to Great*, Jim Collins identifies what he calls a “level-5 leader” as crediting other people for their success and possessing enough self-confidence so they can focus on helping other people in the organization

succeed, he noted. "It's not the charismatic leader who says, 'I have a great vision; follow me.' Rather, it's the strong servant leader who says, 'We have a great mission,'" Neubert said. "The servant leader focuses on developing others and demonstrates a concern for other people's growth."

The best church leaders operate within the sphere of grace, faith and a surrendered life that does not seek to grasp power, said Chris Stull, executive pastor at First Baptist Church in McKinney, Texas. "If grace is one of our core values, then leaders will give people a second chance -- and maybe sometimes a third chance -- to succeed," Stull said. "The leader's role is to teach, guide and attempt to restore." Business should be able to look to the church for models of successful leadership, said Stull, who holds a master of business administration degree from the University of Oklahoma. "The best leaders ought to be at church because we have the benefit of biblical principles and the Holy Spirit guiding us," he said. "The church should offer the greatest models of leadership."

Missouri convention to appeal ruling in suit against agency

JEFFERSON CITY, Mo. (ABP) -- The Missouri Baptist Convention has filed notice that it will appeal a judge's ruling in its case against a formerly affiliated institution. In a related ruling, Cole County Circuit Court Judge Richard Callahan on April 14 granted a stay in MBC litigation against four other entities until the appeal is complete. Convention attorneys filed a notice of appeal with the Cole County Circuit Court on April 9 to contest Judge Richard Callahan's March 4 ruling that Windermere Baptist Conference Center acted legally when it changed its articles of incorporation.

The appeal is the latest round in legal action the MBC took against Windermere. The convention sued the center as well as the Baptist Home retirement-home system, Missouri Baptist University, the *Word & Way* newspaper and the Missouri Baptist Foundation in an effort to force the entities to rescind changes they had made in their corporate charters. The Baptist Home changed its articles of incorporation in 2000 to elect its own trustees. The other four took the same action in 2001. The convention filed suit on Aug. 13, 2002.

The March 4 ruling centered on two main aspects of the convention's contention —corporate membership and a contractual relationship with Windermere. The judge ruled the MBC is not a member of Windermere's corporation and that no contract exists between the two entities.

"We feel confident that Judge Callahan's well-reasoned and legally sound judgment of March 4 will be affirmed by the Court of Appeals," noted Windermere lead attorney Jim Shoemaker.

The court will send the notice to the Missouri Court of Appeals for the Western District, based in Kansas City. The legal file for the case must be given to the appeals court within 30 days. MBC attorneys must file their brief 60 days later. Windermere will have 30 days in which to respond to the MBC appeal, and the convention will have an additional 15 days to reply. Most likely, the case will not be heard until sometime this fall.

The MBC plans to ask the appellate court to offer a ruling rather than to return the case to the circuit court. In 2005, appellate judges sent the case back to Cole County after the MBC appealed Cole County Circuit Judge Thomas Brown's dismissal of the legal action against the university.

In that decision, Brown ruled the MBC Executive Board and six individuals who filed the original lawsuit against the agencies did not have the legal right to do so. The appeals court overturned that decision. standing and upheld Brown's decision regarding the six churches.

MBC attorneys filed the motion to stay, or delay, proceedings, except two motions, against the other four pending the appeal outcome. In the convention's original motion to stay, attorneys requested Judge Callahan proceed with a motion each against the Foundation and The Home.

The MBC contends the Foundation changed the nature of its corporate status under Missouri statutes without convention approval. The two sides argued that motion on Nov. 20, 2007, but the judge did not rule.

At the April 14 hearing, convention attorneys dropped the request to continue with the two motions. Lawyers for all parties agreed to stay all proceedings pending a decision by the Missouri Court of Appeals for the Western District. The case likely will be heard in the fall. "There is a benefit to seeing what the court has to say about Windermere.... It's a way of getting issues narrowed without spending a lot of time and money," Missouri Baptist Foundation attorney Laurence Tucker said.
