

Leading During Financial Challenge

A Roundtable Discussion with Tom Nees, USA/Canada Mission/Evangelism Department

Including: **Ron Benefiel**, president, Nazarene Theological Seminary; **Jerry Ferguson**, district superintendent, Los Angeles District; **Dave Rodes**, senior pastor, Puyallup (WA) Church of the Nazarene; and **Ron Nees**, lay businessman and risk management consultant.

Description: The current financial crisis is a major challenge for leaders in the church and business world. There's a good deal to be learned in the church about managing risk and financial down-turns during difficult economic times. On October 14, 2008, a few Nazarene leaders came together to reflect on the issues church leaders face during tough economic times.

TOM NEES: I'm Tom Nees, director of the USA/Canada Mission Evangelism Department in Nazarene Headquarters. We have been discussing with various people around the country recently the effects of the financial crisis on churches, districts, educational institutions, and so forth. Everyone is affected by this at an organizational as well as a personal level. But this represents a significant leadership challenge wherever leaders may find themselves. And so the conference call today is to discuss those leadership challenges that are coming now to everyone: political, private, religious sectors of society. Jerry Ferguson, Dave Rhodes, Ron Benefiel, and Ron Nees, let's check in with one another.

JERRY FERGUSON: For the last nine-and-a-half years, I have been the district superintendent of the Los Angeles district and have pastored five churches prior to that time. With the Lord's help, they were all growing churches, both numerically, spiritually, and financially. However, on the district level, since 2001, we have paid closer attention—that was the first major downturn in the financial crisis. And so for the last eight years, we've been managing both growth and also risk management, trying to minimize loss. So there's some things we've tried to do to minimize that and in some cases have been successful.

DAVE RODES: From Puyallup, Washington. My experience in management during times of financial crisis, or leading, has been very recent. I've been here about 8 ½ years, and on last Thursday made about \$300,000 in staff layoffs to begin looking toward the future and more immediate future as well. And so, this is the first time I've had to do that for financial reasons. And I did not find that easy. So, I will learn that a lot during the process, and am still looking for a lot of guidance and help in that. So that's where we are.

RON BENEFIEL: Nazarene Seminary. Dave, I'm glad to follow you, because then I don't have to be the first to say we're in the situation of having to make some cuts. You did it on Thursday, and for us it was on Friday here. And we made cuts that would be close to about \$200,000—both staff and operational cuts. Annualized, that would be more like \$250,000 in staff salary cuts—so fairly sizable. Two full-time and eight part-time staff. What it reminds me of is that we're living in now where it's really hard to predict what's going on. It's a situation so fluid and unstable. And it reminds me of the time in L.A. where we lived in a fluid and unstable environment. And a particular time in L.A. where we were experiencing lots of growth, but it was a little challenging to manage that growth, especially as we went through a change in our computer program and had an extended period of time where we couldn't get good information, didn't know where we stood. And then when we figured it out we were in trouble and

that then created something of a financial crisis for us. So, at least I've been here before. But maybe for different reasons.

RON NEES: For the first part of my business career, I was involved in a large business environment. However, for about the last 35 years I've been involved in ownership of four businesses. I've served on many non-profit, corporate boards of directors and committees. And currently, I've spent a fair amount of time as a consultant to small businesses. And during all of that time, I know that there are some differences that we see in businesses, non-profits, and for profit businesses. But there is, I think, an exceptional amount of common problems that we share. And I've noticed these over the years in dealing with both sides of many economic issues. And I think in the last 30 years there has been pretty well documented about six major downturns. And I've experienced all six of those in various degrees of impact. And I think Jerry had alluded to the decline we had in 2001. Prior to that, we had a big one in 1987. And somebody, and maybe it was you Tom, who had referenced the fact that maybe the non-profits could learn something from the business community on how it would manage risk. I think the last few months have pretty well indicated that the business community has not done a very good job of managing risk. In fact, a lot of what we're facing right now is because of poor risk management at all levels of business. So, anything I would add to this conversation would just be based on the experience I've had, and others I've had contact with, over primarily the last 35 years.

TOM NEES: Well, let's just go to that question you raised, Ron, of risk management and how businesses do it or don't do it. How do you interject that idea of risk management into strategic planning for a church, district, educational institution, faith-based organizations? How do you address that issue? And often, I think in the faith-based organization, is the word *faith*, you know, is used as we're living by *faith*. So, you always expect something perhaps better, or things are going to turn out okay, or whatever.

JERRY FERGUSON: Well, I think one of things that has to be maintained, especially in the faith-based, has to do with integrity. I think you have to start with making sure that all of your decisions are based on maintaining an attitude of integrity in terms of what you risk, how you risk. It cannot be perceived as something you're trying to save in the sense of personal or even just for the organization. But somehow that's got to come through primarily if you're going to instill faith in your followers.

TOM NEES: Dave, how do you lead your congregation with the idea that there's some risk involved?

DAVE RODES: You're talking about at this time when you're having to make reductions?

TOM NEES: Well, just generally, even in good times.

DAVE RODES: I think it's kind of interesting the words, *manage risk*. And when Ron Nees was just now talking about that, how maybe the business world hasn't done a very good job of managing risk, but that was done during the times of apparent prosperity. A lot of times we don't think in terms of managing risk during the times of prosperity. Now that we've had to make reductions, or as we were making the choices, how are we going to manage? I would tend to think, how are we going to manage the fall-out, how are we going to manage leading through this period of time now? So this whole thing of risk-management, I think, is a very interesting concept to try to engage in during times of prosperity, when things are going well. I'm not sure what that means totally. I would just say one of the huge things in managing risk from what little I'm understanding is that everybody really has to have a pretty clear picture of what the mission is, what the vision is, in that there's got to be some accountability all across the board that people are keeping with mission, and leadership is keeping with mission, both before the downturn and after—before you have to make layoffs, and even the mission determines somewhat the layoffs that you do make, if that has to happen.

TOM NEES: How did things go for you last week, in particular on Sunday, when you had to announce the lay-off of personnel? How did you feel about it? How did the people respond?

DAVE RODES: Well, we had been preparing, I had been saying for several weeks that by the middle of October, if we don't see significant turn-around in funds, this is what is going to happen.

TOM NEES: So, this crisis for you began before the current financial crisis on Wall Street?

DAVE RODES: Yeah, actually it did. In fact, one of the reasons we were delaying doing anything is because starting in July we knew that if things didn't turn we would have to do this, so we delayed it because we were coming to the end of a year-and-a-half of putting together a five-year mission development plan. And we were just concluding that, and so we launched that out in the first of September, and then thinking, okay, with this people will understand a little better about where we're going and help fund the mission. But then all of the sudden, the Wall Street stuff started happening too. So it was, okay, *perfect storm* here. So what we did is that, on Sunday after what I would call "Black Thursday" for us, there was just the announcement: "Well, we've now done what we said we would do." We sent out an e-blast to the subscribers on our website, some in our congregation had seen what had happened on Thursday. So a lot of people already knew. And so, then on Sunday, I just spoke about it. We talked openly and grieved together. And so, now this week, we're working actively at responding over the next few weeks to the kinds of holes that are being left by these very capable people that are now laid-off and will be with us like for maybe another two weeks. And then, we talked about the severance package and all that sort of thing, just to let people know that these people are being well-cared for by us in those terms. But, you know, my own decisions in council with other leaders in our church, the decisions created agony and difficulty for other people. So, it's an interesting journey.

TOM NEES: Ron how does that track with your recent experiences?

RON BENEFIEL: Well, I think I could say, "Amen" or "Dido" to everything that Dave has indicated. It's been very similar. I think to make a little distinction here between what would be the anticipated changes as you're analyzing the environment in which you exist—sort of an environmental or ecological analysis, like a swat analysis that takes into account the changing environment. So, that's part of the planning process that includes some scenarios and what you would do if you went to worst-case scenarios. All of that becomes part of that analysis. And we've done a lot of that here especially over the last year in developing a five-year plan and looking at the changing environment. So, there is that planning for different kinds of scenarios. But I think I would separate that out from what we've actually experienced, which were the unexpected sudden down-turn in the economy that has hit us, again, I think perfect storm language makes sense, has hit us in three different ways on our budget from three different sources—some pretty major hits—that we couldn't have anticipated. And so there's the kind of planning for worst-case scenarios or for reductions along the line if such and such happens, but then are the unexpected things that move you into having to make decisions, in this case consolidation, that really weren't part of the plan at all. In fact, in working in the planning process with a five-year plan or taking into account the environment, I think part of our challenge is how we continue to work on that missional plan at the same time we're having to deal with some of the more immediate unexpected financial challenges that have come with this economic environment we're in.

TOM NEES: Jerry, do pastors come to you as their district superintendent when they're facing financial down-turns in their churches? And if so, what do you tell them? How do you evaluate their response or reaction to these experiences?

JERRY FERGUSON: One of the more recent ones had to do with this whole area of cutting staff. We tried to bottled—first of all let me say, on the district—cutting the district budget in terms of expenditures. So, we tried to bottle what we talked to the pastors about. Our office staff at one point was 5 full-time and a part-time, and we’re down now to three full time. So we’ve cut two and a half positions of office staff. Where we replaced the district car at a certain mileage point, we’re past that now and chosen not to do that. Where I would normally be travelling at requested meetings at the general church level, I’ve cut back on that to, again, bottle. And then, just recently, I had a talk with one of my pastors who was requesting some financial assistance while he still had not addressed internally their expenses. And so, he had to lay off a full-time person and a half-time person and was blessed in their community that it was a second income, and so the staff has chosen to stay on and minister voluntarily. So, in that sense it’s been beneficial. But where many of the churches are dealing with it isn’t so much in coming and saying, “What do we do?” We’re experiencing where they’re just not paying their budgets, their district budgets, their various apportionments and keeping that money internally. So, that’s been the challenge that we’ve been facing at the district level right now that we’re trying to deal with.

TOM NEES: What do you tell them?

JERRY FERGUSON: Try to keep before them the fact that they’re part of a larger community, and that the more they try to keep to themselves...I look at the biblical principle; we just sent a letter out two weeks ago to churches—about 15 had paid zero this year across the board in their eight months now into our church year, paid zero across the board. And we just tried to appeal to them to demonstrate from a standpoint of acknowledging they’re a part of a larger team, show something. I used the illustration of people that when they overdue on their credit card debt, rather than pay something they don’t pay anything, and it just gets worse. I tried to use that illustration that if you pay something you’ve at least reminded yourself, as well as shown others, that you’re still a part of the larger team. And that has helped some because it’s generated at least greater participation in that. But most of it has to do with having my district administrator meet with them individually, look over their budgets, look over their expense situation, give them ideas of where they can cut that they hadn’t thought about. And, as I said, part of that is trying to bottle that so we can use the district as an illustration to talk to them about that.

TOM NEES: Ron Nees, Ron Benefiel and Dave both used the word “grief.” Do business leaders experience grief at that level during times of retrenchment?

RON NEES: Oh, I think so. I’m not sure when I hear the others speak that it’s maybe the same. They have grief perhaps of a different kind. I think there is certainly a level of personal grief as, perhaps they have a downturn and feel personally responsible for the events that have taken place, they have to let people go, cut benefits, things of that nature. But I think that in times of financial stress that you focus more on going into a somewhat of a survival mode. What do you have to do to keep this base organization alive? Keep the momentum there, the optimism, keep morale high? Those are the challenges that the leadership of the individuals business guide. I think, going back to the original question on managing risk, Dave Rhodes mentioned a very real issue, and that is hard when trying to develop a business plan or a mission plan, to talk about risk management when things are going well. But nevertheless, to key an important part of a business plan. And I think the first step that I counsel on risk management is to first sit down and assess risk factor, your risk factor pretty well defines how vulnerable you are to change in conditions. And that can be determined by a variety of things: instability in your organization, lack of assets, debts, your fixed expenses. And that list goes on and on and varies greatly from organization to organization. But I think the first step to developing a strategy for managing risk is to identify your actual risk factors. And one of the things that I have always kind of focused on is that, in most companies and organizations that I’ve seen, you have a level of certain income. And you’ll have a level of uncertain income. And then you also have a level of fixed expenses and you have a level of variable expenses. And

as a perfect model, you could make an argument to say that you don't want to pay for fixed expenses from uncertain income, if that makes any sense. For instance, if you had an organization with a driving income of \$10,000 a month, and say in today's environment a driving income of \$5,000 a month, you might draw the conclusion that their core income level, their dependable income level is \$5,000 dollars. So there should be a correlation before their fixed expenses at that core income level. The \$5,000 in additional or uncertain income might draw correlation between that and your variable expenses. So, as your uncertain income declines, you can also adjust your variable expenses.

TOM NEES: Ron Benefiel, how would that apply to the Seminary?

RON BENEFIEL: Well, actually, Ron, as I'm listening to you, I'm thinking about, it's really interesting to me in the language that you use, which is the language of business and bottom line, and even with the variables that are in there. I think one of the difficult things for us as a Christian organization—that in some ways looks like the church, or if we were in the church for example, that we have some hesitancy; you know, we have to operate like a business, because we have to pay our bills. But we have some hesitance about being sort of bottom-line oriented, that we're really not about profit or how much money's in the bank, that what we're about is something different. I think when, as a Christian organization, when we get into a financial difficulty it becomes especially challenging for us because we don't have a language that we generally use for that. As a church, we're not used to telling people that we have to go away or that they're not going to work here anymore, or those kinds of exclusive statements as opposed to welcoming in and being this body of Christ that supports and loves and cares for one another. So, I think we have some paradigm tensions that especially become apparent when we have to make the tough financial decisions.

TOM NEES: Dave?

DAVE RODES: It's good, and I would agree with Ron that it's a different language. But one of the things I'm picking up here is, what is the risk factor? I think that's good. Now the difference here is that we would be well to name what that is, but once we have named that we may go ahead and say, "Okay, we're going to still do that," but at least we have it out in the open that it is a risk factor, you know, someone has stated that risk. So, in a sense, that's kind of what we're dealing with a lot of times so that money isn't the bottom line. One of the things in a church I pastored previously, it had no debt at all, but they were so bound-up—in theological terms to me—so bound-up with mammon that they could not risk, they couldn't step out, everything was judged by the bottom line. And it was a very un-free situation for the whole congregation until that was kind of broken. Now, once that was broken, we began to live more freely in our giving outside of ourselves and generosity, and not so much concerned for that bottom line. Then we were able to see some rather phenomenal things take place. I don't think it ever would have taken place had we not stepped in that direction. I don't think it's an excuse for not identifying what the risk factors are. It's just, for me, I like that term: "Okay, what are the risk factors?" "Are we willing to take this risk?" Then, you make that decision and you communicate that well.

TOM NEES: Ron, you mentioned the important role that a leader plays in encouraging and keeping up the morale during these times in a business setting. I'm sure that both Dave Rhodes and Ron Benefiel, this past week, have found themselves in that situation—and perhaps you, too, Jerry—of having to encourage people to stay with the mission of the organization. How do you lead through downturns without destroying the morale of the organization?

RON BENEFIEL: I think part of the answer to that is, "I don't know...God help us all." Don't really know how to do this very well. But I think what's been important, Jerry, you mentioned modeling and leading the way, and not just by what I say, but by what I'm doing and the ways that I'm participating in

this as well, that's been important for us here. I think second is full disclosure. I think, you know, sometimes there's information that can't be shared. If you're letting somebody go for a performance reason, then that's really difficult because you want to protect them as you're letting them go, but then you also have to communicate. So, those kinds of issues are difficult. But when it's for financial reasons, I think that's a little different. It allows for full disclosure. I think part of what we're doing is open forums where there are questions, and the feedback we're getting is real appreciation for the transparency of the process. I think, third, is participation in the grieving. And in our community meeting Friday afternoon we had let people know that they were no longer going to have a job with us. Then we all gathered, including many of those who had just been informed, and there was a shared question and answer time, but also a shared time of grieving and of prayer together—and so still functioning as a community. I think the important thing for me was not necessarily to put a best face on it, at the same time of being careful that it didn't have a worst-case storyline that becomes rumors about, you know, the Seminary's in trouble and how that becomes counter-productive.

JERRY FERGUSON: I think also from a local church standpoint something that we've employed, just in the last several months on the district, has been to get larger churches—now when I say that, I'm not referring to megachurches, but those that are considered medium size, especially when they're in geographical proximity to a smaller church that might be struggling more so because of their smallness; we've actually collaborated them together. I have one of my stable churches actually serving as the church board and mentorship to a struggling congregation, and it has given hope and life to the smaller congregation, recognizing they're a part of a larger network, that they're not out there by themselves. And I've done that in three different church locations, where I've had the larger church take over management, as it were, of the smaller ones where they don't have the leadership, they don't have the professional make-up of the congregation, but they're still needing ministry that's going on there. So, we've just tried to expand the vision of the more stable churches to see a part of the mission field, not just where they're located, but also their neighboring communities, and stepping in to assist. And although there's been no formal financial commitments that I've asked the larger churches to take, it has generated a concern and a care so that some people within those churches have begun to help both in ministry positions and financial needs of the small or the more struggling congregation.

TOM NEES: Dave Rhodes, I'm wondering, you talked about launching your mission plan during the summer. And now, the downturn to announce, how hard is it to keep your people on mission and committed to the future? Or does the financial downturn sort of overwhelm the thinking and the conversation?

DAVE RODES: Well, I'm going to say a couple things that, while the financial down-turn is very impacting, the overall mode in the church and vitality is very good. And it's such an interesting time, because we've launched this plan. There's a lot of excitement about it. There's a lot of new people coming in. There's a lot of transformation going on in lives. So right in the middle of all of that you have to step up and say that you have to lay-off people. One thing that I'm realizing is that I'm really glad that we are focused in this missional direction and that we have some conversation to have other than just the financial downturn. If there's no keen awareness of mission during this time then all of your energy and all of your view is drawn, sucked into this one area of great difficulty. So, I'm just really thankful for what's happening on the larger scale of things and kind of the whole arena, because I think it's going to help us here. Now, I think there is a challenge of leadership, just to say, "Okay, this is how we're going to get through this." Not, "If we're going to, this is how." And bring a lot of collaboration around that and discussion around that. That helps a great deal. I'm very grateful for an article that was sent my way, I think it must have come out of *Leadership Journal* or something, but a statement by [John Ortberg](#) on hope management. And he says about leaders in there that leaders cannot delegate hope. In other words, we can't leave that up to somebody else to kind of lead hopefully and show how God is working. We have to

do that even in the midst of this. Kind of interesting time in that. I've found that, actually, I'm thankful for the fact that there's a place of real vitality and energy around the mission during this time, or otherwise we would have just been sucked into the vortex of that discouragement that comes with the finances.

TOM NEES: Ron Nees, for a moment, you've of course been involved with these business enterprises, but you've also been involved in the life of the church. You've seen it up close and personal. And from the standpoint of a lay member and a participant and contributor in the life of the church, what would you suggest to church leaders during these circumstances?

RON NEES: I think that, drawing on the little experience I have, I think where you're having difficulty in a company or organization, it's absolutely imperative that leadership take a real strong leadership role. I think people that are depending upon you and looking to you want to see somebody that's in control, somebody that's positive, somebody that's a high profile person, that doesn't run away and hide when difficulties occur. And I think thoughts that I had have already been mentioned, I think Ron Benefiel mentioned the necessity, I think, in paraphrasing, to communicate, communicate. People don't like to be left in the dark. That's really an uncomfortable position for a subordinate, not knowing what's going on, what's happening. Certainly, certain things can't be discussed, but for the most part, keeping people. But I would say if there was one key point I would make, that leader takes control. And that people know somebody is steering the ship. We may be taking on water, but we've got a plan to bail it out and head for high seas again. And be optimistic. But, again, I think the role of leadership in crisis is to be there, to be in control, to be positive, to keep morale high and to, not only develop strategies for the immediate circumstances you have, but to develop a strategy for recovery. And I think that is very consistent with a very optimistic or realistic attitude is you don't just center all of your attention on the current dilemma, but you say you have a strategy for moving ahead and moving into a recovery mode.

TOM NEES: Good. Just one exit question here for each of you. What have you heard in this conversation that's been particularly helpful to you?

JERRY FERGUSON: I've appreciated the emphasis Ron just spoke about, on leadership. I've lived a lot in the Acts chapter that talks about the shipwreck, where people tried to bail out and Paul had heard from the Lord. So, I think us staying close to the Lord and knowing what God's called us to do, and then being willing to step forward in the confidence God gives us to continue to be positive, because the Lord really is in charge of the operation. So, I would just emphasize the willingness to stand forward and be up front in conference with where God's going.

DAVE RODES: Well, I just appreciate certainly the conversation here, and take away what Ron Nees has shared with us—I thought that was great. In fact, it reiterated some things I had jotted down before this conversation. I know that the whole idea is, "Don't Skip Town." And I know this week I was to be at NNU for a board of trustees, but this just happened, so I called and said I can't be there. It was a choice of leadership, and you have to be present, you have to step into it, you have to keep stepping one foot in front of the other and walk right into it, not avoid. It's just really very important to do.

RON BENEFIEL: Yeah, Jerry, some of what you said about bringing groups together that were maybe in a similar situation and them not feeling alone. I think, just in this conversation, the uncanny connection that I have with you, Dave, of going through a very similar thing at a similar time and how remarkably similar in everything you've been talking about in my experience here. And so, I think there's something that is strangely encouraging to know that there are other people having to deal with the same thing and that they're finding similar ways, that there are some ways to go about this. And then certainly I find that sort of convergence with what I've been hearing you talk about, Dave.

TOM NEES: Thanks Ron. I think your final point here about being encouraged in the conversation, it seems to me as I am listening to people, churches, district superintendents, and others, that financial downturns are sometimes internalized, so leaders begin to feel like, “It’s my fault.” And then they isolate themselves, unable to talk about it openly and to benefit from and be encouraged by the conversation with others. So, I don’t know Ron if that’s a parallel in the business community where there are business leaders that internalize it and isolate themselves during these times, but I certainly see that in the faith community.

RON NEES: Oh I think it’s real true in small business. In fact, the amount of consulting that I’ve done, the one comment that I hear over and over and over again from my small business owners is, “You know, it’s lonely out here.” And what they mean by that is they really don’t have in a small environment somebody that they can do what we’re doing right now—just openly share back and forth ideas, get the benefit of other people’s experience. And the advice that I always give them to the extent that they will accept it is, don’t try to go it alone. And I’m afraid, and I’m probably fairly certain that there are many out there even in the ministry world right now that are feeling very much alone and very much confused as to what they should be doing in these times. And I think if there is a way to try and bring them as the smallest to the bunch into some kind of a circle of communication like this, it could pay big dividends. But it is, for small business owners, for small manager of a non-profit or compassionate ministry program, it can be a really long _____.

TOM NEES: Well, that’s a good observation and interesting information that, perhaps, this conversation will be help to others as it has to those of us who have been able to be in on it. So many thanks to each of you for taking time to have this conversation.

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