Establishing Church Credibility
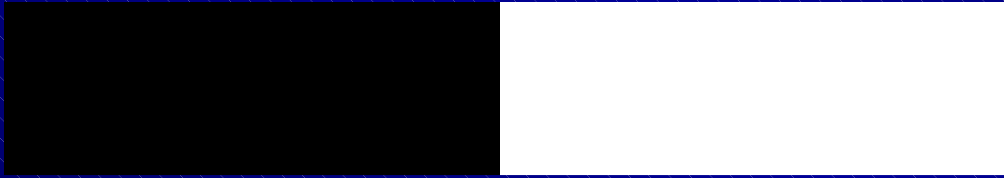
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Lowell C Cooper

Establishing Church Credibility

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"Numbers are sooo much easier than words!   They are concrete, specific, definite, are not ambiguous, have no nuances, have no pronunciation or spelling challenges, etc., etc!   However, one can tell lies with them!   Best wishes!" --Eric Korff email to Lowell Cooper, 7/31/2007

The Seven Signs of Ethical Collapse

How to Spot Moral Meltdowns in Companies...
Before It's Too Late

Marianne M. Jennings, J.D.

7 Signs of Ethical Collapse:

1. Pressure to maintain those numbers
2. Fear and silence (dissent not tolerated)
3. Bigger-than-life president/CEO, aspiring colleagues
4. Weak boards

7 Signs of Ethical Collapse:

1. Conflicts of interest not addressed
2. Success is all that matters
3. Goodness in some areas atones for evil in others

Case #1:

The conference constituency meeting will be held next year. The administration wishes to present a report of good progress. The baptismal goal for this year is two times higher than the achievements of any previous year. Each pastor is assigned a goal. Pastors who reach baptismal goals will receive an iPod free of charge.

Case #2:

The conference budget for the year is based on a 5% tithe increase over the last year. Ten months into the year tithe income is not keeping pace with the budget. There is not enough money to pay salaries so the officers agree to borrow from designated funds with the intent of returning the funds next year.

Case #3:

An anonymous donor has given $10,000 to the local church. The pastor and church treasurer agree to place this in a "Pastor's discretionary fund". Rather than keeping it on the local church records the fund is transferred to the conference—but is completely under the control of the pastor.

Case #4:

You are a member of the nominating committee. Two names are under consideration for the post of president. One person is from your language group and you know him well. The other is from another language group in the territory and you do not know much about him. You vote for the one you know because he is a "good man" and "knows our needs".

Case #5:

You have a busy schedule of work and travel for the last three weeks. The place where you are now is a tourist attraction. You could complete your work here in two days—but why not take a little time off each day, thus extending your stay (and per diem allowance) by one or two days? After all, one should live a balanced life.

Case #6

The president of the organization takes travel advances each month but is very delinquent in submitting travel expense reports. Halfway through the quinquennium the outstanding travel advances exceed his annual salary.

Two kinds of trust:

Personal trust: trust that employees and church members have in individual leaders

Organizational trust: trust that an organization's purposes are valid and that its policies will be fairly administered and implemented as stated

To be trusted
is a greater compliment
than to be loved.

—George Macdonald (1824–1905)

% of Canadians who trust: 2003   2002   Diff

- Fire fighters   **96%**   98%   -2
- Nurses   **94%**   96%   -2
- Farmers   **91%**   93%   -2
- Doctors   **89%**   92%   -3
- Teachers*   **88%**   --   --
- Police Officers   **80%**   88%   -8
- Judges   **73%**   80%   -7
- Notaries   **71%**   82%   -11
- Bankers   **70%**   72%   -2
- Church Representatives   **65%**   73%   -8

* Since teachers are more in contact with the public than scientists they have replaced the latter in the 2003 survey.

Source: Leger Marketing

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% of Canadians who trust:	2003	2002	Diff
• Pollsters	**62%**	70%	-8
• Senior Public Servants	**50%**	56%	-6
• Lawyers	**48%**	54%	-6
• Journalists	**46%**	53%	-7
• Insurance Brokers	**46%**	51%	-5
• Real Estate Agents	**40%**	44%	-4
• Unionists	**39%**	41%	-2
• Publicists	**38%**	47%	-9
• Car Salespeople	**20%**	23%	-3
• Politicians	**14%**	18%	-4

Source: Leger Marketing

Trustworthiness $= \dfrac{C + R + I}{S}$

Where

C = credibility

R = Reliability

I = Intimacy

S = Self-orientation

—Galford and Drapeau, The Trusted Leader

Trust—an organizational necessity:

- The perception of honesty, openness and reliability or dependability.
- Grows in direct relationship to meaningful interactions.
- Takes time to develop but can be weakened or broken very easily.
- Is an organization's lubricant.

Credibility is intellectual

Trust is intuitive

When good people make bad decisions:

- Not all misdeeds are done by bad people.
- Unethical acts can result from failings rather than selfishness and greed.
- Good people can inadvertently make unethical decisions.
- Ethical actions require more than just good intention.

Ethical judgment traps:

- Highly repetitive situations that engender automatic response patterns (what pyschologists refer to as "scripts").
  - Ford Pinto recall

When I was dealing with the first trickling-in of field reports that might have suggested a significant problem with the Pinto, the reports were essentially similar to many others that I was dealing with (and dismissing) all the time..... I was making this kind of decision automatically every day. I had trained myself to respond to prototypical cues, and these didn't fit the relevant prototype for crisis cases.

— Dennis Gioia, Ford recall coordinator

Ethical judgment traps:

- Highly repetitive situations that engender automatic response patterns (what psychologists refer to as "scripts").
- Busyness and distractions.
  - Speech by divinity students
  - Car trip to important meeting
- Moral exclusion of groups.
  - Conflict situations (Arabs, poor, etc.)

Building personal credibility and trust
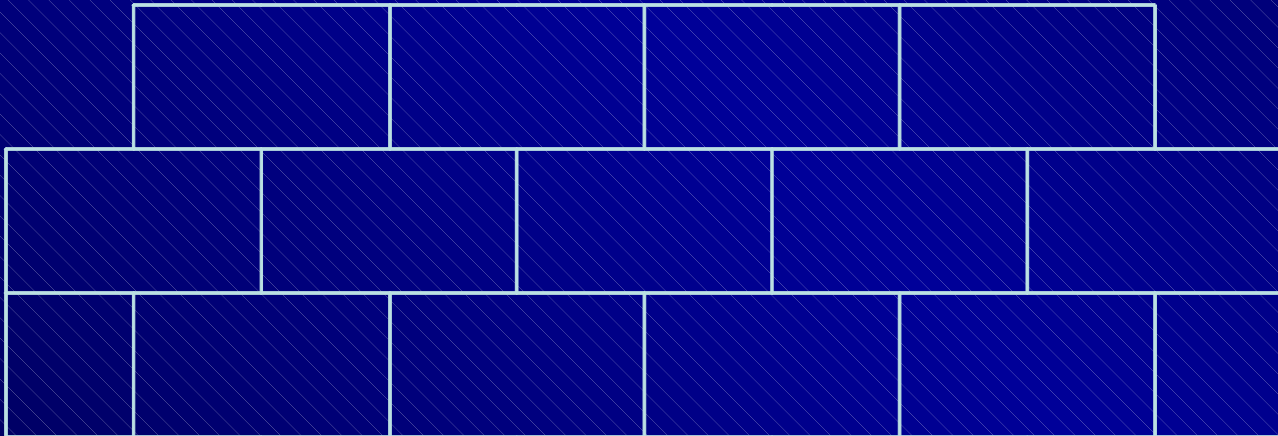
Building personal credibility and trust:

1. Careful and attentive listening
2. Willingness to be influenced
3. Avoiding the exploitation of another's weakness
4. Commitment to fairness with oneself and others
5. Fulfilling promises, honoring commitments

Building personal credibility and trust: cont'd

1. Transparency, being straight forward in dealing with others
2. Subjecting emotions to objectivity and reason
3. Valuing others
4. Admitting errors and weaknesses
5. Demonstrating principle-based convictions in moments of crisis

Personal trust: trust that employees and church members have in individual leaders
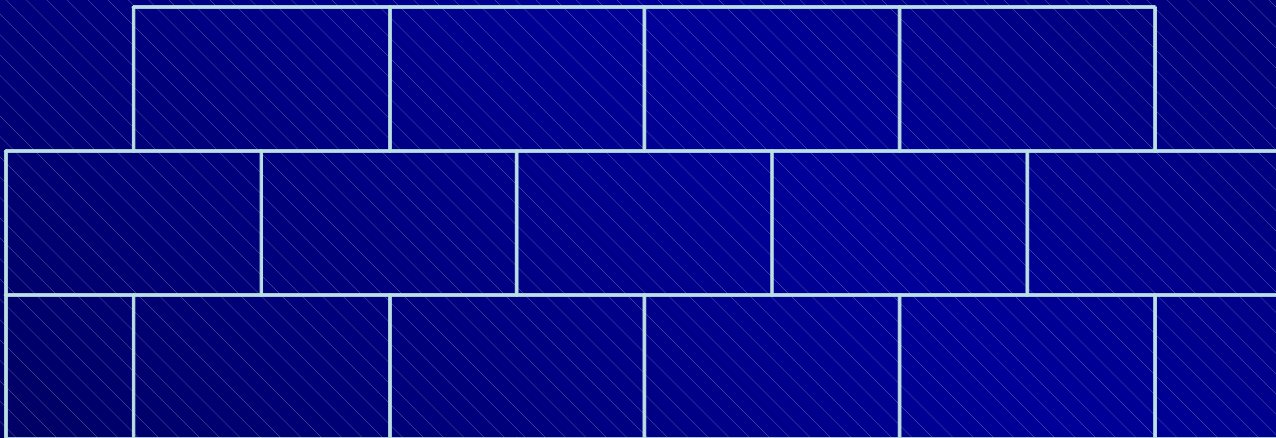
Organizational trust: trust that an organization's purposes are valid and that its policies will be fairly administered and implemented as stated

"By portraying everything in shades of gray, we create an ethical culture that leads to a constantly moving line of propriety...this method of analysis, in which there is no right and wrong, is part of the problem with corporate cultures and contributes to collapse."

—Jennings, The Seven Signs of Ethical Collapse, p. 13

Building credibility and trust in Church organization

Building trust is a primary leadership task in voluntary organizations.

It is a global leadership task in the Seventh-day Adventist Church.

Building organizational trust:

1. Examine the legitimacy of structure and then educate the constituency.

Changed realities:

Old reality: Church organization enjoyed the presumption of being necessary and of doing good work.

New reality: Organizational structure is suspect and consumes an enormous amount of resources.

I cannot persuade them (my church attending nephews and adult children and their friends) to give tithe to the conference system. They believe the layers of self retaining administrative leaders in the church will never change until the present organizational system comes crashing down around them. They say that no one in the system has the "guts" to face the needed changes and establish efficiency and expert administration since it means cutting their own self sustaining structure and benefits.

They want the majority of their tithe dollars going to the spread of the Gospel of Jesus and his Grace--only then will they pay their tithe to the system again. Now their tithe money goes to local SDA schools, Maranatha, CARE, ADRA, Student Missions and any other good place--but not to the SDA church tithe! No, not for "administrative waste and bad judgment"!

Building organizational trust:

1. Examine the legitimacy of structure and then educate the constituency.
2. Range of expertise in composition of boards and executive committees.
3. Executive committee members and unit officers set an example of integrity and ethical behavior.

Ethics filters—'PLUS'

- P = Policies Is it consistent with my organization's policies, procedures and guidelines?
- L= Legal Is it acceptable under the applicable laws and regulations?
- U = Universal Does it conform to the universal principles/values my organization has adopted?
- S= Self Does it satisfy my personal understanding of right, good and fair?

"In the service industry, loyalty is built from how you handle errors."
Is it any different in the Church?

Building organizational trust:

1. Examine the legitimacy of structure and then educate the constituency.
2. Range of expertise in composition of boards and executive committees.
3. Executive committee members and unit officers set an example of integrity and ethical behavior.
4. There is a system to manage conflicts of interest.

Building organizational trust:

1. The organization has reasonable objectives and goals—there is no undue pressure for short-term results.
2. Care in hiring practices.
3. Safe way to report improper conduct.

Stealing in nonprofit orgs:

Report to the Nation on Occupational Fraud and Abuse

2004

by the

Association of Certified Fraud Examiners

(ACFE)

- In the case of large corporations (Enron, WorldCom and other for-profits) the primary offense was misrepresentation of financial information.
- In nonprofits, the crimes tend to involve unauthorized taking of funds for personal use (payroll and check tampering, false invoices, skimming).

Occupational fraud:

- Fraudulent disbursement
  - Paying false or inflated bills
  - Payroll—time reports, ghost employees
  - Expense reports—falsified claims
  - Check tampering
  - Falsified cash register disbursements

Finding fraud:

- Relatively rare for fraud to be found via the audit process.
- Fraud caught by:
  - Tips by employee/vendor/customer   43%
  - Internal audit/internal controls   25%
  - Caught by accident   22%
  - External audit   10%

Predictive characteristics:

- Employees with high personal debts.
- Employees who live beyond their means.
- Workplace without clear lines of authority and procedures for transaction authorization (bank reconciliations by someone not authorized to deposit/withdraw).
- Financial personnel who refuse to take vacations.

Management of fraud risk:

- Careful background checks on employees.
- Insurance or bonding for employees with access to/control of cash or other assets.
- Culture of safety in reporting of suspected fraud or abuse.
- Periodic review of internal controls.

Building organizational trust:

1. Reports indicate decisions carried out.
2. Written procedures for:
   - Accounting
   - How many/whose signatures on checks
   - Computer security
   - Personnel
   - Purchasing
   - Records retention
   - Travel

Building organizational trust:

1. Segregation of duties:
   - No one person handling the receiving, receipting, accounting, and depositing of cash
   - Approval of expenditures by a designated person.
   - Bank reconciliations by someone who is not the accountant.
   - Frequent (daily) monitoring of cash on hand.

Internal controls refer to the <u>ability</u> of an organization to <u>monitor</u> the <u>reliability</u> and <u>integrity</u> of <u>financial</u> and <u>operating</u> <u>information</u>.

Reasons for internal controls:

- To safeguard assets from
  - Waste
  - Fraud

  - Unauthorized use
- To protect people from false accusation

Building organizational trust:

1. The organization has a code of conduct and the code is known by employees.

Employees stunned most academics by saying that the code of ethics for their company had very little influence on whether they made ethically correct choices. It was the culture of their companies and the examples set by their leaders that influenced their conduct.

—from a 2004 study by the Journal of Business Ethics

Building organizational trust:

1. The organization has a code of conduct and the code is known by employees.

2. The organization follows through with discipline for unacceptable conduct.

3. Comprehensive budget approved by the executive committee.

Building organizational trust:

1. Regular and timely financial statements.
   - Compare actual to budget
   - Compare actual to previous year
2. A professional and 'independent' financial oversight system.

Since responsibility and decision-making are widely dispersed throughout the Seventh-day Adventist organization a church member should have confidence that the financial oversight system assures credibility in financial management and accountability across the entire range of denominational structure.

Ethical living results from
choices
based on thoughtful application
of
core values.

Creating an
organizational culture
of constructive self-criticism
is not a choice but an obligation
for leaders.

"The institutionalization of leadership training is one of the key attributes of good leadership."

John P Kotter
Harvard Business School

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