

TRANSPARENCY AND ACCOUNTABILITY

A Global Commitment of Seventh-day Adventist Church Leaders





*Special Limited
Session Edition!*





MY LEADERSHIP PLEDGE


Recognizing that the call to leadership in the Church is a call to service as modeled in the life and ministry of Jesus Christ,


 *I dedicate my life to humble service in whatever capacity or post I may be called to hold.*


 *I covenant to lead a spiritual life of Bible study, prayer, and Christ-like behavior.*


 *I accept my leadership assignment as a sacred trust which is to be used for the glory of God.*


 *I promise to uphold the high moral standards of Christian life and leadership.*

 *I vow to be a faithful steward in protecting the interests of the Church and to nurturing its development.*

 *I determine to strive for excellence in every aspect of my life and work.*

 *I pledge to demonstrate a spirit of cooperation and openness with my colleagues, realizing that in a multitude of counselors there is wisdom.*

 *I commit myself to the principles of shared leadership in the Church.*

 *I devote myself to the noble purpose of advancing the kingdom of God and preparing people for the return of Jesus.*

Signature

Place

Date

ADVISORY PANEL

Ted N. C. Wilson

GC President

G. T. Ng

GC Secretary

Lowell C. Cooper

GC Vice President

Jack L. Krogstad, PhD, CPA

*Union Pacific Endowed Chair,
Creighton University
GCAS Board Chair (Layperson)*

John Stanley, PhD

*Principal Consultant,
Quintesse Consultants, Pvt Ltd
GCAS Board Member (Layperson)*

Jon Satelmajer, CPA

*Partner,
PriceWaterhouseCoopers
(Layperson)*

Max Trevino

*President,
Southwestern Union
Chairperson,
GC and NAD Audit Committees*

Ann Gibson, PhD, CPA

*Professor,
Andrews University
Chairperson,
ADRA Audit Committee*

William G. "Bill" Robertson

*President and
Chief Executive Officer,
Adventist Healthcare*

TASKFORCE

Robert E. Lemon

GC Treasurer

G. Thomas Evans

NAD Treasurer

Paul H. Douglas

GCAS Director

Robyn W. Kajiura

GCAS Associate Director



Editor

Paul H. Douglas

Layout & Design

*A. Grace Brown
The Write Design, LLC*

Project Assistant

*Ludmila G. Leito
GCAS Communications Coordinator*

Photo Credit

*Adventist News Network
www.istockphoto.com
Mathew Karmel*

Illustrations

www.istockphoto.com

CONTENTS

Message from General Conference Officers **09**

Confidence Matters **17**

Code of Conduct for a Seventh-day Adventist Leader **31**

Thought Paper: Transparent Leadership **69**

Best Practices for Organizational Governance **87**

Best Practices for Local Church Leadership **103**

Best Practices for Financial Administration **121**

Let's Talk **135**





Photo: Josef Kissinger | Adventist News Network



Message from
MESSAGE FROM
General Conference
GENERAL CONFERENCE OFFICERS
Officers



Photo: Gerry Chudleigh | Adventist News Network



Photo: Gerry Chudleigh | Adventist News Network



Photo: Ansel Oliver | Adventist News Network

To All Seventh-day Adventist Church Leaders:

It is imperative that the global leadership of the Seventh-day Adventist Church address the important principles of transparency and accountability. These two principles, transparency and accountability, are inseparably linked and foster a high level of integrity and confidence in leadership. They are also prerequisites for effective governance and efficient functioning of the Seventh-day Adventist Church.

Transparency is an extension of the word “transparent” which means to see through, nothing hidden, and is associated with honesty, openness, and trustworthiness.

One of the greatest requirements of church leadership is for members to be able to trust their leaders. However, being accountable to our constituents does not come first. Foremost is our accountability to God. Romans 14:12 “So then each of us shall give account of himself to God.”

The reality is that when we ignore accountability to God and others we become a law to ourselves and indiscretion is inevitable. We are addressing this subject because of various instances of indiscretion in leadership.

In reference to this important subject, the Spirit of Prophecy indicates:

All who live in communion with the Creator will have an understanding of His design in their creation. They will have a sense of their own accountability to God to employ their faculties to the very best purpose. They will seek neither to glorify nor to depreciate themselves... {CT 364.3}

Again I urge upon you the necessity of purity in every thought, in every word, in every action. We have an individual accountability to God, an individual work which no one can do for us. It is to make the world better by precept, personal effort, and example. — Review and Herald, Nov. 10, 1885. {Ev 495.2}

God does not desire wooden men to guard the interests of his institutions and the church, but he wants living, working men — men who have ability and quick perception, men who have eyes, and open them that they may see, and hearts that are susceptible to the influences of His Spirit. He holds men to a strict accountability in guarding the interests of His cause... {GW92 81.2}

Daily, hourly, the leaders in the work are giving lessons to those with whom they are associated. My brethren, be reasonable in your every requirement, as men of intelligence, whom God has chosen. Let all that you do reveal the strictest integrity. Be true and faithful. Set an example that all may safely follow. Do not

draw into the web of your character one thread of selfishness; for this would spoil the pattern. {RH, April 13, 1905 par. 12}

Our focus on revival and reformation through the power of the Holy Spirit and the preparation for the soon coming of our Lord and Savior Jesus Christ will be enhanced greatly if we adhere to the principles of transparency and accountability.

What a privilege it is to serve the Lord at this time in earth's history as part of the mighty Advent movement. As you submit to Him, the Lord will bless your special efforts for His cause. Let us work together through the power of the Holy Spirit as we fulfill God's unique evangelistic mission entrusted to us.

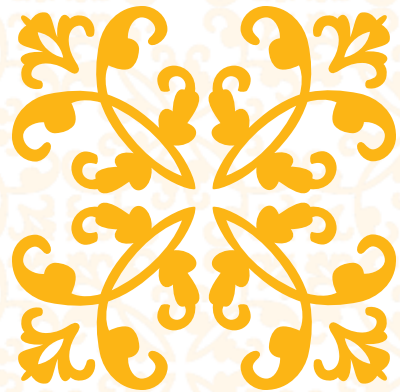
All of us need to guard well our spiritual leadership responsibilities. And remember, as Paul states in Philippians 4:8, “*Finally, brethren, whatsoever things are true, whatsoever things are honest, whatsoever things are just, whatsoever things are pure, whatsoever things are lovely, whatsoever things are of good report; if there be any virtue, and if there be any praise, think on these things.*”

Ted N. C. Wilson, President

G.T. Ng, Secretary

Robert E. Lemon, Treasurer





Confidential Matters **CONFIDENCE MATTERS**

Confidence Matters

Paul H. Douglas, GCAS Director

General Conference of Seventh-day Adventists

Seventh-day Adventist Church leaders recognize that constituents and other stakeholders want to have confidence in organizational leaders and their stewardship. As part of a global commitment, Church leaders reached a consensus to strengthen transparency and accountability by addressing the four recommendations made by the GCAS Board, which are summarized on the next page.

The Seventh-day Adventist Church and its family of institutions receive financial resources primarily in the form of tithe, offerings, donations, tuition, sales revenue, service fees and investment income. There is an expectation that leaders will exercise proper stewardship for these financial resources. In particular reference to contributed resources provided in support of mission-driven activities, the continued flow is largely dependent on the sustained confidence of constituents and other stakeholders in organizational leaders and their stewardship. Organizational culture, controls and communication have been identified as the key drivers for sustaining this confidence; and the key disciplines to be expanded into a set of organizational policies.

Recommendations by GCAS Board

- Promote a culture of transparency and accountability that is modeled by Church leaders at every level of the denomination;
- Revise policies to incorporate best practices related to the receipt, response and resolution of issues identified in audit reports;
- Require the establishment of an Audit Committee for each denominational organization which is chaired by and comprised of persons not employed by the organization being audited; and
- Encourage denominational organizations to provide training to their respective boards and committees on how its members can effectively fulfill their governance role.



Constituents and other stakeholders want to have confidence in organizational leaders and their stewardship

ORGANIZATIONAL CULTURE

The Seventh-day Adventist Church and its family of institutions have unique organizational cultures which are a composite of individual attitudes and backgrounds. However, leaders in each organization are the persons who set the tone at the top of that culture as it relates to integrity, ethical values, stewardship and transparency. If leaders do not set an example in these areas there will be no moral compass to guide organizational decisions, and the behavior modeled by leaders will invariably be manifested in the actions of those whom they lead.



Leaders in each organization are the persons who set the tone at the top of that culture as it relates to integrity, ethical values, stewardship and transparency.



As a Christian organization, there is a greater expectation for each person, but particularly leaders, to ensure that behaviors in transacting financial matters conform to biblical principles, legal parameters, professional standards and denominational policies.



**The better the tone at the top, the more trust
you can have in the transactions!**

There is a twofold principle that must be embedded in and instructive to any organizational culture within the Seventh-day Adventist Church and its family of institutions. This principle being that authority resides in groups more so than in individual office holders, and that controlling committees or boards are entrusted with the authority to govern. Regardless of the attitudes and backgrounds of the individuals who comprise each organization, there should be common evidence that the organizational culture promotes transparency and accountability.

As a demonstration of this evidence, officers of organizations must make themselves accountable to their respective controlling boards or executive committees; while persons serving on controlling boards or executive committees must have access to training on how to effectively fulfill their fiduciary obligations as trustees, which includes holding those officers accountable.

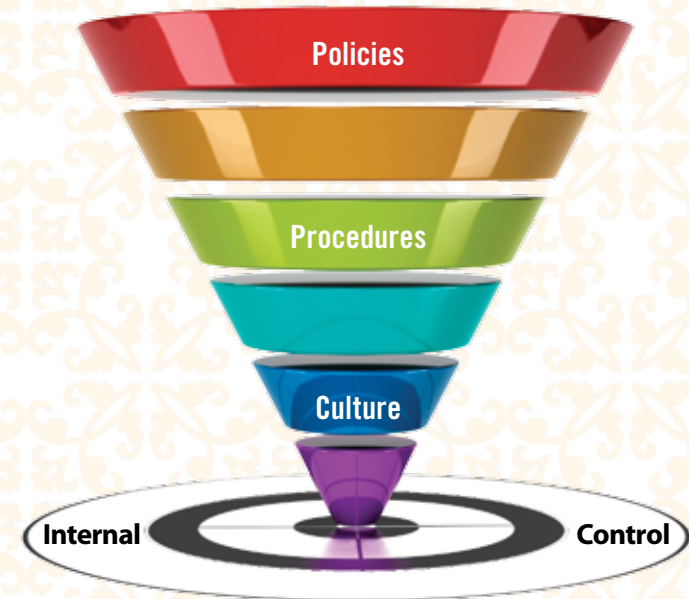
Therefore, since it is by God's mercy that we are engaged in this ministry, we do not lose heart. We have renounced the shameful things that one hides; we refuse to practice cunning or to falsify God's word; but by the open statement of the truth we commend ourselves to the conscience of everyone in the sight of God.¹

¹ 2 Corinthians 4:1-2

ORGANIZATIONAL CONTROLS

When the appropriate organizational culture is in place, there is a greater appreciation for designing and implementing effective organizational controls. These controls consist of policies and procedures which collectively are referred to as internal control. The internal control of an organization should not be designed to target individuals but should focus on the objectives of providing reasonable assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. The concept of reasonable assurance highlights the limitations that exist in designing and implementing a system of internal control for an organization. These limitations include the problem of costs versus benefits, the possibility of collusion among employees, and the potential for management to override the same controls which they were instrumental in designing. After taking all factors into consideration however, these limitations should not provide an excuse for failing to design the best possible internal control.

Each entity in the Seventh-day Adventist family of organizations must have a system of internal control that is appropriately designed, documented, implemented and communicated, and which is monitored by the highest level of governance in that organization. Part of an effective governance structure includes establishing an audit committee comprised of persons not employed by that organization.



Organizational culture points the way to effective internal control.



Communication is at the core of effective governance!

ORGANIZATIONAL COMMUNICATION

Communication is at the core of effective governance! The Seventh-day Adventist Church and its family of institutions should demonstrate their commitment to transparency and accountability by embracing regular and open communication. This communication should take place within the organization and between the controlling committee, audit committee, GCAS/external auditor, constituents, other stakeholders, and next higher organization.



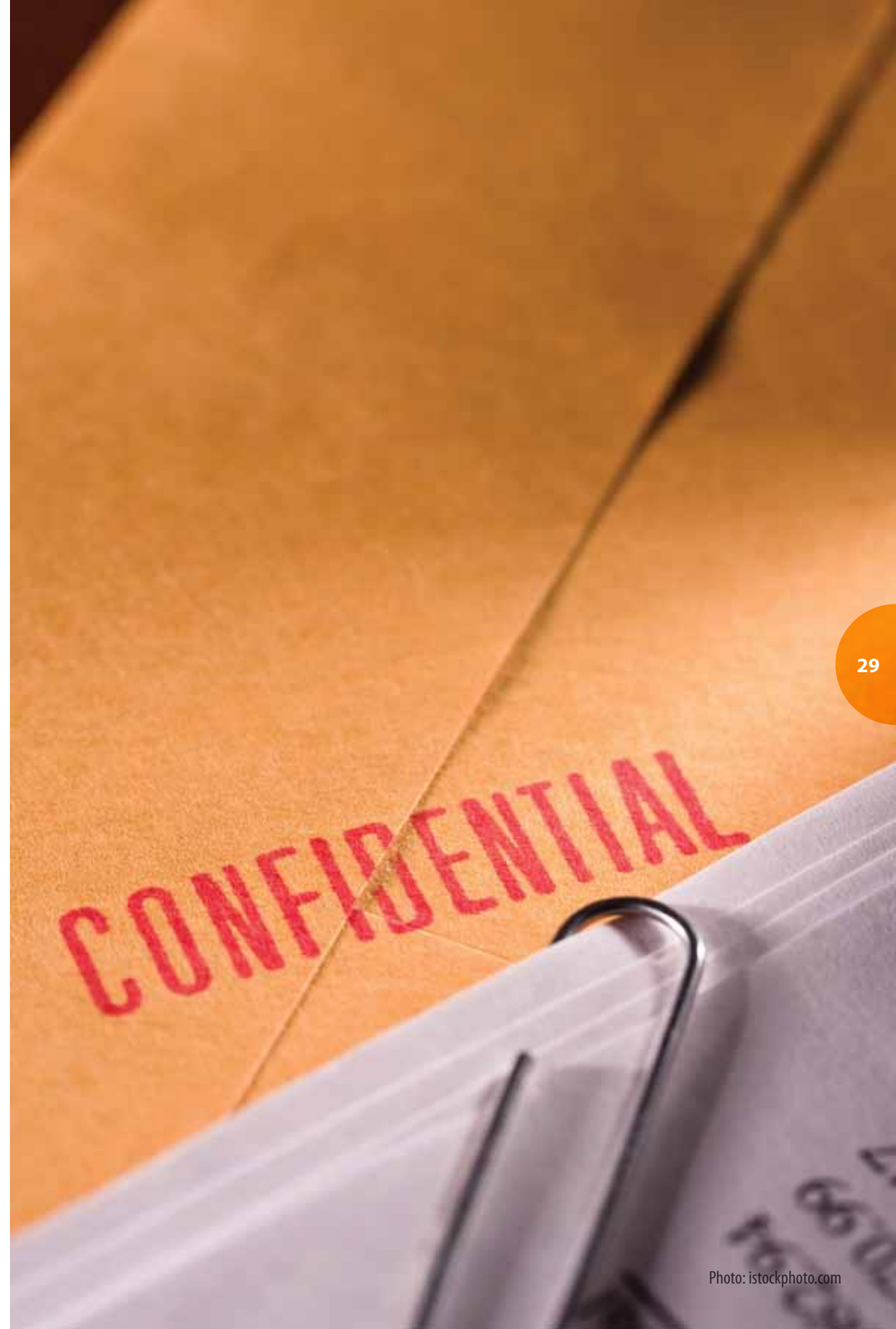
The Seventh-day Adventist Church and its family of institutions should demonstrate their commitment to transparency and accountability by embracing regular and open communication.



It is important for communication channels to be open inside the organization and outside the organization with those involved in the governance process. Equally important, those involved in the governance process should have open communication with each other. A special emphasis should be placed on communicating with constituents and other stakeholders without any bias to the level or nature of their contribution. In designing any

communication systems, it is critical to recognize the important role of constituents and other stakeholders to the continued viability of an organization by providing them with clear and complete communication.

Care should be exercised in the distribution of information that could be considered sensitive or for other compelling reasons confidential. In the course of fulfilling governance responsibilities it may be necessary to make available sensitive and confidential information. Recipients of such information must safeguard and limit the use of such information for its intended purpose — that of fulfilling governance responsibility. In the scope of organizational communication, handling sensitive and confidential information with due care can coexist with efforts to promote transparency and accountability.





Code of Conduct

**CODE OF CONDUCT FOR A
SEVENTH-DAY ADVENTIST LEADER**

Adventist Leader



Code of Conduct for a Seventh-day Adventist Leader

Lowell C. Cooper, General Vice President

General Conference of Seventh-day Adventists

Leadership occurs at the intersection of two basic factors: information and influence. Persons who possess these two commodities will demonstrate leadership — whether good or bad. Information involves the “facts” that a person may have about a situation. Influence depends on the impact of a person’s character — the moral excellence demonstrated in behavior patterns and the collective reputation of an individual’s life. This is why a code of conduct is an essential part of effective leadership. Personal morality and the behavior it inspires play a critical role in determining the “influence” factor in leadership.

Persons in positions of leadership must accept the fact that the impact of their moral behavior will rarely, if ever, be neutral. Their words and deeds are heard and watched more closely than the words and deeds of others. A leader’s personal choices are noticed and evaluated — often against higher standards than those which apply to persons who do not hold leadership positions.

Furthermore, the microphone is always on. Virtually everything a leader says is analyzed, amplified, communicated and often misinterpreted. The leader's behavior needs to be consistent with the beliefs, policies and values of the organization.

The aura of being involved in the "work of God" may blind leaders in religious organizations to ethical and compliance boundaries. One can too easily adopt the attitude that doing "God's work" legitimizes any means (including dishonesty, bribery, non-compliance with law, manipulation, unfairness and injustice) necessary to overcome obstacles or challenges. Highly questionable behavior is defended because it is "for a good purpose." Such leaders need to ask themselves if a code of conduct for their role is really less rigorous than that expected elsewhere in society. On the contrary, a code of conduct for religious leaders may be far more demanding than for any other leadership position.

Moses, surely one of the greatest leaders in history, taught that the ethical life of the nation of Israel was to be founded on the moral qualities of God:

*"For the LORD your God is God of gods and Lord of lords, the great God, mighty and awesome, who shows no partiality nor takes a bribe. He administers justice for the fatherless and the widow, and loves the stranger, giving him food and clothing. Therefore love the stranger, for you were strangers in the land of Egypt."*¹

1 Deuteronomy 10:17-19 NKJV

*"You shall not pervert justice; you shall not show partiality, nor take a bribe, for a bribe blinds the eyes of the wise and twists the words of the righteous. You shall follow what is altogether just, that you may live and inherit the land which the LORD your God is giving you."*²

Developing a code of conduct is a task one does in private. It involves careful and attentive thought to the question, "What kind of person do I want to be?" And for those who serve in leadership positions of a religious organization the question is, "What kind of person am I called by God to be?" This kind of thinking and deciding results in a pattern of private and public behavior that may be described as a code of conduct. Here are seven practices that merit consideration in a code of conduct.



2 Deuteronomy 16:19, 20 NKJV



Photo: Adventist News Network



I demonstrate humility by:

- Bringing attention to God, not to myself.
- Patterning my leadership upon Jesus' example.
 - Giving to others the credit due them.

Humility

“For who is greater, he who sits at the table or he who serves? ...Yet I am among you as the One who serves.”

— Luke 22:27 (NKJV)

- Putting the needs of others ahead of my own.
- Seeking counsel and feedback from others.
 - Being honest with myself before God.
 - Recognizing my dependence on God.



In many respects the concepts are interrelated. They function best when combined with each other. The combined effect of all working together is greater than the sum of the individual practices.

In our competitive culture the notion of humility is sometimes thought of as weakness or insecurity. It is often assumed that leadership requires people with a huge ego, an overload of self-confidence and the ability to blow one's own horn. Humility is not the absence of self-confidence. It is the maintenance of self-confidence without the need for pretense or arrogance.

Humility is one of the great virtues but, like underclothes, is not meant for intentional display. The ego energy of a humble person is directed away from self towards the accomplishment of a noble purpose or objective. Humility carries with it a quiet confidence because it does not measure success by being first or best. A humble person is neither boastful nor proud. The garment of humility is hard to counterfeit.

Leadership carries with it several threats to humility. The attention and respect that comes with a role in leadership makes introspection difficult and weaknesses inadmissible. Leaders need to resist the illusion of being omniscient, omnipresent, and omnipotent. No one person can do everything well.

Humble leaders demonstrate respect for predecessors — even if they have made mistakes. They show respect for colleagues,

indeed for all people. And when the time comes to step down from a leadership role, they do so gracefully. They realize that leadership is not a right; it is both a privilege and a responsibility that is entrusted for a period of time.

“Humility is perfect quietness of heart. It is for me to have no trouble; never to be fretted or vexed or irritated or sore or disappointed. It is to expect nothing, to wonder at nothing that is done to me, to feel nothing done against me. It is to be at rest when nobody praises me and when I am blamed or despised. It is to have a blessed home in the Lord where I can go in and shut the door and kneel to my Father in secret and be at peace as in a deep sea of calmness when all around is trouble. It is the fruit of the Lord Jesus Christ’s redemptive work on Calvary’s cross, manifested in those of His own who are definitely subject to the Holy Spirit.”³

In his letter to the church members at Philippi, Paul appealed for people to have the mind of Christ Jesus who “made Himself of no reputation, taking the form of a bondservant, and coming in the likeness of men...”⁴

³ Andrew Murray

⁴ Philippians 2:7 NKJV



I demonstrate integrity by:

- Living according to biblical values and principles.
- Acting always in the best interest of the Church.
- Providing timely and accurate reports.

Integrity

**“LORD, who may abide in Your tabernacle?...
He who walks uprightly, and works righteousness,
and speaks the truth in his heart.”**

— Psalm 15:1-2 (NKJV)

- Preserving transparency in decision-making processes.
- Disclosing and mitigating conflicts of interest.
- Realizing my own weaknesses and limitations.



Integrity, when applied to humans, refers to the moral quality of a person's character. When the term is applied to objects, it refers to the completeness, wholeness, and uncorrupted purity of a thing. These meanings indicate what is meant when integrity is used to describe human character.

Integrity is the alignment of observable behavior with internal controlling purposes which may be temporarily invisible. It is possible for observable behavior to obscure a person's real intentions. However, over the course of time the invisibility of internal purposes becomes evident through observable behavior.⁵ After all, a crooked stick casts a crooked shadow.

Far too often news headlines these days describe the moral downfall of persons who have hitherto carried enormous responsibility and enjoyed public trust. And then to everyone's amazement the corroded inner life of such a leader is exposed — through perhaps an act of financial fraud, failure to tell the truth in a moment of crisis, unfaithfulness to a spouse, or the cancerous effects of nurturing a secret sin.

Leaders of religious organizations are not immune to public failure. The environment of power and the accolades of colleagues can easily blind a person to the risks that accompany position and public visibility. It requires the inner life to anchor

⁵ See Proverbs 10:9 ESV: "Whoever walks in integrity walks securely, but he who makes his ways crooked will be found out."

the public life. Jesus spoke in graphic terms about the possible contrast between the outer and the inner life. The outside of cup and platter may be so clean as to glisten in the sun but the inside is full of corruption and excess. Religious leaders might be as attractive as newly-painted tombstones in a well-manicured cemetery but the inviting exterior only hides inner decay.⁶ This is the tragedy of leaders failing to recognize the importance of the inner life and its role in integrity.

On another occasion Jesus spoke about the influence of one's life:

*"On the last day, that great day of the feast, Jesus stood and cried out, saying, 'If anyone thirsts, let him come to Me and drink. He who believes in Me, as the Scripture has said, out of his heart will flow rivers of living water.'"*⁷

What Jesus is saying is that if you want your life to be influential the first thing is to make sure it is connected to the right source. Perhaps the leadership principle that is most important for spiritual leaders is that "when you guard your secret life with God, your public life will take care of itself." Jesus assures us that if we are connected to Him, the visible effect of our lives, however small, will be a blessing to the world.

⁶ See Matthew 23:13-28

⁷ John 7:37, 38 NKJV

How then do we attend to the inner life, the character-building work that is so essential to integrity in public leadership? It happens primarily in what we do with our quiet time — those moments of the day that are reserved for feeding and focusing the mind. Those periods in private when we wrestle with huge questions: What kind of person do I want to be? For what purpose am I living? To whom do I turn for mentoring? What are the values by which I live?

Ellen G. White cautioned and encouraged leaders that:

*“It is not the capabilities you now possess or ever will have that will give you success. It is that which the Lord can do for you. He longs to give you understanding in temporal as well as in spiritual matters. He can sharpen the intellect. He can give tact and skill. Put your talents into the work, ask God for wisdom, and it will be given you.”*⁸

Building the inner life is the most important work that any leader can do. Placing oneself in the presence of God, listening to His Word and seeking His counsel will bring stability and strength to a leader’s life.

*“The meek will he guide in judgment: and the meek will he teach his way.”*⁹

⁸ Ellen G. White, *Christ’s Object Lessons*, p. 146

⁹ Psalm 25:9 KJV

Society depends for its success on citizens of character but it can do little to create them. Humanity’s deepest motivations, its strongest virtues and blackest vices, escape the control of government — any government! The greatest danger confronting society today is from individuals who can employ technology for widespread effects while they reject the moral value structure that necessarily needs to accompany the use of power.

Two of the most-observed behaviors relating to integrity in a leader’s life are how he or she deals with conflicts of interest and how he or she handles the communication of difficult or sensitive information. A leader must recognize that perceived conflicts of interest are as important as real conflicts of interest. The ethical leader will be ever sensitive to the potential for conflict of interest and will take appropriate steps to prevent its operation.

Leaders are seen to have integrity when they communicate with objectivity and fairness about their own actions or those of others. Admitting mistakes, acknowledging that one does not have all the answers, sharing the bad news along with the good and keeping commitments — such are the behaviors of ethical leadership. Psalm 15 describes the kind of person who can stand in the presence of God. One of the characteristics is that he “swears to his own hurt and does not change.”¹⁰

¹⁰ Psalm 15:4 NKJV



I demonstrate trust by:

- Doing the right thing because it is right.
- Choosing not to exploit the weakness of another.
 - Admitting errors and weaknesses.
 - Making principle-based decisions in moments of crisis.

Trust

“But in all things we commend ourselves as ministers of God.”

— 2 Corinthians 6:4 (NKJV)

- Setting reasonable objectives and goals.
- Complying with organizational policies.
 - Extending trust to others.
- Knowing how/when to maintain confidentiality.



The development of trust towards someone in leadership finds its base in the interplay of moral character and competence. Leaders with upright character (i.e. a reputation for moral excellence) but who lack competence do not inspire trust. Similarly, those with unquestionable competence but with questionable character will not be regarded as trustworthy. Character and competence teamed together create a solid foundation for the growth of trust. Stephen M. R. Covey writes about the loss and restoration of trust in leadership:

“Generally, the quickest way to decrease trust is to violate a behavior of character. The quickest way to build trust is to demonstrate a behavior of competence.”¹¹

There are two kinds of trust to keep in mind. The first is personal trust. In other words, “Am I a trustworthy person?” Questions of interpersonal trust are as old as human community. Jacob cheated his brother Esau. Laban cheated his nephew Jacob. Jacob’s sons lied to him. Critics of the apostle Paul insinuated doubts about his honesty and integrity. Paul responded with a statement about the authenticity of his life.

“...we have renounced secret and shameful ways; we do not use deception, nor do we distort the word of God. On the contrary, by setting forth the truth plainly we commend ourselves to every man’s conscience in the sight of God.”¹²

¹¹ Stephen M. R. Covey, *The Speed of Trust*, Free Press, p. 133


¹² 2 Corinthians 4:1, 2 NIV

For Paul, the complexities of ethical and moral decision-making were governed by the overwhelming awareness that he was called by God. Through God's mercy he had been given a work to do. This conviction became his central reference point. Thus the disciplinary code for his life is an internal one, not the result of external rules, guidelines, policies, audits or supervision. The realization that his ministry comes by the grace of God compels him to live a life that builds trust.

One of the most challenging issues in building trust is to have the wisdom and courage to maintain confidentiality when it is needed. Even though transparency is appropriately lauded as a necessary leadership characteristic there are situations in which confidentiality is the better part of wisdom. Possessing restricted information can be viewed as having power. This may result in an almost irresistible urge to disclose it just for the sake of demonstrating an advantage over others.

The two concepts — transparency and confidentiality — are not opposites, nor are they in conflict with each other. Transparency pertains to one's motives and intentions. Confidentiality pertains to how we deal with sensitive information about others. No leader should create the expectation that all information will always be placed in the public forum. The best interest of the organization and of individuals, at times, calls for careful and wise judgment as to what information needs to be kept confidential.

The second kind of trust is organizational trust, the firm conviction that an organization's purposes are valid and its operations will be consistent with its policies and public statements. Besides living in a way that builds personal trust, leaders in the Church must collectively function in a manner that builds trust in the Church as an organization.


The two concepts — transparency and confidentiality — are not opposites, nor are they in conflict with each other.

This is one of the most important global leadership tasks in the Seventh-day Adventist Church. For the reality is that mistakes and failures occurring in one local church or conference can be, and usually are, communicated instantly to many other locations around the globe. An attitude of distrust focused on a particular unit of Church organization can quickly metabolize into a generalized distrust of the whole organization. This is especially true in the areas of employment practices and the management of resources.



I demonstrate respect by:

- Seeing all others as children of God.
- Speaking/acting with courtesy and good will.
- Abstaining from harassment and retaliation.
- Valuing the opinions and contributions of others.

Respect

**“Honor all people. Love the brotherhood.
Fear God. Honor the king.”
— 1 Peter 2:17 (NKJV)**

- Affirming dignity, diversity, individuality and giftedness.
- Listening attentively when others speak.
- Acting with fairness, justice and mercy.
- Honoring the rightful roles of colleagues.



Respect involves placing genuine value on a person or a thing. It means seeing an object, someone or something, for what it is in its own right and not seeing it through the filters of my own desires, needs, or fears. Respectful leaders will see their employees as the most important assets of the organization.

Respect involves treating people with dignity, honesty, fairness and integrity. It means that an organization's leaders will be committed to creating an organizational environment which assists in attracting, developing and retaining a highly qualified, diverse and dedicated workforce. Harassment or any conduct creating an intimidating, hostile or offensive work environment will not be part of such an environment.

A culture of respect in an organization helps to create a safe and healthy workplace where employees experience and enjoy:

- **Sense of purpose:** My work is more than producing goods or services, it is one in which I can make a difference by employing my skills and training.
- **Sense of ownership:** I have a voice in how the work is done, my creativity and initiative are valued.
- **Sense of contribution:** What I do contributes into the larger mission of the organization.
- **Sense of community:** We are doing this together.
- **Sense of camaraderie:** At my job I can build worthwhile relationships.

Church leaders generally travel extensively and visit congregations and groups far removed from the activities and operations of a conference, union, division or the General Conference. Very often church members do not understand church leadership roles clearly. They can easily expect that a representative from one of these church offices is really at the very center of things and therefore should know about everything that is going on and is an authoritative source for knowledge on virtually any topic.



When asked to comment on matters that really belong to the role of another colleague it is an act of wisdom and respect to acknowledge the limitation of one's understanding and to defer to others.



A leader must be sensitive to this tendency and exercise caution lest he/she, in expressing personal viewpoints and speaking from limited information, give the impression of speaking authoritatively for the Church. Many a problem is created by individuals who speak beyond the scope of their knowledge and role. No leader knows everything. When asked to comment on matters that really belong to the role of another colleague it is an act of wisdom and respect to acknowledge the limitation of one's understanding and to defer to others.



I demonstrate accountability by:

- Taking responsibility for my actions and behavior.
- Realizing my actions speak louder than my words.
- Making only realistic promises and commitments.
 - Keeping promises and commitments.

Accountability

“To do righteousness and justice is more acceptable to the Lord than sacrifice.”

— Proverbs 21:3 (NKJV)

- Recognizing good performance and addressing performance shortfalls fairly and openly.
- Being held accountable for my stewardship of office.
- Stating clearly my views, positions, convictions.



People have a right to expect leadership by example — a “walk” that illustrates the “talk.” Setting a good example involves being accountable; to God, to the Church and to one’s employing organization. The apostle Paul urged the Thessalonians to:

“Walk worthy of God who calls you into His own kingdom and glory.”¹³

To the Colossians he appealed:

“Whatever you do in word or deed, do all in the name of the Lord Jesus, giving thanks to God the Father through Him.”¹⁴

Paul was often the focus of unjust criticism. In light of this he describes his own sense of accountability:

“We live in such a way that no one will stumble because of us, and no one will find fault with our ministry. In everything we do, we show that we are true ministers of God.”¹⁵

Although “example is the most powerful rhetoric,”¹⁶ accountability goes beyond being a good example. It means being realistic in making promises — and then keeping them. It means respecting and protecting assets of the organization, including physical and intellectual property. It involves appropriate use of resources with due consideration for effectiveness, efficiency,

¹³ 1 Thessalonians 2:12 NKJV

¹⁴ Colossians 3:17 NKJV

¹⁵ 2 Corinthians 6:3 NLT

¹⁶ Thomas Benton Brooks (1608-1680)

the greatest need in furthering mission and for reduction of waste.

Being accountable also means that a leader respects and abides by the policies of the organization, supports and advances the mission of the organization and always makes decisions or judgments on the basis of what is best for the organization as a whole. People are called to lead within a specific context and framework of structure. It is required that they be loyal to the organization and its purposes. This does not mean that there is no room for creativity, initiative, the questioning of long-held assumptions or policies, and experimentation with new ideas. Trailblazers and pioneers perform valued service to any organization provided they embrace their own accountability, seek counsel and demonstrate loyalty.

Besides taking responsibility for their own actions, leaders must also learn how to hold others accountable. Performance expectations must be reasonable, clear and understood. Good performance needs to be recognized and performance shortfalls addressed quickly and fairly.

Accountability in leadership also involves each leader being answerable to his/her employing entity and to the systems and processes of the Church as a whole. It is a principle within Seventh-day Adventist structure that everyone entrusted with leadership is under obligation for satisfactory performance and stewardship of office. Performance can be, and should be,

periodically assessed by the board, executive committee or constituency that made the appointment or the individuals/group to whom a leader is to report.

The processes through which a leader is held accountable need to be carefully defined and conducted by competent individuals/groups that are free from conflicts of interest. Addressing leadership performance, especially when this involves dealing with mistakes or inadequacies, can result in very sensitive and tension-laden situations. However, delay in attending to leadership performance issues complicates rather than resolves them.

Leaders who demonstrate accountability will speak with clarity about their views, positions, and convictions. Under the strong temptation to curry favor with everyone, a leader may give room for widely varying interpretations about his/her viewpoint on sensitive matters. This allows people to arrive at unwarranted expectations and when things don't turn out as expected there is disappointment and distrust. Leaders need to express their convictions without leaving others in confusion or doubt. But at the same time, they need to be open to seeing other viewpoints and employing dialog and reason to resolve differences. Differences in viewpoints and perspectives can actually lead to better decision-making if handled well.



I demonstrate collaboration by:

- Empowering others and affirming their skill sets.
- Sharing information that is timely and accurate.
- Valuing the skills, innovation and creativity of others.

Collaboration

“Let nothing be done through selfish ambition or conceit...let each esteem others...”

— Philippians 2:3 (NKJV)

- Maintaining an enjoyable workplace atmosphere.
- Encouraging teamwork: everyone is needed, adds value, and helps to accomplish mission.
- Working with others in the global Church organization — pulling together not apart.



Certainly within the Seventh-day Adventist Church any leader who believes that he/she is at the center with everything else revolving around him/her is headed for failure. Whatever leadership role one has is intricately connected to many other roles filled by other people. Effective leadership requires a team consciousness, not a celebrity mentality.

“Let not one man feel that his gift alone is sufficient for the work of God; that he alone can carry through a series of meetings, and give perfection to the work. His methods may be good, and yet varied gifts are essential; one man’s mind is not to mold and fashion the work according to his special ideas. Cooperation and unity are essential to a harmonious whole, each laborer doing his God-given work, filling his appropriate position, and supplying the deficiency of another. One worker left to labor alone is in danger of thinking that his talent is sufficient to make a complete whole.”¹⁷

Leadership in an organization invariably requires the talents and skills of more than one individual. The “information age” and the potential for people at every level in an organization to become specialists in a limited realm of information make it possible for leaders to appear at every level of organization. Further, the increasing volume of information makes it necessary for individuals to become interdependent since no one can possibly know it all.

¹⁷ Ellen G. White, *Evangelism*, p. 104

The challenge of teamwork is to create a partnership that is complementary, productive, effective and satisfying. Self-centered people cannot function well in a team. On a team not every person needs to know everything. There are specialized roles that may be less visible than others. It is a sign of maturity in teamwork when a person can say, "This matter is best handled by _____ who has responsibility for that area of information."

A person with team consciousness recognizes that:

- **Every position is necessary**
- **Each position has a specialized function**
- **Each participant must know the rules and procedures**
- **Team members must be in constant communication**
- **Each team member does his/her best when there is mutual support and cooperation.**

Paul, in 1 Corinthians 12, compares the Church, composed of many members, with a body and its many parts. Eugene Peterson's translation, *The Message*, captures important insights for all leaders:

"I want you to think about how all this makes you more significant, not less. A body isn't just a single part blown up into something huge. It's all the different-but-similar parts arranged and functioning together... But I also want you to think about

*how this keeps your significance from getting blown up into self-importance. For no matter how significant you are it is only because of what you are a part of. An enormous eye or a gigantic hand wouldn't be a body, but a monster."*¹⁸

This analogy of the body representing a foundational pattern for relationships among Church members also has significant implications for relationships among Church entities. A primary value for Seventh-day Adventists is the idea of oneness or unity. The Church strives to maintain a global identity and a global witness. The history of organizational development reveals an underlying conviction that "together we can do more."

Seventh-day Adventist Church polity is neither congregational nor hierarchical. It is built on the concept of interdependence — every piece of organization needs every other piece in order to function effectively. Strong inter-organizational linkages must be maintained even amidst a variety of pressures that would tend towards independence.

Two competing dynamics are at work in every growing organization — centralization and decentralization. In Seventh-day Adventist Church development the purpose of centralization is more for coordination than for control. The purpose of decentralization is more for responsiveness

¹⁸ Eugene Peterson, *The Message*, excerpts from 1 Corinthians 12

to mission in local situations than for independence. These distinctions merit remembrance.

It is at this juncture, preserving inter-organizational ties and relationships, that the principle of collaboration faces its most challenging test. A leader is expected to promote teamwork (collaboration) among employees within the entity he/she leads. The task of leadership also requires the leader to ensure that the organization being lead fulfils its rightful and expected role within the global structure of the Church. This means that boundaries are respected and roles and relationships affirmed and strengthened. No part of the Church can exist on its own, nor can any part act as if it exists only for itself.

Change is constant however. Neither the Church nor its environment remains static. Wise and discerning leaders will ever be alert to anticipating change and/or recognizing the need for it. Their response will be designed in a manner that contributes to the strength and health of the whole church and its engagement in mission. The processes for handling change — negotiation, give-and-take, teach and learn, experiment and revise; will all have their rightful place and will yield their best fruits in a collaborative rather than confrontational environment.



I demonstrate excellence by:

- Striving for consistency in high quality outcomes from my work.
- Exhibiting a commitment to learning along with mastering my skill set or field of knowledge.

Excellence

“Do your best to present yourself to God as one approved by him...”

— 2 Timothy 2:15 (NRSV)

- Meeting/exceeding minimum standards.
- Remaining steady when under pressure.
- Conducting my life in a way that honors God.
- Mentoring/encouraging/developing others for leadership roles.



The motivation for Christian excellence stems not from rivalry with colleagues or competitors but from the realization that this is how God works — everything He does is characterized by excellence. Demonstrating professionalism is another way in which to think of excellence. However, one must be conscious of the subtle temptation to focus on the symbols of professionalism rather than its substance.

Professionalism, for a Christian, is valued as a trait of character rather than a tool of career advancement. It is the collective interplay of competency, conduct and a consistent level of excellence in performance that yields high quality outcomes.

Excellence in a leader is demonstrated by an unwavering commitment to continued growth — professionally with respect to the responsibilities borne; relationally with respect to understanding and interacting with the diversity of persons, groups and viewpoints; intellectually with respect to embracing an ever-enlarging grasp of the vast sum of knowledge; and spiritually with respect to deepening one's understanding of and walk with God.

A leader's attitude towards excellence has an enormous influence on the culture of an organization. It can be argued that the most important things leaders do within an organization is to create and manage culture.¹⁹ People who

¹⁹ See Edgar H. Shein, *Organizational Culture and Leadership*

demonstrate a commitment to excellence, to a discipline of continuous improvement, to doing the best they can, even when the work is hard or unnoticed, will have a lasting and uplifting influence on their colleagues.

A commitment to excellence is more than focusing on the competency, conduct, reliability and consistency of one's performance in leadership. In fact, it is best demonstrated when the focus and purpose is for achievements outside of self. The best leaders are not the ones who are advancing their own interests; instead, they work for the advancement of the organization and its mission — and largely lose sight of themselves in the process.

It is a leader's ability to forget self that is often the mark of distinction. Therefore, a leader committed to excellence will invest heavily in the mentoring, training and development of others. The Bible contains many illustrations of mentoring and the beneficial and lasting results that it brings. Think of Naomi and Ruth, Barnabas and John Mark, Paul and Timothy, Jesus and His disciples. Working to improve the skill level and knowledge of others should never be viewed as a threat to oneself. Instead, it is a badge of merit.



CONCLUSION

Every leader operates, consciously or unconsciously, according to a code of conduct. The natural human tendency is to act out of self-interest and self-preservation. The call to function in a role of leadership assumes that one will be able to live and act above the level of self-centeredness. Developing, adopting and committing to a code of conduct are important steps in building a foundation that sustains a career in servant leadership.





Thought Paper:

**THOUGHT PAPER:
Transparent
LEADERSHIP**

Leadership



Transparent Leadership

G.T. Ng, PhD, Secretary

General Conference of Seventh-day Adventists

Transparency is a central issue in business, governance, media, and politics today. In a fast moving digital world where information is readily available, transparency has become inevitable. There is a growing sense among the populace that the government is hiding something from them. Workers suspect that management is not telling them everything they need to know about their companies. In recent years there seems to be a groundswell of opinions demanding a culture of candor in organizations.

The word transparency implies light shining through unimpeded. Its etymological root dates back to Medieval Latin *transparere*, which means "shining through." To be transparent suggests allowing light to pass through with little or no distortion so that objects on the other side can be clearly seen. Hence transparency denotes openness and a clear image. What you see is what you get (WYSIWYG), to borrow computer parlance.

Transparency also implies no cover-up. In ancient times, when potters made jars or other types of pottery, they would place them outside in the sun to harden. In many cases, this would

cause tiny cracks barely visible to the naked eye to appear. In an attempt to cover the defects and still sell the faulty pottery, they would rub wax on the jar which would cause it to appear smooth and without cracks. Hence, transparency has come to mean no wax applied to defects. When one is transparent, there is no attempt to lie or cover up. It is the absence of pretense and deceit.

The Bible showcases transparency in the lives of individuals. The heroes of faith are not presented larger than life. They are men and women subject to like passions together with their strengths and weaknesses (Jas. 5:17). Abraham is not only portrayed as a friend of God, but also as a liar who jeopardized his wife's virtue. The Apostle Paul modeled transparency before the people he taught:

"We do not want you to be unaware, brethren, of our affliction which came to us in Asia, that we were burdened excessively, beyond our strength, so that we despaired even of life....We had the sentence of death within ourselves in order that we should not trust in ourselves, but in God who raised the dead. He will yet deliver us, you also joining in helping us through your prayers."

Paul shared freely about his past and his sense of unworthiness (1 Cor. 15:9; Eph. 3:8; 1 Tim. 1:15). He was not afraid to allow others to see him as he was.

1 (2 Corinthians 1:8-11)

In the contemporary world, transparency is a popular concept that is applied to business, government, boards and senior executives. In applying this concept, accountability is expected from those who receive our taxes, those who receive contributions to projects and programs and those who receive loans for business purposes. This accountability guards against resources being diverted to personal bank accounts or otherwise being misused in fraudulent activities.

However, transparency is more than a financial matter. Transparency shows up in more professions than we realize. To those engaged in elections, political leadership is expected to demonstrate fair voting without bribery or coercion. To those in the teaching profession, transparency means having a fair grading system without being overly generous to favorite students and unduly critical of students who have had disciplinary problems.

Transparency is critically important to leadership success. What does it mean, then, to be transparent in non-financial situations within the church setting?

1. Transparency means practicing transparency in addition to believing it.

Transparency is more than a lofty concept or a mere corporate value. To benefit from it, transparency has to be translated into

reality. Claiming to be transparent is very different from being transparent. Leaders must set the example by practicing candor and openness. Words and deeds must tally; being and doing should synchronize. There is to be no credibility gap.

New York City Mayor Michael Bloomberg believes in transparency being the core of ethical behavior. He eschews a private office in favor of working among his aides in a “see-through city hall” with windows in the meeting rooms so that the public can literally watch the city’s business being conducted. Bloomberg may be described as the See-Through CEO.

Transparency is by no means automatic. Openness happens when leaders insist on it and practice it. Leaders must create a corporate culture where openness is valued and rewarded.

2. Transparency means playing by the rules.

Transparent leaders operate their organizations in a manner consistent with the policy and mission of the church. Policy and procedure are not meant to restrict but to protect individuals and organizations. Rules are there for a purpose and playing by the rules means adhering to existing governing policies with the purpose of compliance rather than of finding loopholes.

Some leaders loathe playing by the rules because they perceive rules to be inflexible and they like the autonomy of doing what they please at their discretion. Policies are servants, not slaves. Policies are intended to serve as administrative

Leaders must create a corporate culture where openness is valued and rewarded.

guidelines rather than ironclad statutes. They are subject to review and change by the collective wisdom of the governing board or committee to enhance efficiency but not to justify willful infraction of the rules. Until policies are revised, leaders are expected to abide by them.

3. Transparency means the same rules apply to all.

Rules are no respecters of persons. Everyone is treated in the same way without being influenced by their importance or rank. Hence policy matters are applied impartially across the board.

No leader should be allowed to become a law unto himself. He must work within the confines of the terms of reference as voted by the governing board or committee. The same standard of scrutiny should apply to workers and leaders alike. A leader's expense report, for example, should have the same approval process as others. One of the perceived "privileges" of leadership is the tendency to get automatic approval for behavior that would otherwise be questioned in subsidiary organizations. Misconduct is misconduct irrespective of one's ranking in the organization. Leaders should never be favored with double standards.

The egalitarian application of rules is especially critical to leaders. Leaders are frequently subject to intense public scrutiny and should avoid situations where they appear to have inappropriately benefited from their positions of authority. To be a

transparent leader means refraining from making shady back room deals. It means resisting the temptation to break the rules or to invent new rules to profit from them. It means refusal to accept perks for themselves which they cannot give to others.



No leader should be allowed to become a law unto himself. He must work within the confines of the terms of reference as voted by the governing board or committee.



Transparent leadership does not give special treatment to individuals or groups of individuals on ethnic or linguistic grounds. Decisions are not based on political expediency. There is no favoritism in employment or promotion opportunities. There is coherence between committee actions and implementation of those actions.

Every organization has its hierarchy. It is not uncommon to see a caste system in organizational hierarchies in which a few are identified as stars who are rewarded and given privileges because they know how to please their revered leader. The rest of the workers are consigned to the heap of mediocrities who are supposed to simply work hard and keep their mouths shut. This elitist system is sometimes called the "Golden Boy" syndrome. Only the top ranking officers anointed by the leader

are consulted and their voices heard. Transparent leadership, however, does not tolerate preferential treatment of privileged groups. It has the responsibility of taking down the exclusive club mentality and ensuring that all are treated on the same basis.

4. Transparency implies responsibilities.

Both leaders and followers have the responsibility of ensuring that transparency becomes a way of life in the organization. Members of committees should be trained to not shy away from asking relevant questions. For example, should a board approve a leader's request without asking questions? Is the board constituted to rubber-stamp unusual purchases outside of policy?

In the face of questionable transactions, should workers watching from the sidelines keep mum, or should they speak up? Do they have the responsibility of becoming whistle-blowers when leaders fall into misconduct? Sometimes the deafening silence of workers is conspicuous. Leaders should never be treated as demigods. "Nobody dares to touch him," they will say. Sociologist Myron Slazer has studied hundreds of whistle-blowers in government and industry and found that most of them are shunned, demoted, fired or punished; and yet, a culture of candor should encourage whistle-blowers to take their responsibilities seriously.

5. Transparency connotes the sharing of information.

Transparency is about the free flow of information within an organization and between organizations. Policy matters are clearly enunciated and published. There is no attempt to conceal information vital to the health and well-being of the organization. Though complete transparency is not possible nor advisable, it is not always easy to determine how transparent one ought to be. In fact, it can be rather challenging to decide just how much information should be revealed for all to see.

In most cases, transparency means the sharing of information deemed appropriate, constructive and valuable to the organization.

When information is released without understanding the potential effects, it can become irresponsible both to the organization and to its members. It is therefore imperative to know the organizational culture and people's capacity to absorb, interpret and use information. In most cases, transparency means the sharing of information deemed appropriate, constructive and valuable to the organization. A transparent organization embraces a culture of candor rather than a culture of secrecy.

Transparent communication goes both ways. Besides disseminating information, leaders should listen to information coming from the rank and file at every level. Some leaders suffer from the problem of hubris. They believe they are wiser than all those around them. Executive narcissism is the downfall of many leaders. Leaders in such organizations suffer from what some in the Middle East call “tired ears.” They cannot imagine turning to anyone lower in the ranks for a private conversation, thinking that it might be seen as a sign of weakness on their part.

Effective leaders seek many points of view. There is truth to the maxim, “None of us is as smart as all of us.” One CEO of a bank, for example, schedules 20 days a year to meet with groups of his top 800 people, 40 at a time. He believes working in isolation in a corner office would weaken his ability to make good decisions. Thus he values candid feedback from many sources on a regular basis.

Transparent leadership avoids selective listening. It abstains from listening to certain voices and not others because they may belong to the wrong “camp.” It is not content with hearing only agreeable talk. It has the courage to address unpleasant and unpopular truths. It welcomes performance reviews on a regular basis.

6. Transparency stands for a fair election process.

Election should not be seen as a win-lose scenario. Election is a time when the church, empowered by the Holy Spirit, chooses individuals to lead the church in the foreseeable future. A transparent leader has no use for shameless campaigning and blatant lobbying in order to be elected or re-elected. He refuses to posture and scheme. He abstains from political alliances and therefore has no political debts to pay when elections are over. A leader who believes in transparency has confidence in God’s guidance and sovereignty in his life, as well as in the life of the church.

7. Transparency implies keeping promises.

When leaders match their words and actions and do what they say they will do, they gain credibility. Sometimes leaders are forced to reconsider promises and during such time transparency is even more important. Followers are more likely to accept changes when leaders explain the reasons behind the change.

8. Transparency calls for confession.

Transparency means making confession when mistakes are made. When things go wrong, transparent leadership calls for an intensive postmortem to rectify the problems. There is no desire to hush up, to put a new spin on things, or to scapegoat staff members. Confessing mistakes indicates courage, humility, and accountability.

THE PRICE OF TRANSPARENCY

1. Transparency begins with God.

God is the foundation for interpersonal and organizational transparency. In God's presence, there are no skeletons in the closet. God knows all about us and yet accepts us just as we are (Rom 5:8). Hebrews 10 says:

"Let us draw near to God with a sincere heart in full assurance of faith, having our hearts sprinkled to cleanse us from a guilty conscience and having our bodies washed with pure water."²

2. Transparency means transparency with self.

Leaders who seek to become more transparent will be forced to address their deficiencies and undesirable areas. This process of change can become painful over time. Leonardo Da Vinci said, "One can have no smaller or greater mastery than mastery of oneself." Self is the ultimate test of transparency. Explorer Sir Edmund Hillary was right when he said, "It is not the mountain we conquer but ourselves." Transparency must begin with leaders. The heart, however, is really the most difficult place to start because of our propensity to wear masks. Irish playwright Oscar Wilde said, "Man is least himself when he talks in his own person. Give him a mask, and he will tell you the truth." We are afraid to be transparent because we fear others may not like

² Hebrews 10: 22

what they see and reject us. Unbeknown to us, however, those who follow know very well that leaders are not perfect. They do not expect perfection. They simply want leaders to be real. Removing our masks is to be real.



"One can have no smaller or greater mastery than mastery of oneself." — Leonardo Da Vinci



3. Transparency brings about vulnerability.

Transparency makes leaders uncomfortable because their leadership is under scrutiny. Followers will sooner or later discover that leaders have feet of clay after all, much to the chagrin of leaders who would rather not be spotlighted. To be human is to become vulnerable. To be human is to refuse to put up the "I-Must-Always-Be-Strong-And-Right" façade.



THE PAYOFFS

A culture of transparency has huge payoffs. Foremost, transparency enhances genuine relationships with group members. It spawns deeper levels of sharing and fellowship. Employees will not feel alone or second-rate when their leaders demonstrate authentic relationships. They will then be more likely to bear each other's burdens (Galatians 6:2); comfort one another (2 Corinthians 1:4-7); encourage each other (1 Thessalonians 5:11); forgive one another (Ephesians 4:32); care for one another (1 Corinthians 12:25); and weep or rejoice with each other (Romans 12:15).



*A culture of transparency has huge payoffs.
Foremost, transparency enhances genuine
relationships with group members.*



Transparency also boosts a leader's credibility. Greater credibility engenders loyalty, commitment, and optimal performance. Organizations benefit from a more efficient process of decision-making as followers are more informed, and problems are more readily identified along the way. There is a great sense of collaboration between executive leaders, their peers, and followers.

CONCLUSION

With increasing literacy among the educated membership on church governance, the constituency demands a higher level of transparency and accountability from leaders in terms of decision-making processes, involvement, and resource allocation. An opaque leadership is a killer of confidence. As such, transparency must remain the default position of the Seventh-day Adventist Church as a spiritual community. Leadership must be committed to a "no secrets" policy that is worth striving for because it is the right thing to do.

Organizations do not always have the expertise to ensure transparency. They depend on others such as auditors, boards of directors, and increasingly journalists, to represent their interests. In a religious organization, policies alone cannot make organizations open and transparent. It takes spiritual leadership to foster a spirit of openness.





Best Practices

**BEST PRACTICES FOR
ORGANIZATIONAL GOVERNANCE**

Governance



Best Practices for Organizational Governance

Lowell C. Cooper, General Vice President
General Conference of Seventh-day Adventists

The responsibility for governance of an organization is serious business. It is also complex. Change happens, technology advances, the business context undergoes seismic shifts beyond an organization's control. A good governing board must not be caught napping.

There is no reason why the Seventh-day Adventist Church and its varied organizations cannot be the best run organization in the world. This will not happen unless very deliberate and sustained attention is given to implementing best practices for governance.

Referring to corporate boards and perhaps somewhat in jest, Peter Drucker observed that: "There is one thing all boards have in common, regardless of their legal position. They do not function."

Nevertheless, boards and executive committees¹ are an essential part of Seventh-day Adventist organizational structure. Two

¹ In this document "executive committee" does not refer to a "committee of the board." Instead, the term identifies the constituency-appointed body of individuals entrusted with governance responsibility of the organization.

governance systems are used in the Seventh-day Adventist organization — governing board and executive committee. The term “governing board” is generally used in reference to institutions such as colleges, universities, publishing houses and hospitals. The term “executive committee” is generally used when referring to ecclesiastical structures such as local conferences, unions, divisions and the General Conference.

Both governing boards and executive committees perform rather similar governance responsibilities. Both are accountable to the membership or constituency of the entity concerned. However, there are important differences in the composition of boards and executive committees.

Ecclesiastical Structures	Institutional Structures
<ul style="list-style-type: none"> ■ Governing body is “Executive Committee” 	<ul style="list-style-type: none"> ■ Governing body is “Governing Board”
<ul style="list-style-type: none"> ■ Each entity part of a chain of organizations 	<ul style="list-style-type: none"> ■ Each entity a “stand-alone” organization
<ul style="list-style-type: none"> ■ Several employees are voting members of executive committee 	<ul style="list-style-type: none"> ■ Few employees (usually 1 or 2) are voting members of board
<ul style="list-style-type: none"> ■ Executive Committee chair is internal to the entity 	<ul style="list-style-type: none"> ■ Board chair is external to the entity
<ul style="list-style-type: none"> ■ Three officers (President, Secretary, Treasurer) accountable to Executive Committee 	<ul style="list-style-type: none"> ■ One officer (CEO) directly accountable to board
<ul style="list-style-type: none"> ■ Executive Committee agenda more likely to include management items 	<ul style="list-style-type: none"> ■ Board agenda less likely to include management items
<ul style="list-style-type: none"> ■ Unincorporated status 	<ul style="list-style-type: none"> ■ Incorporated status

It is an operating principle within the Seventh-day Adventist Church that the most important decisions are made by groups not by individuals. It is also the case that groups do not automatically make good decisions. Careful attention to group composition, group responsibilities and group social dynamics is necessary in order to ensure that groups consistently make good decisions. Therefore it is essential to understand best practices if we are to expect good governance.



SEVEN BEST PRACTICES FOR GOVERNANCE

1. Consult the compass.

The compass for an organization is its statement of mission, vision and values. A mission statement defines in clear language the organization’s fundamental purpose. The vision statement defines the future or desired state of the entity. The values statement describes the culture and priorities that are to prevail.

An executive committee or board must know its core business and reason for existence. Decisions need to reflect the formative influence of mission, vision and value statements.

2. Know where the organization fits into the global Church structure.

The Seventh-day Adventist Church is a global family of members and organizations committed to collectively advancing the mission of God in the entire world. Authority and responsibility in the Seventh-day Adventist Church is not centralized in a hierarchical structure. Instead, authority and responsibility is distributed throughout Seventh-day Adventist Church structure so that all parts of the Church structure become interdependent. No part of the Church can exist on its own, nor can any part act as if it exists only for itself.

The Seventh-day Adventist view of organization is of “a representative and constituency-based system. Its authority is rooted in God and distributed to the whole people of God. It recognizes the committee system. It provides for shared administration (president, secretary, treasurer) rather than a presidential system. It recognizes a unity of entities (church, conference, union, General Conference) based on mission, purpose, and belief that binds the believers together in a universal fellowship. While the integrity of each entity is recognized (church, conference, union), each is seen to be a part of a sisterhood which cannot act without reference to the whole.”²

This view of organization provides that every entity functions within a specific territory and within a clearly understood range

² General Conference *Working Policy*, 2011–2012 edition, D 05

of authority and responsibility. It is essential for members of boards and committees to know their “territory,” to fulfill their responsibilities, to respect territorial and authority boundaries and to work in collaboration rather than in competition with other entities of Church structure.

Accordingly, executive committee and board members need to understand the entity’s place in the overall organizational structure and mission of the Church, its responsibility and authority, its constitution and bylaw provisions, and the policy framework within which it must function.

3. Get the right people on the board/executive committee.

Good people do not necessarily guarantee good governance. Moral and ethical character is essential. Along with that comes the necessity of having board members who bring the range of skills appropriate to the business/mission of the organization.

The bylaws of most denominational organizations address matters of gender and ethnic representation on boards. It is rare to find a set of bylaws that define the skill sets to be reflected in the choice of board members.

In addition to appropriate patterns of representation from the constituency and other denominational structures, today’s business climate requires effective boards to have a level of expertise in finance, law and government policy, technology,



human resources, risk management and the particular business conducted by the entity concerned.

4. Educate board members regarding their fiduciary duties.

Board members must act in the interest of the organization's owners. They function in a trustee position. They themselves do not own the organization but have been entrusted with the responsibility of governance on behalf of the owners.

Fiduciary duties have been clustered under three headings: the duty of care, the duty of loyalty, and the duty of obedience. Trustees need to know the meaning of these duties and their application to the organization in question.

5. Address the whole range of governance responsibilities.

These responsibilities include but may not be limited to:

1. Determining mission and strategic direction
2. Maintaining Seventh-day Adventist ethos and identity of the organization
3. Establishing/implementing key policies and strategies
4. Selecting, developing, and evaluating key leaders
5. Ensuring adequate financial resources
6. Enhancing the organization's reputation
7. Providing adequate risk management
8. Assessing performance against mission
9. Improving board/executive committee performance

A board cannot afford to take the view that some of the items above are less important than others. Sooner or later the one that will become most important is the one to which the board has given the least attention.

The nine responsibilities outlined above do not require the same amount of time and attention at every meeting. However, in the course of its work the executive committee or board will need to make sure that it is not leaving vital governance functions unattended for extended periods of time.

6. Create/maintain good social dynamics in the boardroom.

Good group decisions do not arise spontaneously. They are the result of deliberate design in the way meetings are conducted. An atmosphere of trust, respect and candor cannot be compromised. The boardroom must be a safe place to talk. It is everyone's responsibility to keep it that way. Assumptions need to be challenged, alternatives weighed and viewpoints tested.

Research appears to confirm that "the highest-performing companies have extremely contentious boards that regard dissent as an obligation and that treat no subject as undiscussable."³ It takes people with well-developed interpersonal skills and a healthy self-image to enable this to happen.

³ Jeffrey A. Sonnenfeld, "What Makes Great Boards Great," *Harvard Business Review*, September 2002

**Boardroom culture has several key components.
These can be summarized as follows:**

- Attitude:**
 - Commitment to excellence
 - Enthusiasm about mission
- Atmosphere:**
 - Boardroom is a safe place to talk
 - Good social dynamics (assumptions challenged, people respected)
- Attention:**
 - Effective use of time
 - Fiduciary obligations of trustees are fulfilled
- Altitude:**
 - Focus on the big picture (strategic issues)
 - Deal with governance, not management

People will talk, but not necessarily in the boardroom where it should count the most.

7. Keep both eyes open.

Trustees need to be sure they know what is going on. The agenda for the board needs to address the whole of organizational life. Think of the agenda as enabling a view through three windows: the window to the past — receiving reports of what has or has not been accomplished, the window on the present — a review of current operations and health of the entity, and a window on the future — where should the organization be going, what is likely to happen if things continue as they are, what are the key challenges and opportunities that lie ahead.

The most challenging of these three perspectives deals with the future. It is easy, and often typical, for a board to spend most of its time receiving and discussing reports about things that have already happened. Excellent governance demands that a board spend significant, if not majority, time dealing with its strategy and positioning for the future — both near and long term.

Spending appropriate time in planning is a difficult task for most executive committees. It is much easier to spend time discussing what happened in the past or rejoicing/lamenting about the present. Preparing for the future presents so many variables. It is well for trustees to remember that: “Long-range planning does not deal with future decisions. It deals with the future of present decisions.”⁴

⁴ Peter F. Drucker (1909 – 2005) U.S. management consultant and author

CONCLUSION

Good governance is intentional not accidental. It requires careful thought and commitment to systems and processes by people with a variety of skills and expertise. Undoubtedly there are additional best practices to be considered. The ones cited above are basics and failure to follow these cannot be compensated for by doing something else well.





Best Practices

**BEST PRACTICES FOR
LOCAL CHURCH LEADERSHIP**

Leadership



Best Practices for Local Church Leadership

Pardon Mwansa, General Vice President

General Conference of Seventh-day Adventists

The most effective local church pastors strive to create a church climate that fosters transparency and accountability. Several best practices are recommended for creating such an environment; to address these issues, this article is divided into five sections that address the following

topics: **(1)** General information about the role and work of a local church pastor. **(2)** Systems and processes that pastors can implement at the local church level to engender trust and confidence. **(3)** Pastoral leadership skills or styles that foster transparency and accountability. **(4)** Specific practices that pastors can establish to promote transparency and accountability at the local church level, particularly in the management of church funds. **(5)** Pastoral leadership practices for leading a local church committee to work as an effective and transparent decision-making body.

The role and work of a local church pastor.

The head of a local church is its pastor. As such, the pastor is key to the life of the local church. If the pastor provides good leadership, the church will experience growth and quality of life

in all its programs. On the other hand, if the pastor offers poor leadership, the church will suffer from lack of growth and quality of life in its programs. There are two primary ways through which the pastor influences the church. First, by the personal life of the pastor, and second, by the leadership style that is adopted at the church.

In addition to serving as head of a local church in most cases a pastor also serves as a spouse, a parent, etc., and the responsibilities demanded of those roles are added to the pastoral challenges. Fortunately, wise pastors will realize there is an army of people to mobilize into service for Jesus and they do not have to do the work alone. Thus training of local church officers may become the first and most important job, so that those who are trained may help run the affairs of the local church. This may be the key to the successful work at the local church. Failure to train responsible local church leaders may result in a pastor assuming a disproportionate amount of the work, leading to burnout and failure.

The pastor is also the link between the local church and the Seventh-day Adventist Church — the larger family to which the local church belongs. The larger church has not abandoned each congregation to run its affairs as it sees fit. There are commonalities in the way things are managed in order to maintain church unity worldwide. And it is the pastor's duty to ensure that the local church remains a Seventh-day Adventist institution in name and practice.

The pastor does this with help from the larger church, which has voted a Church Manual to guide the local church on how to operate as a worldwide member of the Seventh-day Adventist Church. It is the work of the pastor to ensure that the local church runs its operations within the counsel of the Church Manual. This is important because the Church Manual provides the governance system that is used in the Seventh-day Adventist Church to create and promote unity.

In addition to the Church Manual, the local conference may create programs or take actions at its local Conference Committee that may not be in the Church Manual, but that would affect the church. Actions voted by the Committee will not contradict the Church Manual. Again, it is the pastor's duty to ensure that the local church body is aware of such actions and is operating within the parameters of those actions. The pastor is supervised by the local conference in ensuring that the local church abides by those things that are in the Church Manual and any other practices of the Seventh-day Adventist Church.

What are some systems and processes that pastors can implement at the local church level to engender trust and confidence?

Consistency and the manner in which the pastor implements the counsel of the Church Manual can either enhance or stifle transparency. Take for example the process of conducting church elections: The Church Manual outlines that each year regular



church elections must be held to establish the appropriate church officers for that year. There have been instances where a pastor has postponed the annual elections to enable favored leaders to remain in office for as long as the pastor desired. On the other hand, some pastors who do not like their current leadership team have sometimes called for early elections and campaigned through the nominating committee for a change in leadership. Members are not blind to what takes place. As they observe such behavior in their pastor they will know that the church is not transparent in its elections processes.

Local church members will trust their pastors if they do not change the regularity of the election process when those they favor are in office. Members will also trust their pastors more if they see that they are willing to let go those they like if the nominating committee votes that they must go. Local church pastors promote transparency and accountability by respecting processes that are implemented to govern the church, whether or not the individuals serving at a particular time are people they like.

Another area in which pastors can engender transparency and encourage accountability is in the management of disciplinary issues. While disciplinary issues are not and should not be the bulk of what a pastor or a church does, there will be times when the church has to administer discipline or implement difficult changes that are for the church's benefit. How pastors

goes about doing this can either promote or hinder transparency and accountability. For example, if a pastor decides to chair the church board, (which by the way, a pastor does not have to chair all the time) it should be done in such a manner as to demonstrate that the board is making the decision and is not being coerced into a decision that is the pastor's personal preference. People are not dull. They will very quickly recognize the pastor's preferences by the comments and conduct heard and observed during the meetings. Pastors should exercise wisdom that allows them to give spiritual counsel on matters, but without taking matters into their own hands. The local church does not belong to the pastor; it belongs to God and the pastor serves as His mouthpiece.

What are some of the leadership skills or leadership styles that a pastor can apply to foster transparency and accountability?

With so many talented people in the church, the pastor does not have to do all the work at a local church. To foster more transparency and accountability, the pastor will engage more people to be involved in the work of the local church.

Jethro gave Moses advice that to this day is very applicable to all in leadership. Jethro's advice to Moses included the following elements: (1) Moses as the top leader should serve as the people's representative, (2) Moses was to select capable men from all the people, men who fear God, trustworthy men

who hate dishonest gain — and appoint them as officials over thousands, hundreds, fifties and tens. These were to serve as judges and only bring difficult cases to Moses, and (3) Moses was to engage in teaching the decrees and laws and showing people the way to live and the duties to perform.

This counsel is very important to pastors and if they apply all three elements of Jethro's advice, they will promote teamwork, trust, transparency and accountability. Let us take a closer look at the application.

First, pastors should not engage in all the duties of the church, but instead they should serve as the overall leaders who supervise or oversee the work being done by different people in different departments. Pastors should serve as consultants when things are not clear and not as the main actors in the church. I have seen, and not only on one occasion, pastors who will play music, arrange chairs, stand at the door to greet people, etc. This will just lead to exhaustion and burnout. Pastors should trust people to do their jobs. The Holy Spirit is able to help these people function well. When pastors start serving as representatives — who are not the performers all the time, but rather the coaches or the trainers who puts others to work — then their leadership style will promote trust and create accountability.

Second, pastors should, through the appropriate committees, select capable men and women to lead out in the work of the church and its departments. A pastor's competence as a

leader can be measured by the ability of the church to function effectively in the absence of pastoral leadership. The Holy Spirit qualifies people for ministry. Therefore under prayer when people are elected to lead the church as elders or department leaders, the pastor should trust the Holy Spirit to enable these men and women to perform their tasks well to the glory of God.

Third, pastors should be trainers. Many people who assume offices or are given duties at the local church may not know how to perform their duties. Pastors must train them, give them space to perform their duties, and provide the necessary support and feedback on their performance. This kind of leadership encourages shared ministry, which builds confidence and creates transparency and accountability. The larger the church, the more pastors need to learn to delegate, train and serve only as consultants on difficult matters.

What specific practices can a pastor establish to encourage transparency and accountability at a local church, particularly in the management of church funds?

The absence of adequate controls may lead to misappropriation of funds at the local church. Starting from the time money is placed in the offering plate, controls must be in place to protect those funds from being stolen. In addition, adequate controls must be implemented to prevent the misuse of funds. A local church pastor can establish, promote and exemplify these controls, which inspire confidence.

Pastors must lead by example. It is very difficult for pastors who fail to live debt free lives to teach their church or church members the value of living a debt free life. They must practice good financial management principles in the conduct of their own affairs before they can practice or enforce them at the local church.

The following are important practices that enhance transparency and accountability as related to donations made by church members:

- Church members should be encouraged to avoid giving donations to individual church leaders, especially if it is cash. Instead, church members should be encouraged to put their offerings into the offering plate.
- The process of caring for monies when they are collected should not be left to one person. At least two people must take the collected funds to the place where those funds are locked away until they are counted or to the place where they are going to be counted. It is important that two or more people participate in counting the money.
- Once the money has been counted, any loose offering (cash put in the plate as offering) must be receipted. A receipt must be issued for the total loose offering so that such an amount is recorded as having been given to the church. And then individual receipts must be issued to every person for the gifts



Photo: Courtesy of Northern Asia-Pacific Division | Adventist News Network

they have enclosed either as a church offering or whatever form of gift they have enclosed in the gift envelope.

- All received funds at the local church must then be deposited into the bank and any disbursement of those funds must be from the bank account. No money should be spent that has not been deposited into the bank. Depositing money into the bank creates a history or path by which the spent money can be accounted for properly.

- The signing of checks for payments should also be done by at least two signatures. There is transparency and accountability in having more than one person disburse funds.

- Funds that are given at a local church are either trust funds or local expense funds. Trust funds are those funds that even though collected at a local church are immediately supposed to be sent to the conference. An example of such funds is tithe. Local funds or local offerings are those funds that the local church can spend without sending to the conference. This is called local church offering. How trust funds are disbursed is the responsibility of the conference once the local church treasurer has sent such funds to the conference.

- All local church funds must be spent through a budget system and/or by action of the board. Pastors and other leaders cannot unilaterally decide how to spend those funds; decisions on how to spend those funds must be made with the consent of the local church's properly instituted bodies of authority.

The established process for determining how funds are disbursed is through a budget vote by the board and from a recommendation generally made by a finance committee.

The practices that I have highlighted above do not have to be implemented by the pastor, however the pastor is responsible for making sure that these best practices are in place and are being followed.

Trust and confidence are enhanced when all the activities highlighted above are reported periodically to the church in a business meeting. A monthly or quarterly report prepared by those responsible for managing funds, showing clearly how much trust funds and local offering were collected in a given period of time and how such funds were disbursed should be presented at the business meeting, which all church members are invited to attend. When this is done and questions are raised about the report, members build confidence in the system and are likely to trust those in leadership.

What practices can a pastor apply in leading a local church committee into an effective decision-making body whose decisions are viewed as transparent?

How a pastor administers the church board and the business meeting can promote transparency and accountability. Are the church boards held regularly and consistently? Are the business meetings held regularly and consistently? Are the

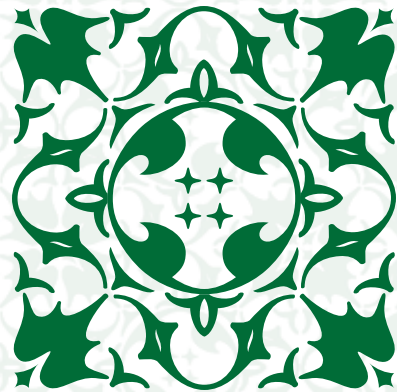
agenda items discussed openly and freely in the board as well as in the business meetings? Are the judgments of the board fair and just to all members? Does the pastor force an agenda on the members or are they allowed to weigh matters fairly and make decisions based on what they believe is the right thing to do? Does the pastor manipulate the decisions by campaigning to some members of the boards outside the board time so that what the pastor desires is voted? All these and many other questions play a key role in supporting transparency.

The processes used in making decisions play a key role in creating transparency and confidence. It is important to be open about the agenda that will be discussed at a meeting. It is important to invite all members of the board to the meeting in time. It is important to allow ample time for people to discuss items and vote on them freely — as best as they feel impressed by the spirit of God.

CONCLUSION

Transparency and accountability at a local church do not come automatically. They are created by the way in which business is conducted. The more a local pastor involves people in ministry, in decision-making, and in managing the church, the more transparency and accountability will be promoted.





Best Practices

for Financial
**BEST PRACTICES FOR
FINANCIAL ADMINISTRATION**

Administration



Best Practices for Financial Administration

Robert E. Lemon, Treasurer

General Conference of Seventh-day Adventists

Each week millions of Seventh-day Adventists around the world join each other in worshipping their Creator. They live in different locations, different cultures, and have different worship styles. However, one thing remains the same: they are all dedicated to sharing the Gospel of Jesus Christ around the world! They give their time, their energy, and their money for this singular purpose. As Church members demonstrate their faithfulness in giving, it is imperative for Church leaders to be transparent and accountable in how they report on the activities which summarizes the use of contributed resources. The Church members who give a mite or who give a million are equally entitled to proper organizational stewardship from their leaders.

When Church leaders embrace a collaborative approach to pursuing their mission-driven activities and take collective responsibility for financial results and their reporting it will inspire confidence in the integrity of Church organizations and in those entrusted with leadership. There is an expectation that every organization and its respective leaders will exercise

proper stewardship for these financial resources. In the normal course of exercising proper stewardship, an organization should regularly prepare and study financial statements based on the mission-driven activities being pursued.

Once financial statements are prepared, studied, and audited, they represent reliable information to be used in making appropriate business decisions and holding leaders accountable for their stewardship. The controlling board or executive committee of an organization needs to make appropriate risk analyses and business decisions. The constituents of an organization need to hold leaders accountable. Committees and constituents can fulfill their role of governance only when they receive regular financial reports and require leaders to respond to issues identified in audit reports.

The following seven areas are integral to achieving effective financial administration. These seven areas are further expanded and adopted as general financial working policies of the Seventh-day Adventist Church.

1. Financial Operations and Environment

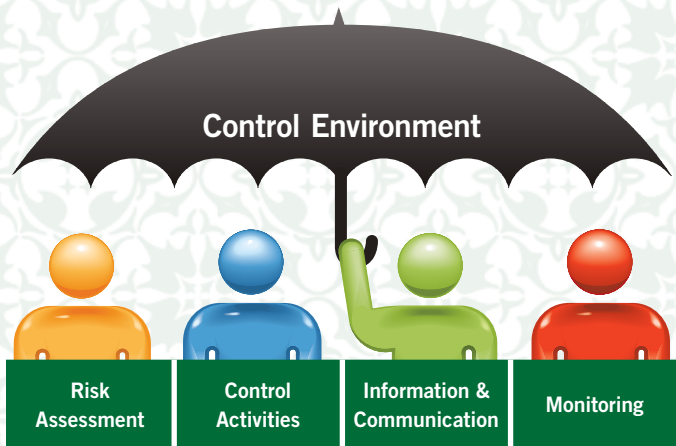
It is the responsibility of organizational leadership to manage financial matters with integrity. Every leader must model behavior that is guided by a commitment to ethics, transparency, and accountability. This behavior is critical for building confidence in the overall Church organization. To sustain this

Components of Internal Control

Internal control includes five categories of controls that management designs and implements to provide reasonable assurance that management's control objectives will be met. These are called the components of internal control and are:

1. The control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring

As the figure on the next page shows, the control environment is the umbrella for the four other components. Without an effective control environment, the other four components are unlikely to result in effective internal control, regardless of their quality.



Components	Description
Control Environment	Actions, policies and procedures that reflect the overall attitude of top management, directors and owners of an entity about internal control and its importance.
Risk Assessment	Management's identification and analysis of risks relevant to the preparation of financial statements in accordance with the applicable financial reporting framework.
Control Activities	Policies and procedures that management has established to meet its objectives for financial reporting including: adequate segregation of duties, proper authorization of transactions and activities, adequate documents and records, physical control over assets and records, and independent checks on performance.
Information & Communication	Methods used to initiate, record, process and report an entity's transactions and to maintain accountability for related assets.
Monitoring	Management's ongoing and periodic assessment of the quality of internal control performance to determine whether controls are operating as intended and are modified when needed.

Source: Auditing and Assurance Services 10th Edition; Alvin Arens | Randal Elder | Mark Beasley

confidence, open communication must take place among the employees of the organization, between management and the controlling committee, between the organization and its constituents and other stakeholders, and between the organization and higher organizations. Beyond modeling behavior, it is imperative for leaders to promote and design the most appropriate systems that will safeguard the resources which are used to support the mission of the Church.

2. Financial Planning and Budgeting Process

Each organization shall have a mission driven, broadly based consultative financial planning and budgeting process with a committee structure that can give detailed review to the ongoing financial planning and budgeting for the organization. In some cases, this may take the form of a finance committee. In other cases, the organization may be small enough that the process is handled directly by the governing body involved. If the organization's controlling committee establishes a separate committee for this purpose, the responsibilities should include reviewing budget requests and the review of the annual operating budget as well as a review of the organization's financial position as reflected in the financial statements. The approval of the budget and the review of the organization's financial statements would then be recommended to the controlling committee for action. In order to build a strong constituency, all conference/missions/fields are encouraged to prioritize mission in the budgeting process.

3. Financial Borrowing

As far as is possible, financial activities should be conducted without the use of borrowing. The preferred method for operating and/or financing capital projects is cash with a less preferred method being the use of funds from current revenue.

4. Financial Reports

In order that controlling boards, executive committees, and responsible officers may be kept fully informed concerning the operations under their control, monthly financial reports should be distributed to the members of the responsible boards and committees and to the officers of the next higher organization. These monthly financial reports showing the actual operating expenses and budgetary provision to date shall be prepared and analyzed by the organization's administrative officers who should be prepared to act by increasing income and/or decreasing expenditures as may be necessary.

5. Financial Ratios

Financial ratios are useful indicators of an organization's performance and financial situation. In order to have a basic measure of financial health, the Church has placed emphasis on comparing the actual working capital of an organization and amount of liquid assets on hand to a predetermined recommendation for various types of organizations. There are several other types of ratios that could prove useful for organizations in their process of performing financial statement analysis.

Organizations are encouraged to determine and apply any relevant ratio that would be beneficial to that process. Financial ratios can be grouped into at least four categories:

- 1. Liquidity Ratios — Provides information about an organization's ability to meet its short term financial obligation.**
- 2. Asset Turnover Ratios — Provides information on how efficiently an organization uses its assets.**
- 3. Financial Leverage Ratios — Provides information about the long-term solvency of the organization.**
- 4. Profitability Ratios — Provides information regarding the success of the organization at generating operating gains.**

6. Financial Audits

Each organization shall prepare its financial statements to be audited annually or receive some other level of service as approved by the General Conference Executive Committee. The audit process is more efficient when an organization prepares well in advance and should be considered a collaborative effort on the part of the auditor and management of the organization.

The purpose of annual financial audits, as required by General Conference Working Policy, is to provide boards, executive committees, and constituencies with a professional opinion, which enhances the credibility of the information presented in the financial statements. The audits are also used by external stakeholders such as banks, governments, creditors, funding agencies, etc. that rely on this information to make

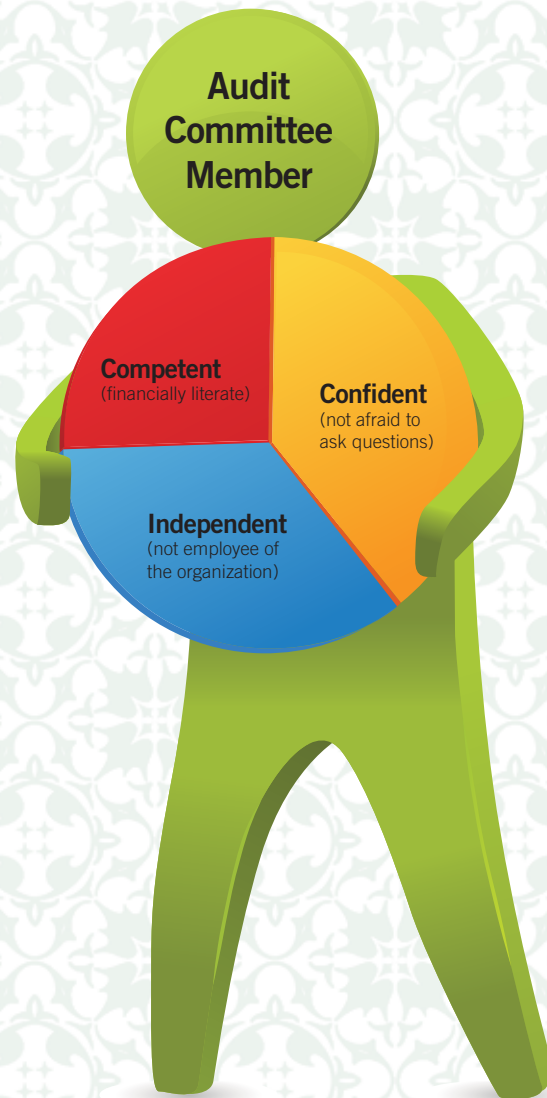
decisions. The General Conference Auditing Service (GCAS), or an approved external auditing firm, follows rigorous industry standards in order to express an opinion on the reliability of financial statements.

7. Financial Oversight Committees

The controlling committee or governing board of each organization shall establish subcommittees known as:

- **Audit Committee** — to promote transparency and full disclosure on audit matters.
- **Compensation Review Committee** — to be fully informed about compensation practices within the organization and ensure compliance with policies.
- **Financial Statement Review Committee** — to be fully informed about the financial health of subsidiary and affiliated organizations.





The right person is needed for the best results.

ROLE AND FUNCTION OF AN AUDIT COMMITTEE

The audit committee operates under the authority and charter provided by an organization's controlling board or executive committee. This charter guides the operating activities of an audit committee and places on its members the responsibility for oversight of financial reporting and identification of related control and business risks. There are three core activities which define the breadth and scope of an audit committee:

- 1. Understand the risks related to the organization and its financial reporting**
- 2. Oversee financial reporting processes for quality and reliability, including internal controls**
- 3. Oversee audit activities with the internal and/or external auditor**

An organization enhances its credibility with constituents and other stakeholders when it establishes an audit committee that is proper in composition and proficient with the requirements of its charter. There are three essential characteristics to ensure effectiveness in selecting persons to serve as members on an audit committee: competence, independence and confidence.





LET'S TALK!

Let's Talk!

The following responses were received from Church Leaders at the 2011 GC Spring Meeting and from Division Advisories where the draft of this document was presented:

“It is necessary to have open communication and encourage the hard questions. We need to make decisions based on what is best and not be intimidated against saying what needs to be said.”

“We should be deliberate in choosing skilled representation on our committees.”

“We should encourage leadership to be exposed to skills that teach people how to live within their income. Those skills can be transferred to the organization.”

“Leadership needs to set the tone. Historically, treasurers had a lot of the control. Changes have been made in how governance takes place. We need to look at how we work together. All officers need to work together to bring balance. We need to change the culture and the way we do business. We cannot assume that those who are spiritual are also ethical and moral. There needs to be proper training so changes can be made.”

“Senior leadership needs to provide principled guidance.”

As a church leader, how can I promote as well as model transparency and accountability?

What policies, practices, procedures, or structures would you recommend to support transparency and accountability in our Church organization?

"If everyone complied with and understood denominational policies, consistency would be maintained in our organizations."

"Power can corrupt. There should not be friends in board rooms. We should not be afraid to challenge each other. When God invites us into positions, these are not appointments for life. We are stewards of our positions. We must work together to maintain a balance and a focus and to hold one another accountable."

"Committee members should be given discussion items ahead of time. We should beware of unanimous decisions."

"We all have a responsibility to speak from our conscience. Do we know what the Adventist leadership culture is? We need to clarify what is in fact this culture. We should address the attitude of entitlement. The Church does not owe us. We should simplify the policy book so that people will read and understand it. Leadership orientations, coaching, and mentoring would be helpful."

"We should be dedicated to holistic stewardship. How can we operate ethically and with integrity if we do not value ethical behavior and integrity in every area of our work and beings?"

"What practices need to change? Many of the ways we work and the ways we treat each other are far more important than the financial issues. In what ways are we hindering the Lord's work?"

"Set a personal example."

"Listen to comments and observations from employees and constituents."

"Follow up with action on concerns expressed by others."

"Be willing to answer questions raised by stakeholders."

"Promote a culture that encourages voluntary dissemination of information."

"Talk about values and controls and the links between them."

"Consider a more horizontal organizational structure, especially as it relates to responsibilities and management of programs or activities."

"Ensure openness. Diminish the risk of people being afraid to talk just because of organizational structure or lack of communication channels."

“Be approachable and personable. Implement occasions for being in proximity to people.”

“Be mindful of the audience when disseminating information. Offer detailed data when appropriate, but offer concise and compressed data when appropriate.”

“Be aware that local members may perceive that actions of leaders are contrary to the desires of local members, and that local members may develop negative opinions of leaders as a result.”

“Leaders must listen to constituents and communicate the rationale for decisions that are made.”

“Train new leaders in the duties of their positions, especially when new leaders have never been in that level of position before.”

“Create and foster an atmosphere of learning and growth for leaders and members together.”

“Leaders should be willing to accept responsibility for the result of their decisions and not place blame on others or on predecessors.”

“Clarify or redefine the responsibilities of the chair for governing committees.”

“Develop and/or refine the “whistle blower” process to ensure that information and concerns are given to someone other than the immediate level of administration where concerns arose.”

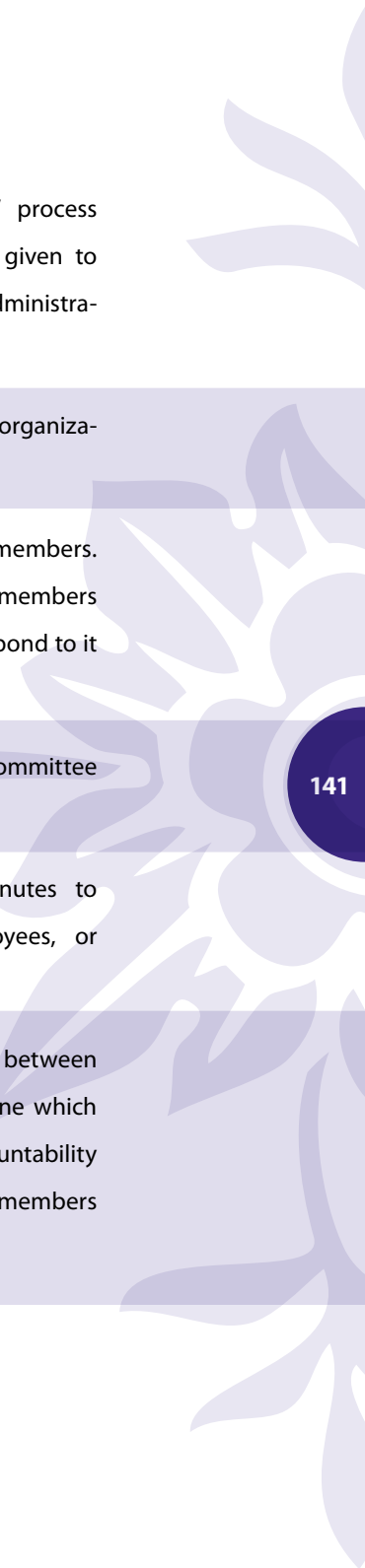
“Communicate sufficient information about organizational responses to publicized failures.”

“Look for innovative ways to train committee members. Encourage competent individuals to serve. Train members to comprehend financial information and to respond to it with appropriate decisions.”

“Develop a formal training manual for committee members.”

“Communicate summaries of committee minutes to relevant audiences, whether pastors, employees, or constituents.”

“As a denomination, acknowledge the difference between a call to ministry and a call to leadership. Define which characteristics and responsibilities involve accountability to God and which involve accountability to the members and other stakeholders.”



“Consider expanding the organization’s reporting to stakeholders. Consider adding to the financial report a summary of how the organization has met and fulfilled its mission or delivered its services. Strike a balance between emphasizing financial performance versus service delivery.”

“Acknowledge that accountability means more than only financial management, but includes mission and service delivery.”

“Enhance the standardized financial reporting model to acknowledge the contribution of support from the local level.”

“Encourage governing committees to identify their expectations of management, especially in response to financial statement matters.”

“Enhance the identification of committee and sub-committee responsibilities. Identify which groups are to be given detailed information and which groups are to be given summarized information. Prepare and present such information in meaningful ways to each respective audience.”

“Develop accountability measurements and reports for pastors, leaders, and other employees.”


“Prepare personnel evaluations for the purpose of assisting professional growth and development. Encourage follow-up action with an emphasis on growth not punishment.”

“Ensure timeliness of all financial reporting processes – accounting, summarizing, and reporting.”

“Develop guidelines for anti-fraud and anti-corruption programs. Identify what to do, who to talk to, and how to communicate concerns and findings.”

“Expand denominational guidance and/or working policies on compliance with laws and government regulations.”





*Finally, brothers and sisters, whatever is true, whatever is noble,
whatever is right, whatever is pure, whatever is lovely, whatever is admirable —
if anything is excellent or praiseworthy — think about such things.”*

Philippians 4:8 (NIV)



SEVENTH-DAY
ADVENTIST[®]
CHURCH