

## Chapter Two

# Counting the Cost

If today you will be a servant to these people and serve them and give them a favorable answer, they will always be your servants.

—*1 Kings 12:7 (NIV)*

Solomon reigned in Jerusalem over all Israel forty years. Then he rested with his fathers and was buried in the city of David his father. And Rehoboam his son succeeded him as king. . . . King Rehoboam sent out Adoniram, who was in charge of forced labor, but all Israel stoned him to death. King Rehoboam, however, managed to get into his chariot and escape to Jerusalem. So Israel has been in rebellion against the house of David to this day.

—*1 Kings 11:42, 12:19 (NIV)*

As Rehoboam learned, a botched succession can be costly. In his case, the failure to recognize that he did not instantly carry the authority of his predecessor and could not impose his leadership by fiat cost him a rebellion that would forever weaken the tribal alliance. Conquest, deportation, and poverty were the result. What Rehoboam did was change the contract between his government and his people. As we describe in Chapter Four, these contracts are constructs in organizational culture, and a sudden change can be costly.

“Nothing educates like an invoice.” Those wise words came from the young chair of a church finance committee. If the model

of Jesus is not enough to educate us toward better leadership transition, then perhaps an invoice is. Our current way of carrying out change in leadership is not only questionable from a Biblical perspective; it is also extremely expensive. Let's dive into the teeth of it. Let's talk about money.

### **Review the Invoice**

It is accepted as an industry standard that the cost of replacing a professional is roughly equivalent to the annual salary of the position. The cost of replacing a pastor is even higher. Let's take a mainline denomination as an example. Assume a church with a worship attendance of 750 persons; a budget of a million dollars or more; and a compensation package for the pastor, including benefits, of \$150,000. The common thought that a church will save money on the departing pastor's compensation package during an interim time is simply not true. Generally, all things considered, a full-time interim pastor requires and receives a higher compensation package for the interim. Though the salary may be less, the cost of relocating the interim pastor and furnishing temporary housing raises the package significantly. In addition, there are travel costs involved to maintain family connections.

On the basis of our experience, we estimate that worship attendance typically drops about 15 percent when an effective pastor leaves, since resident associate pastors or an interim pastor are rarely as strong in leading worship as the pastor who has just departed from the church. A church of 750 worshippers will drop in attendance to approximately 635 each Sunday. With the exception of printing, worship costs are generally fixed, so savings that accrue to a smaller attendance are minimal. However, the level of giving generally tracks worship attendance. A drop in giving may lag slightly as people temporarily send in their offering without attending. The church loses financial support of 15 percent or so on a million-dollar budget—approximately \$150,000 a year, or about \$200,000 in the eighteen months it takes to find a new pastor.

Once a new pastor arrives, giving does not immediately rebound and may take six months to return to its previous level. This calculates to a further loss of about \$33,000. This puts the two-year income loss at about \$233,000.

Then there are the costs of recruitment. Assume that the search committee consists of nine people. The direct cost of the recruitment effort has to cover printing, postage, travel, moving expenses, temporary lodging, and meals. A typical search committee budget might be \$30,000. Add this cost to the revenue loss, and the new total loss is \$263,000.

It is likely that the compensation package for the new pastor will be 10 percent higher than for the previous pastor. This additional \$15,000 expense for the first year pushes the total to \$278,000. Without counting the equivalent cost of the volunteer labor that has been diverted from other forms of ministry to the search process, the financial cost of a pastoral transition in a large church exceeds *twice* the annual compensation package, or 10–15 percent of the annual operating budget of the church. That's money!

Other circumstances can make poor timing on a pastoral transition a financial trauma for the church. If the transition occurs during a major debt retirement process, a shortfall in revenue can be detrimental to programs since debt payments are a fixed cost that are difficult to quickly renegotiate. Short-term cuts in program are the likely fix. If the transition occurs just prior to a major debt reduction campaign, the proceeds are likely to suffer since any successful financial campaign is usually dependent on the confidence provided by the presence and strong support of the pastor.

### **Beyond the Dollar Cost**

There are other costs—emotional and organic costs. The organizational cost and the emotional/and organic costs are now on a collision course. The departure of the leader is one thing, but now the trickle-down effect takes its toll. The collateral impact on other staff members can be substantial. It is not unusual in a large

church for the new pastor to want to select his or her own team. Staff members know this. Rather than waiting to see what the new pastor will do, staff members may take the decision into their own hands and find positions in other churches. Even though pastoral staff members may have the technical security provided by polity, the reality is that an associate pastor who does not click with the senior pastor will not be able to stay. (The time and expense of searching for and bringing new staff becomes a considerable expense when one considers the length of time on the learning curve to get up to speed at the church. This could easily be another \$50,000.) Again, the taboo against honest discussion of these issues may result in a series of surprise resignations that the governing board has no power to stem. The loss of effective staff members leaves program holes that the board is reluctant to fill until the new pastor arrives. This erodes discipleship, fellowship, and outreach ministries. These losses further affect worship attendance and financial giving, but more significantly they may have an impact on the pool of future leaders in the church. It is not unusual for a church that goes through a poor transition in the first year to have trouble recruiting leaders in the second year.

The costs mount further for the lay leaders of the church. Because no transition plan is in place, lay leaders have to create a plan at the same time they are implementing it *and* trying to manage the general issues of church board work. They can find themselves managing a cascade of issues on a crisis basis, which raises the risk of bad decisions. Attention is diverted from strategic thinking that is essential in such a transition to managing crises. Islands of health in the church are ignored as energy is diverted to putting out fires. Drops in revenue (discussed earlier) force reprioritization of budget items, a process that can further drain energy. The tyranny of the urgent consumes the precious time of leaders who ought to be involved with planning the work of transition and working that plan.

Then there is the morale cost. All these issues potentially affect morale. But our research tells us something else. Morale in

a church goes up and down with the quality of a pastor's worship leadership. Our experience tells us that when interim pastor worship leadership is generally not strong, morale drops further.

Undoubtedly, someone will object that these challenges become opportunities for the church to experience a renewal of faith and dependence on God. From that line of reasoning, it would follow that people should spend themselves into debt in order to become more dependent upon God. That's just lousy stewardship. If we are going to place ourselves in a position of dependence upon God, let's find ways of expanding the kingdom of God as opportunities for spiritual renewal rather than contraction and chaos.

In time, a new pastor arrives on the scene and finds himself or herself on the steep slope of a huge learning curve. Because systems may discourage contact between the pastor and a predecessor, critical pieces of information are not shared—the equivalent of traveling around a large city without a map. Veteran leaders know that land mines abound in any church. Without a map, some of them will be exploded. Without a map, new leaders do not know the location of wells (people who are sources of refreshment), food (people who feed the soul), banks (people who have critical resources), fire hydrants (people who can help you put out fires), schools (people who have important information for you), priests (people who will keep confidence), grapeviners (people who broadcast information), and museums (people who have the history). A person can learn the way around a large city without a map, but it takes a long time. That's a cost!

There will be many wrong turns, and failed expectations. In fact, about half of the members of the search committee (and sometimes all of them) leave the church within three years of the new pastor's arrival. That's a cost!

If the transition is handled poorly, the new pastor may become an unintentional interim and stay only a few years, and the whole search process and expense occurs again. That's a cost!

If the previous pastor retires and stays in the community without a clearly defined role and a way to be useful in the church, a

division may occur between members with conflicting loyalties. That's a cost!

If the previous pastor retires and stays in the community without a clearly defined role and a way to be useful to the church, a valuable resource may be sidelined in order to protect the new pastor's ego. That's a cost!

So, this is the invoice, or the bottom line. It is only an estimate of what can happen if the traditional model of leadership transition is followed. Clearly, the costs can be considerably different if there is sufficient advance planning for transition. Unfortunately, those who are trapped by what has always been will end up forking over the price of this invoice.

### **Good Intentions, Costly Results**

Consider this composite illustration of several churches. Candlewick Community Church was a vibrant suburban congregation with two worship services and about a thousand people in attendance. In the early 1980s, the pastor developed a unique approach to discipleship that combined spiritual discipline and physical health. The program quickly became national in scope, with extensive speaking and conference leadership responsibilities for the pastor. With the burgeoning program came the need for additional facilities, and so the church embarked on a multi-million-dollar renovation and addition.

Within two years of completion of the building, the pastor suddenly left for another call. Because the pastor had been instrumental in its vision and development, he took the discipleship program to his new church. In following this course, the pastor was adopting standard transitional procedures of creating a firewall between his tenure as pastor and that of his successor. The denominational policies of his church discouraged any bridging strategies that might have lent continuity between his ministry and what followed. He also knew that the church was in no position to carry forward the specialized ministry that

he had begun there and that now had a national market. His decision to take the ministry with him was carefully and prayerfully weighed.

Members at Candlewick were conflicted about this. On the one hand, they knew they had no capacity to keep the ministry going, let alone continue its growth. On the other hand, they felt totally unprepared to deal with all the issues left for them. At the very moment they needed to pull together, the church was divided, with no plan to move forward. Some management specialists argue that 85 percent of all employee failures are attributable to deficiencies in the system. In this case, the system worked against both the pastor and the church.

The lack of a clear bridging strategy created pain and frustration among members who now felt simultaneously saddled with a capital debt and the loss of a revenue source. A negative spiritual and emotional climate led to a hemorrhage in attendance that cascaded into a revenue loss. The predictable emphasis on stewardship at a time when surveys were showing that the number one reason people did not go to mainline churches was an overemphasis on money led to further losses that were not recouped by new members. The church ended up in the whirlpool of needing more money in the short run but finding that talking about the need for money was jeopardizing the long run.

In an effort to staunch the losses and turn the church around, members called a pastor steeped in church growth strategies. This was an abrupt change of course. Church growth strategies did not necessarily meld well with the family culture created by the predecessor, and even though the new choice of a pastor made sense strategically, it created a culture clash within the congregation that precipitated further losses.

In the five years encompassing the departure of the pastor and the first three years of the new pastor, worship attendance dropped from a thousand to fewer than two hundred, as parishioners went to other churches or dropped out of the church scene in disillusionment. Revenue dropped from nearly \$1 million to

less than \$200,000. Attendance and revenue numbers plateaued at these levels for ten years, for a total financial loss on the order of \$8 million. Other less tangible qualities such as morale, spiritual vitality, community impact, ecclesiastical leadership, and fellowship were concomitant to the financial losses.

It is important to note that in this illustration everyone followed the rules of the current transitional paradigm—the departing pastor, the church board, the regional governing body, and the arriving pastor. Unfortunately, the current church paradigm is a disaster for large churches that think of themselves as a close church family with some significant and unique ministries that are theirs alone. Standard procedures tend to mishandle or ignore these unique mission components (see Chapter Ten), which may have become central to the church’s ministry. Nor do they adequately attend to cultural issues within the congregation that may sabotage appropriate strategic objectives, and they do not foster an environment in which bridging structures can be constructed prior to the pastor’s departure. The difficulties that might have been created by constructing a transition plan five years before the pastor’s departure pale in comparison to the multiple crises experienced by a church bound by taboo.

### **Staff Retention Plan**

Because *all* staff transitions are costly, the first priority for a church that has a high-quality, high-performing staff is a staff retention plan. This is especially important given the current shortage of leadership in the church (and in society at large). Like other organizations, churches are in a highly competitive environment for talent. Keeping the good leadership you have is the first priority of a strategic plan encompassing staffing. There are seven components to a good staff retention plan:

1. A set of clear expectations defining what it means for the staff member to be successful. Without this clarity, staff members



do not know if and when they have hit a home run. Or they are subject to the capricious judgments of a committee or other staff members, which vary day by day depending on who is speaking.

2. A candid discussion regarding the staff member's career goals and needs in a working environment. A good evaluation process evaluates not only the employee but also the way the system is enhancing or hindering full performance. No system can meet all the needs of a staff member, but it can leverage resources to optimize performance, development, and satisfaction.

3. A reliable, functionally appropriate, and discriminating evaluation instrument. Some version of a 360-degree evaluation instrument, which collects data from direct reports, supervisors, and cohorts, requires a significant time investment but can be effective in giving the staff member a good multidimensional measure of his or her performance.

4. A quality coaching and training program. The staff member should have an opportunity to specify what is needed to be successful, and the wise church will offer task-appropriate training and coaching that meets mutually agreed specifications.

5. A competitive compensation package. The package should be benchmarked against regional standards for the position and reflect the performance quality of the individual. Replacement costs, which are generally high (the message of this chapter), should also be kept in mind when setting compensation level.

6. A clear commitment from the church regarding the staff position. In a pastoral transition, what will the board do? Will the trustees ask for letters of resignation from every member to be handed to the new pastor (to be activated or destroyed)? Will the board members guarantee several years of tenure? Will they provide a severance package?

7. A willingness to re-recruit high-quality staff members at a critical juncture. As we mentioned earlier, the cost of recruiting a new staff member is substantial. The board might consider a fraction of that effort in re-recruiting a good staff member as a worthy investment.

Since staff transitions are inevitable at all levels, the church needs a good transition plan at all levels as well. Obviously the most critical transition need is a succession plan delineating a transition in the pastoral position. Generating the motivation to address these issues often requires a dry-eyed local assessment of the costs of a poorly planned and therefore poorly implemented transition process. A worksheet to help with this is at the end of this chapter.

### **The Big Picture of Long-Term Cost to the Church**

Before we leave the subject of cost, it is important to be more global in our thinking, at least for a paragraph or two. As was already mentioned, the leadership crisis in the church is not merely local; it is national. By focusing only on the leadership needs of local churches, we are sowing seeds to rocky soil. We may solve our immediate leadership problem and produce a ministry that flourishes for a short time, but without the roots of transitional thinking and more global leadership bench strength in the church, no enduring fruit will be produced. The failure of churches to call forth, train, and deploy leaders to the larger church community is costly as well, yielding:

- A shortage of both executive and programmatic leadership, which decreases the quality of ministry
- Long recruitment time for new staff members, which leaves quality ministries to drift without effective leadership
- Fatigued search committees that become careless in making background checks and ensuring a good match between candidates and job requirements
- A lack of trained lay leaders who can partner effectively with church leaders at such executive-level functions as strategic planning, marketing, staff development, fundraising, fund management, and facility development

It would be an appropriate mission for larger churches today to develop high-quality, high-level leadership, not merely for themselves but for other churches beyond their own community. This gift, made to the larger church, would make transition planning in other communities more effective. It would be a mistake to envision this task primarily as one to get more people into seminary. Our experience and research tells us that seminaries, though effective at offering academic and theological rigor, are not generally equipped to develop leadership for local congregations.

Having established the spiritual and pragmatic case for a different way of thinking about leadership transitions in the church, we are now prepared to move on to a more practical consideration of how transitions can be accomplished, who the key players are, and the roles they need to play. Exhibit 2.1 was developed from our experience in working with churches to help them forecast the cost of transition.

### Exhibit 2.1.

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#### *If Your Pastor Were to Leave in Six Weeks and It Would Take Eighteen Months to Find a New One*

##### What Would It Cost?

- |       |  |
|-------|--|
| _____ | 1. Current average worship attendance                                  |
| _____ | 2. Worship attendance in six months (15 percent lower)                 |
| _____ | 3. Current average monthly financial income                            |
| _____ | 4. Average monthly financial income in six months (15 percent lower)   |
| _____ | 5. Total income lost on an annual basis                                |
| _____ | 6. New members received in the last six months                         |
| _____ | 7. New members received in the next six months (50 percent lower)      |
| _____ | 8. Search committee costs, 5 percent of general budget, up to \$30,000 |

(Continued)

**Exhibit 2.1. Continued.**

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- \_\_\_\_\_ 9. Increase in compensation package for new pastor (10 percent)
  - \_\_\_\_\_ 10. Transition costs for new pastor (housing, movers, transportation, 5 percent of general budget, up to \$30,000)
  - \_\_\_\_\_ 11. How many other staff members are at risk for resignation whom you want to keep?
  - \_\_\_\_\_ 12. Replacement cost for each pastoral or program staff person during transition (\$50,000 each)
  - \_\_\_\_\_ 13. How many leaders from the search committee will leave the church within three years? (50 percent of members)
  - \_\_\_\_\_ 14. On a scale of 1 to 10, with 10 being highest, what is the morale of your church right now?
  - \_\_\_\_\_ 15. On a scale of 1 to 10, with 10 being highest, what will be the morale of your church in six months?
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