



Legal Counsel for Churches

Corporate Governance for Churches & Their Leaders

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Church Merger is a Strategic Matter

Deciding to merge with another organization may be one of the most difficult decisions a board will face. This can be an emotional moment for a board. This is especially so for a church that is steeped in history and tradition. Here are some important considerations for churches on the issue of combining their congregations and ministries.

A church board, management and congregation may consider a merger with another church for several reasons.

First, the church may believe it does not have the scale or wherewithal to fulfill its mission. The nonprofit sector is crowded with players who share similar missions. Some communities have an abundance of churches. As the economy changes and evolves, churches are bound to compete for limited community resources. The rationing of resources can leave churches starved for fuel to grow and reach sustainable scale. When this occurs, church boards may decide that a change in direction is necessary.

Secondly, the church may suffer from financial challenges that make its future less certain. The financial success of any organization varies with the economy. The effects of populations, demographics, market disruptions and competitive forces mean the landscape continually shifts. If a

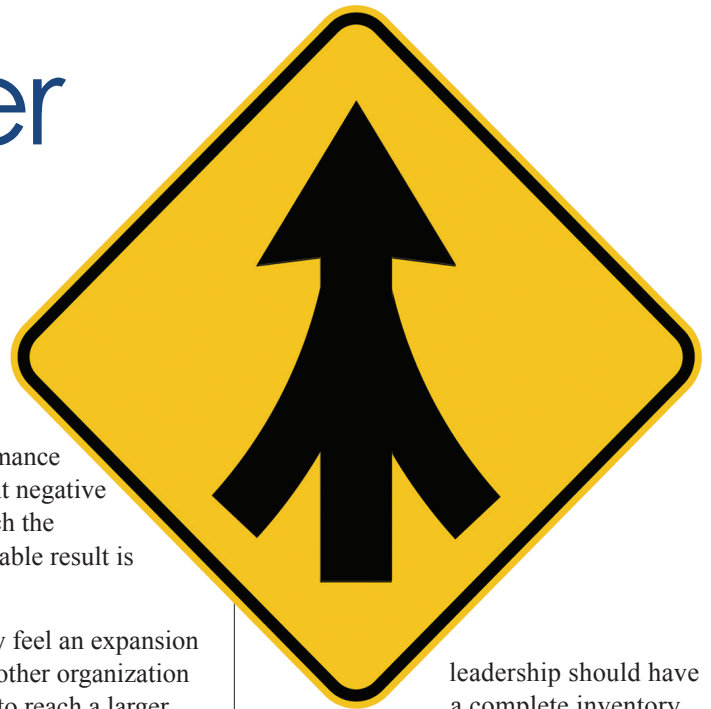
church's financial performance heads towards a persistent negative trend, the board may reach the conclusion that the inevitable result is not desirable.

Finally, the church may feel an expansion of its mission through another organization offers new opportunities to reach a larger audience. For many markets and business sectors, the size of the balance sheet matters. Scale can provide efficiency, market influence and reach. The combination of churches with complementary cultures can be beneficial for both entities.

There are benefits to a church merger. The surviving church may be stronger with more assets, volunteers and money to invest in the community. The mission of the church may get a boost to fulfill its purpose.

There can be drawbacks to a church merger. Some church members may feel a loss of identity. Church affiliation is often a strong emotional connection. The new larger church may feel less familiar. Church leaders should be mindful to be transparent and open with all communications to make everyone feel welcome.

From a governance standpoint, church leaders must exercise effective due diligence in a merger process. Asking the right questions is often the key to avoiding unexpected surprises. Each church



leadership should have a complete inventory of outstanding issues, commitments and impending risks to be resolved beforehand.

If a church board wishes to explore this option, a task force may be appointed to conduct a thorough investigation. The task force may survey several churches for likely merger allies. The task force may list the functions where gaps exist in the church and how another church could fill the needs. The goal should be to identify other churches that complement the organization and help build a more capable ministry.

The Board should consider employing the assistance of professional advisors to help guide the process. Such professionals may include legal counsel, accounting and a strategic planning facilitator. Not all professionals will be needed at the same time. Their services will likely overlap.

A church merger offers new opportunities to expand the ministry and fulfill its objectives. A successful merger can be a win-win for each church. Plan ahead to ensure the merger is successful. ■



The Moment

You realized your church policies have not been kept up-to-date.

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Church Merger Issues

This is a list of issues church management should consider in a merger transaction:

Expectations and Objectives – What do each church hope to accomplish?

Brand Management – Which church name, if either, should survive the merger?

Doctrines & Belief – Is there alignment on the two sets of beliefs?

Corporate Governance – How is each church managed and structured?

Church Culture – Is there congeniality between the two cultures?

Staff & Management – Which staff will be retained for the new church?

Balance Sheet – How will the two balance sheets be combined?

Location – Where will the new church be located?

Church Services – What are the times and frequency of church services?

Ministry & Outreach – What priorities will be placed on which ministries?

Church Leadership – Who becomes the new Pastor and subordinate leaders?

Approval – Does the board or congregation approve the merger?

Succession Planning For Churches

There is little doubt that new leadership will be needed for your church someday. One of the most important responsibilities of church governance is to ensure a successful succession process when the time comes.

When most people think about church succession planning, the focus often goes to the senior pastor. Leadership succession involves more than one person. Leadership includes the individuals who head ministries, auxiliaries, functional teams and internal departments.

Many churches rely on trained staff and volunteers to carry out their functions. These persons know your procedures and processes. They understand the church's culture and nuances of the congregation. Knowledgeable leaders have a sense of how to get things done in your church.

When a new leader is needed for a church post, the experiences of the outgoing person should be preserved. This is important to avoid repeating old mistakes.

Church leaders should understand that their fiduciary duty is not a selfish responsibility. Leadership includes the obligation of ensuring the church does not suffer when a transition occurs. This requires leaders to think beyond their tenure.

Church leaders should maintain a written record of their position descriptions, procedures and methods. The records should be kept in a central church office that is accessible to others.

A useful part of succession planning is the designation of likely successors. These are folks who have shown the potential to assume the duties of the leader. Having an heir apparent to a leader should not guarantee the person a promotion. This should mean that qualified candidates will be available when the time comes.

Education and training are vital preparations for eventual successors. Up and coming future leaders should be offered opportunities to attend workshops, classes and conferences on the applicable subject matters. When new leadership is needed, qualified successors will be able step up and deliver.

Finally, a leadership transition can happen at any time. Emergency successions may be unavoidable. However, planned successions can be handled with order and forethought.

Leadership succession will eventually happen at every church and for every position. Proper planning will help ensure your church is ready when the time comes. ■

Legal Counsel for Churches is a service provided by M Smith Law, PLLC for members of the religious community. This periodical is intended to help churches and their officials become better prepared to address important legal and governance issues. We hope you find *Legal Counsel for Churches* a valuable resource. For each issue, we try to raise relevant issues and offer some practical alternatives. We welcome your comments and input.

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