The Journal of
Biblical
Integration in Business:
Business Cases with a
Christian Worldview

Fall 2005
a publication of CBFA
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The Statement of Purpose

*The JBIB: Business Cases* serves as a refereed forum for discussing faith-learning-life links in business. The cases are drawn from real and simulated organizations in both for-profit and not-for-profit arenas. The cases are offered to encourage and equip faculty and business practitioners to share their perspectives on how to best equip college students to live out their Christian faith in the variety of workplaces the students may find themselves serving.

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Editors’ Perspectives

Introduction to *The Journal of Biblical Integration in Business: Business Cases with a Christian Worldview*

Tom A. Buckles, Issue Editor
Biola University

A miracle can be defined as an event that appears inexplicable by the laws of nature and so is held to be supernatural in origin or an act of God: One that excites admiring awe. Miracles by definition are spontaneous; they cannot be summoned, but come of themselves.

This special issue of *The JBIB: Business Cases with a Christian Worldview* has something of this “miraculous” feel to it – a spontaneous happening prompted by an unexpected coming together of God’s people. Nearly 18 months ago, Ron Galloway and Sam Dunn at Northwest Nazarene announced a case-writing workshop in February 2004, to which all CBFA business faculty were invited. It was during this workshop that one of the co-leaders, Dave Rosenthal, encouraged us to consider submitting Christian worldview business cases (with an attending teaching note) to the *Case Research Journal*, of which he is the editor.

Dave’s comment got several of us thinking about the great need for such cases and how we might promote case-writing within the CBFA membership. Part of this thinking led to the case method workshop that took place at the 2004 CBFA meeting. However, if you had asked any of us about the possibility of a special issue journal, we probably would have just smiled and said something about it being an interesting idea. After the CBFA session, however, the enthusiasm was palpable. Hence this special issue of *The JBIB*, which, after a double-blind review process of nearly 20 submissions, contains cases and vignettes encompassing such topics as accounting, entrepreneurship, human resources, marketing, and strategy.

What is particularly exciting is that this is only the beginning. At the CBFA meeting in San Diego this October there will be a one-day preconference workshop focusing on writing case teaching notes. The quality of these notes is a primary factor in deciding whether
or not to use a case, yet constructing a good teaching note is usually more difficult than writing the case itself. This preconference workshop is being taught by a successful case writer and experienced workshop leader, and the cost is only $100 (about one-third of what one would pay elsewhere).

Other exciting developments include 1) two additional special issues of *The JBIB: Business Cases with a Christian Worldview,* 2) future pre-CBFA conference case-writing workshops for the beginning and experienced case writer, and 3) an agreement with Regent University to be the case repository, allowing for Web download capability.

Another part of the “miraculous” is how quickly everything has occurred and the excitement and support people have exhibited. Evidence of this includes the fact that the special issue has come together in less than six months (from announcement to final acceptance decisions), the upcoming preconference workshop took about one month to organize, and commitments from key participants Sharon Johnson at *The JBIB* and Mike Zigarelli at Regent took one conversation each.

As mentioned above, another *The JBIB: Business Cases with a Christian Worldview* will be published next year. In addition to cases and vignettes, we are considering including industry notes. If you have any comments or suggestions, please contact me (tom.buckles@biola.edu). More details will be provided in October at CBFA, but it’s not too early to get started. I encourage you to attend the pre-CBFA conference workshop on writing case teaching notes. It will be a profitable time for both the beginning and experienced case writer.

An issue such as this is due to the efforts of many people. Without the initial idea and effort of Ron Galloway and Sam Dunn to host the case-writing workshop in 2004, none of this would have happened. Thank you for listening to the Spirit. Thanks also go to Sharon Johnson, who has agreed to publish three special issues of *The JBIB* dedicated to business cases with a Christian worldview. Of course, if it were not for the authors, there would be nothing to publish. Their efforts, especially in light of the tight time frame, were Herculean. The same is also true for the reviewers. To say thank you does not seem enough.

I am very grateful to Associate Editors Sam Dunn and Tim Redmer, with whom it has been a privilege to work. Their tireless effort, ready advice, and insights made a seemingly impossible task doable.

Finally, thanks to our Lord Jesus Christ, whose example provides a valuable window into the power of the case method. It is our prayer that this special issue will be a fragrant sacrifice, thereby honoring and glorifying His name.

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Editors’ Perspectives

Cases as Stories, Laboratories, and Parables
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The cases in this special volume of The Journal of Biblical Integration in Business have been carefully developed, edited, and presented as a service to every Christian business faculty member who has sought a case study with a Christian worldview. Each of the cases approaches its topic differently. For some cases, the Christian worldview issues are starkly clear – for others the issues are more subtle. For some cases, the issues are fundamentally ethical – for others the issues are more strategic and/or operational. For all the cases, the reader is invited to enter into both a story and laboratory.

Storytelling

Stories engage, entertain, excite, and enrich. The best business cases are at the core good stories. More than simply descriptions of an organization, a case invites students to “walk around” inside a company and encounter the people, processes, problems, and prospects that create the web of relationships of every organization.

Business cases allow students to co-write the case’s story line by extending it into the future by playing “what if.” What if the company were to pursue path “A” rather than path “B”? What if the supervisor does “X” rather than “Y”? Business cases weave past and present together with the future imagined by the student.

Laboratories

Cases are also laboratories. Students are invited to pick up the elements of the cases (ranging from first-person testimonies to financial and statistical data to industry factors) and to “test” those elements using a variety of qualitative and quantitative tools. Cases present a “research problem” for students to take things apart (analysis), to put things together (synthesis), and to rearrange and recreate the company’s future (imagination).

Laboratories permit students to investigate various phenomena in a three-dimensional way. Ideas and insights are taken off a page and placed into a multidimensional experimental context where they can be handled, measured, and better understood.

Christian worldview cases invite students also to bring their Bibles to the laboratory – examining the people and decisions described in the case through the lens of Scripture. While such an examination is not likely to result in “THE biblical answer,” students do learn that Scripture, indeed, is relevant to today’s business and economic issues.

Parables

Jesus used stories to illustrate his most important theological truths. Parables, mostly fictional stories rooted in the common experience of ordinary people of His time, helped make the invisible visible. That is, ideas about redemption, heaven, hell, living in community, righteousness, and so on were moved from the abstract to the concrete, from the theoretical to the tangible. The parables of Jesus offered portals for His listeners to enter into a common shared experience.

Cases are, in important ways, parables. Whether they are based on real or fictional organizations or real-world accounts, they present the reader with problems, possibilities, and personalities all of which must be wrestled with to create meaning. All the cases in this special edition have important moral, strategic, and operational truths to be developed and learned.

An Invitation to Engage – Three Different Paths

If you are a case user, we invite you to consider the cases in this first special edition (we plan on future editions as explained by Tom Buckles in his forwarding article). If you have not used cases before, we invite you to explore the possibilities these cases provide to deepen and enliven your courses. For both experienced and experimenting users, you will find instructions about how to obtain a set of “Teaching Notes” for each case. These notes will help you employ the cases with greater impact by indicating possible questions to raise and analytical techniques to employ, and they will offer additional insight into the industry/company context within which the case occurs.

At a different level, we would invite you to help us deepen the material for each case by providing your own perspectives or notes for
the case. Please send all such materials to Tom Buckles. Once accepted, such material will appear along with the teaching notes for the case and may appear in subsequent publications of *The Journal of Biblical Integration in Business: Business Cases with a Christian Worldview*.

And, finally, we hope these cases inspire you (and your colleagues) to write your own case stories. The Christian Business Faculty Association sponsors an annual case-writing workshop preceding the annual meeting. Contact Tom Buckles for information about these workshops where you will have the opportunity to bring rough drafts of cases and engage in a process that will help move the case forward to eventual publication.

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**JBIB**

**Case 1: Ethics, Decision-Making, and Responsibility:**
**Tough Call Knowing Someone Loses**
Donald V. Drew
Oklahoma Christian University

**Scene 1: Welcome Aboard!**

Thomas held out his hand and welcomed Mike “aboard.” After a three-month search, Thomas was certain he had found the right man for the job. He was impressed with Mike’s credentials and felt good to be able to deliver such good news to a man he knew had been out of work for six months. Although Thomas would never have placed Mike’s credentials as a committed Christian over the basic skills and experience the candidate would need to be successful in this job, Thomas was pleased to hire a man who made it clear he, too, possessed Christian values. Thomas was especially impressed with the manner in which Mike spoke openly in the interview about his love for his family and his active work as a Christian. He felt pleased that Mike felt comfortable enough to volunteer this information in the interview. Thomas already felt an affinity for Mike. Sometimes the business of defense contracting could be harsh, and it felt good to have a new employee to whom he could relate in more personal terms. No sooner had Thomas delivered the good news than he felt the façade of playing “interviewer” start to drop.

“So, tell me more about yourself since we’ll be working together,” Thomas queried. They spoke casually for about 20 minutes before John Spencer stuck his head in Thomas’ office and asked Thomas if he wanted to go to lunch. Replying affirmatively to John, Thomas turned to Mike and asked him to join them. Several others joined the group, and they all enjoyed getting to know one another better at lunch. Afterward, as they queued up to pay their lunch bill, Mike, standing in line in front of Thomas, appeared shocked that his credit card was rejected. Without missing a beat, Thomas said, “Allow me to get this,” and paid for his and Mike’s lunch. As they walked to the car, Thomas remembered that Mike had been out of work for six months, and he imagined that things might have gotten very tight financially for Mike and his family. He thought nothing else of the incident for some time.
As they approached their work site, Thomas felt more positive about the future than he had in a while. He was responsible for Alsom Defense Technologies’ (ADT’s) support operations at the federal government’s system program office, and all of his crew worked within the government’s organization on site. His government client could be a tough taskmaster, but he had developed an unusually good relationship with his government bosses/customers, and the rules for working with government employees were well-known and documented. He knew Mike would not have any trouble adjusting since Mike had more than 20 years experience in this business. Thomas felt that one of his highest responsibilities was to always conduct himself, his employees, and his business in a manner beyond reproach. When he hired, he always included this as one of his chief considerations. Thomas had spent 27 years creating a reputation as both caring and competent, and he was determined to keep it.

Scene 2: Two Months Later

Cindy Johnson looked serious when she approached Thomas. It turned out she was serious.

“I don’t know if this is a real problem or not, but Mike just tried to sell me an insurance policy,” Cindy blurted. She didn’t sound angry, just concerned.

“What do you mean by ‘an insurance policy?’” Thomas responded. “Was he telling you about some good insurance product he’s found?”

“I don’t think so,” Cindy replied. “I got the impression he’s got a business of some sort.”

Thomas was really too busy to worry about this right at the minute. He would look into it later. In the meantime, he thanked Cindy, telling her it was probably just a misunderstanding, but he would look into it.

Thomas was irritated because he knew Mike should know better than to sell anything on company time. All of the ADT crew were on billable hours to the government, and conducting personal business on government time would be the worst kind of offense, but the issue would have to wait. By the end of the day, Thomas had convinced himself that it was probably an isolated incident and that it was not likely to happen again. He had not had time to say anything to Mike that afternoon, and by the next morning the issue was forgotten. That is, until two days later.

Sara Marker had been with Thomas since they started ADT’s work with this government customer. She was reliable and well-respected, so this time, when he heard the same story Cindy had told two days earlier, he had to listen. Sara added one more item.

“I also think Mike’s hitting up some of our customers to buy his product as well,” she said. “I overheard him talking to Julie Langston about insurance.”

Thomas could tell by Sara’s tone of voice that Sara was more certain of her convictions than her words allowed. He didn’t want to believe it, but it was becoming clear that Mike was placing all their jobs in jeopardy by his misconduct. As far as Thomas could tell, Mike was a very competent worker; however, carrying on personal business while being paid to perform work for his government customer and, even worse, attempting to sell his personal insurance product to that very same customer were extremely serious breaches of ethics. Furthermore, Mike, like all ADT employees, had received initial training regarding both ADT policies and U.S. law governing contractor/government employee relations. He had signed a statement declaring he understood what was required and what was forbidden.

Thomas returned to his office to consider what needed to be done next. He thought about how Mike had been unemployed for so long and how Mike had probably turned to his “business” to make ends meet between jobs; however, his overwhelming thought was anger that Mike would do such a thing – that he would endanger his own job and those of his ADT co-workers. Most of all, Thomas was upset because he thought Mike should know better, because he expected Mike to conform to a higher standard than his actions were betraying.

That night Thomas found time to think over both Mike’s behavior and his own reaction to it. He opened his Bible to search for an answer. The first verse he thought of came from Romans 13:10 – “… for all have sinned and fall short of the glory of God ...”. Thomas remembered his own past and the many opportunities God and others had given him when he made errors in judgment. As he read on in Romans, he was struck by the sheer number of calls for Christians to love and care for one another. Thomas felt convicted of a need to respond to Mike on a higher level than simply as his boss. Still, Thomas had to reconcile a deeply felt responsibility to care for everyone under his leadership, regardless of his or her religious beliefs. He reminded himself that Sara
and several others were Christians as well. The same passages that admonished Thomas to care for Mike directed him to care for the others, too. Just before closing his Bible for the evening, Thomas’ eyes fell upon one last passage: Romans 12:8-10 – “If God has given you leadership ability, take the responsibility seriously. And if you have a gift for showing kindness to others, do it gladly. Don’t just pretend that you love others. Really love them. Hate what is wrong. Stand on the side of the good. Love each other with genuine affection, and take delight in honoring each other.” He bowed his head to pray.

First thing in the morning, Thomas decided that it would be best to call a meeting for 3 p.m. that afternoon to discuss proper protocol and ethics with all his ADT employees. That way, it would be clear to all what the rules were, and Mike would immediately see his error and take corrective action.

The meeting that afternoon was very short. Thomas explained company policy and U.S. law regarding the conduct of personal business and emphasized that conducting personal business on company time would result in immediate termination. He emphasized that if the government managers found out this was happening, they could throw all of ADT’s employees out of the building, resulting in all of them losing their jobs.

That afternoon, as Thomas walked through the parking lot to his car, he heard Mike call his name from behind. Thomas stopped and waited for Mike to catch up.

“Thomas,” Mike apologized, “I’m really sorry about that. I didn’t mean to cause any trouble. I started this business when I was out of work, and it’s a really good product. It saves folks a lot of money. But I promise I won’t sell my product at work again.”

Thomas listened quietly as Mike spoke. Mike explained more about his business, but Thomas was no longer listening. He was searching for the right response.

He replied, “I understand your need to take care of your family, Mike, but you’ve placed us all at risk and, frankly, I expected more of you. As Christians, you and I need to be above reproach. We need to look out for one another and not just ourselves. I need you to understand that what you were doing was unethical.” Mike didn’t respond.

“Look,” said Thomas, “I know we can get past this and I won’t hold this over you, but this cannot happen again.” Mike confirmed that he understood, and they parted ways, each heading to his own car.

Over the next month, Mike appeared to be a model employee. Thomas, feeling his confidence in Mike being restored, looked toward the future and decided he needed to acquire additional training for himself and Mike. The customer was willing to send Thomas and Mike to Boston for a week to receive training in new project management software their customer had purchased. Thomas made travel arrangements and, to ensure nothing fell through the cracks, he scheduled Mike to attend first and scheduled himself for two weeks later. Thomas was pleased that he and Mike would be first to receive the training, as it would further secure ADT’s position with this customer.

The time came for Mike to leave for Boston, and Thomas went over the details of what Mike must be sure to learn. So it was with great disappointment that Thomas found out upon Mike’s return that he had been unable to learn what was needed. Mike explained that the computer training system had “crashed” during the week, and they had only been able to complete about two days of training out of the four days allotted. Thomas didn’t say anything to Mike, but he determined that he would take this failing up with the contracted training organization when he traveled to Boston himself.

Scene 3: Not Again!

Boston was cool that November, but not cold. The training facility sat on the northeast corner of an intersection of two highways and was plain but quite functional. The staff seemed professional enough, and the first day was filled with about six hours of basic software instruction. During a break on Tuesday, Thomas mentioned to the instructor that he had sent Mike up for training three weeks earlier and was disappointed that they had had so much computer trouble that week. The instructor gave Thomas a quizzical look.

“Who was this you sent here, and what company do you guys work for?” he asked.

“Mike Carlin, and we work for ADT out of Dayton, Ohio,” Thomas responded.
“I’ll tell you what,” the instructor stated, “I think there’s someone you need to speak with. I’ll make arrangements for Nancy Quinlan to meet with you on our next break. She’s our director of training.”

Clearly, there was something wrong, but Thomas knew he would have to wait for the lunch break to learn what Ms. Quinlan had to say. It was only an hour, but Thomas found himself struggling to concentrate.

Nancy was waiting for Thomas just outside the training room door as he exited. “I understand Mike Carlin works for you,” she said. “I would like to talk with you in private. Can we go to my office?”

This didn’t sound good, but Thomas was compelled to answer Nancy affirmatively. He followed her through a maze of cubicles to arrive at the double cubicle she used as an office.

“Look,” she started, “maybe this isn’t my business, but I think you should know this. Mr. Carlin spent at least half his training time on the phone in the break room. Your instructor said ... I know our companies both work for the government, and I know that if I were you, I would be very concerned about this.”

Thomas was speechless. He sat in the chair as if the air had been sucked from his body. Gathering his thoughts, he thanked Nancy for her concern and assured her that he would take action. He then asked to use the phone himself.

Thomas placed a call to his vice president of operations in Dayton. The two of them had come far since their early days of establishing ADT’s operations with their Dayton clients, and the VP trusted Thomas. That made Thomas feel all the more guilty that he hadn’t informed the VP of Mike Carlin’s earlier mistakes, but he had thought he could handle it himself. After what seemed an eternity of explanations, the VP simply said, “What do you want to do?”

“I don’t know,” Thomas said, sounding defeated.

“I’ll call the human resource manager in California and get her feedback,” the VP responded. “Don’t do anything for now, and I’ll call you at your hotel room tonight.”

Thomas felt very small as he waited in his room for the call that night. The decision was tougher than he expected. He was torn between his convictions to reach out and help a fellow Christian in trouble and his duty to protect others for whom he was equally responsible. He wished that the answer would be as simple as finding the right Bible passage that would tell him what to do, but he sensed that the answer wouldn’t come that easy.

The phone call came two hours later. He had clearance to terminate Mike, but the decision would ultimately be his.

**Scene 4: Decision Time**

Thomas’ flight arrived in Dayton just before noon. He went over again and again what he would say to Mike and how he would say it. As soon as Thomas could get to his office and return a few phone calls, he summoned Mike.

Thomas stated, “Mike, I have discovered that you were conducting personal business on company time, that you did not attend much of the training the government purchased for you, and that you lied to me about the training system being ‘down.’ I warned you about such behavior previously, and I’m truly sorry you didn’t take me seriously.” Mike looked shocked. There was no more time for Thomas to mull this over; a decision had to be made.

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Case 2: Coping With Scandal: Individual Redemption and Organizational Recovery
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When Harry called, Heather was glad to hear from him. Harry, the vice president for human resources at CareED, Inc., was a long-time acquaintance. They had worked together at another nonprofit organization earlier in their careers, and Harry left to join CareED when it was a fairly young and small educational organization providing training and technical support in targeted areas of the world. At the time of the phone call, Harry had been with CareED for more than 15 years and had been instrumental in increasing the size of the staff and improving its professionalism.

CareED in the U.S. was primarily responsible for recruiting, preparing, and placing trainers in the developing world and newly industrialized countries. The organization viewed itself as a Christian entity and adopted an evangelical statement of faith. It did not call a great deal of attention to its evangelical orientation, however, believing that it could be more effective in its mission throughout the world without doing so.

In 2003, CareED had revenues of just under $14.5 million. The organization received no government grants or funding, and since 1989, it had been a member of the Evangelical Council for Financial Accountability (ECFA). CareED had approximately 83 administrative employees in its main office in the United States, with small teams in seven satellite offices within the U.S. and Canada. The staff had supported the work of between 500 and 700 trainers a year, as well as some smaller and newly created initiatives, for the last several years.

Heather was an attorney and sole practitioner. Her client load consisted primarily of nonprofit religious organizations with a few business start-ups and a real estate development company thrown in. Having provided legal counsel to CareED for almost 13 years, she knew most of the board members and the senior staff. While there had been occasional issues causing consternation for the professional, especially with regard to some employee concerns and with the international nature of the organization and the accompanying risk, their legal exposure had not been high. The most significant issue confronting the organization in recent history had been its involvement in the New Era Foundation debacle in the early 1990s. Unlike some who faced possible collapse because of their participation, CareED had had relatively limited financial involvement, and management was able to “rescue” the organization with effective outside legal assistance and involvement of their key donors. On the whole, Heather felt comfortable with the mission and management of the organization and believed that it was stable, responsible, and accountable to the appropriate constituencies.

CareED was founded by a former missionary who had a “heart” for countries where missionaries were forbidden and was visionary enough to recognize the advantages of having well-qualified trainers willing to spend time in difficult locations. Being astute enough to see that their training would be a tool that even the most inward-looking country would probably recognize as needed by some part of the population, he exerted his own persuasive gifts, passion, and finances to push the enterprise. He had the good fortune to enlist the support, financial and otherwise, of some significant Christians in the United States. He personally conducted tours for supporters, resided part-time with his family overseas to promote the work of the organization, devoted his own resources extensively to furthering its work, and currently served as CareED’s president.

His commitment and ability to attract capable and loyal staff made the organization fairly stable, although, like all nonprofit organizations, it struggled to match resources with vision. Not surprisingly, trainer turnover was high since most volunteers viewed their time overseas as a “short-term” missions experience – an opportunity to see a foreign country while “sharing” their gifts and their faith. Very few trainers stayed for a term of four years, and even fewer renewed for eight. That meant that there was always pressure on the recruiters to meet the quota of trainers needed.

The president’s friendship with wealthy individuals meant that there was a fair representation of them on the board of directors, and they served without term limits. They made up the majority of the board with the remainder of the positions held by representatives of the church and the professions. The bylaws provided that the president and executive vice president were ex officio members of the board, although it was not...
clear whether they counted toward the total number of directors comprising a variable board of between nine and 15.

When Harry called, Heather was expecting to respond to one of the more usual issues affecting the organization. Instead, Harry invited her to have lunch with him and Keith, the organization’s independent accountant and auditor, the next day if at all possible. From the tone in his voice, Heather suspected that something serious was afoot but could sense that Harry did not want to discuss it on the phone. She attended the meeting the next day, though with more curiosity than concern.

Shortly after the opening pleasantries, Harry got right to the point. “Heather,” he said, “we believe that Dave has embezzled money from the organization, and we are attempting to substantiate it and determine how much he took.” Heather was dumbfounded. She had worked more with Dave than anyone else in management. He was the COO, and like most in that position, was overworked, overweight, and stressed, but he always had a kind word for his staff and demonstrated a humorous streak and a genuine interest in others. She liked his direct but kind manner and the way he was considerate of those with whom he worked. She could be equally direct with him and not have to worry about how her advice would be received. So it was a shock on several different levels to hear the charges. She responded with a series of questions for both Harry and Keith (Keith was already working on reviewing receipts, expense reports, and financial records).

Surprisingly, the discovery had been made by an outside party. Dave had paid his son’s college tuition for the semester with a check written on the organization’s account rather than on his own. An alert bookkeeper at the university found this puzzling, called the CareED human resource department, and asked to speak to Harry. The organization made regular payments to the university for the use of training facilities and other services, and so it was not uncommon to have a check from CareEd, but she was curious why a check from the organization would be used to make tuition payments.

Once Harry had absorbed the information, he and Keith went to work. It seemed that the bookkeeper’s concern was merited, and Harry prepared to confront Dave that evening. Harry spoke with the board chair and the president (who was traveling) that afternoon, and they left the task to Harry and Keith to gather the information and then to confront Dave. The chairman of the board would join them in this task if necessary. Harry now looked to Heather for suggestions on what he should say in confronting Dave and also sought general advice on the next steps. Heather raised concerns about accountability, privacy, and proof and noted that further research would be necessary over the next several days, depending on what they would learn from Dave. All agreed that they needed to get at the truth, but they wanted to do this without assumptions and in Christian love. Heather and Harry both hoped that it was an “oversight” and that Dave had perhaps “borrowed” the amount because of an emergency, had forgotten to alert anyone, and then neglected to repay it as he should have.

These hopes turned out to be an exercise in denial. By the next day, Dave had confessed to stealing funds which went well beyond the single payment discovered by the university. When confronted, he confessed, was remorseful, expressed deep regret, and communicated a desire to make restitution. He had been unable to support the lifestyle that he and his family had become accustomed to and used the organization’s money to support these wants. He admitted to obtaining other items such as household furnishings, jewelry for his wife, and additional “minor” purchases. He thought the total was between $35,000 and $40,000. He told his wife of the theft, and she accompanied him to the meeting with Harry and Keith. Harry called Heather to let her know the details and explained that the president was on his way home and the board chairman was coming that day to have a follow-up meeting with the couple. Harry asked Heather to join them. Heather agreed and continued researching the legal issues facing the organization.

It was a difficult meeting that involved coming face-to-face with a broken and desperate man who had abused his position and been caught. Heather had mixed feelings. She was angry that he would abuse the trust of those who worked for him and their beneficiaries and use donated funds to maintain his own standard of living. But she also knew how hard he had worked, and after listening to him began to see how desperate he had become. His morals were obviously clouded by his desire to act out a role he thought society demanded of someone in his position, and now he knew that the shame and public ridicule he would be facing would only demean him more in the view of others. He was apologetic and stated at the outset that he would make full restitution—“no matter what it took.” At the same time, he was unrealistic. Dave
thought he ought to be able to stay in his position, after full confession to his staff, and that greater controls and accountability to the board would continue to make his role tenable. Heather and Harry both knew that this would probably not be possible. Dave agreed to provide a list of amounts stolen, to let the board decide his fate, and to do whatever else was asked of him. That was a relief to Heather, although she knew that what people sometimes said when they were emotionally distraught often changed in the light of day and after speaking to their own attorney.

Together they explored the following items and reached agreement on them:

1) Dave would not return to the office.
2) All files, keys, and other company property would be handed over to Harry that day.
3) Dave would acknowledge that the wording of the letter to be shared with the staff was accurate and fair.
4) Dave would meet with a financial counselor within two days to explore a strategy and methods for repayment and provide a rough plan within 48 hours of that meeting.

Heather explained to Dave the importance of demonstrating an immediate good-faith effort, the need to make restitution, and that concrete steps would need to be taken.

It was agreed that the CFO would coordinate all organizational communication with Dave, including conversations the auditor or other professionals might want to have with him. Harry was assigned to handle internal questions related to the matter and to inform the staff that they should not directly contact Dave or his family at this time.

Heather told the board’s executive committee that it was the board’s responsibility to act in the best interests of the corporation. This included exercising the appropriate level of care and making the necessary inquiries before taking action.

The next day a “crisis” team was formed to discuss how to inform the staff, trainers, and donors about the criminal implications of Dave’s behavior; his future; and the legal and financial issues for the organization. Many different approaches and possible scenarios were discussed. Some immediate steps were taken. The executive committee of the board met and decided that Dave must resign or be fired. The total for actual amounts stolen grew daily as the accountant and finance vice president investigated further. They discovered that not only had Dave used CareED’s checks, but he had also paid for personal items on the corporate credit card and had forged receipts. When confronted, Dave admitted to the additional thefts, though it was growing difficult to believe his initial remorse was genuine when he had not been forthcoming about the amounts he stole. He belatedly agreed to go through receipts and credit card statements and indicate what was for personal use.

Prior to the meeting at which Dave’s resignation was accepted, the leadership team, Heather, and a public relations/crisis management expert met to prepare responses to the various interested parties that would be seeking answers — donors, staff, and media, among others — and to outline the information that would need to be communicated. The senior managers were briefed and prepared to respond to issues as they arose, including the wide range of emotions the staff would feel and the frustration and criticisms that key donors might express upon hearing the news. They were charged with working to protect the organization legally and responding fully so that it was clear that the organization was taking decisive action.

By the end of the next week, a board representative, the president, and Heather met with Dave and his wife to discuss the decision reached by the board and to answer questions they might have about the actions of the organization. Heather explained that the board did not intend to pursue criminal charges against him at that particular point in time but that a final decision would not be made immediately. The organization was still gathering additional information which the board would need to discuss. She stated that the integrity of the organization and the board’s responsibility to retrieve any amounts stolen were the most important issues and that his ability to make restitution would be a significant factor in any decision made. She suggested that Dave retain his own legal counsel not only to understand the issues related to his termination, but also to explore his tax implications and potential criminal liability. She had learned from a criminal defense attorney that where funds are available for restitution by the embezzler or his family,
it was possible to make a case to reduce the charges significantly and perhaps resolve the matter.

The board wrestled with whether it was appropriate to file criminal charges against Dave. The statute of limitations for grand larceny was four years, and it was important that the board take the time to gather the facts before determining whether to pursue criminal charges or even to file a civil action. The board learned that if they reported the crime, the investigation and handling of the matter would be taken out of their hands and controlled by law enforcement and the district attorney. They also learned that a prison term for Dave was probable and that while restitution might help reduce his sentence, it would not affect the criminal charge itself. Finally they discovered that criminal charges are rarely pursued by nonprofit organizations against such individuals.²

The board was unwilling to concede that additional action, including the bringing of criminal charges, would not occur. It was further possible that a third party, such as the Attorney General, the Internal Revenue Service, or others, might independently decide to bring action against Dave, as well as against the organization itself. Although it was unlikely, the possibility reinforced the need for the organization to recover the stolen funds, to put in place safeguards against other potential abuses, and to overhaul the system of checks and balances within the organization.

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ENDNOTES

¹As reported in The Wall Street Journal and Christianity Today. John G. Bennett Jr., head of the Foundation for New Era Philanthropy, defrauded donors, including Laurence S. Rockefeller, William E. Simon, and charities, of $135 million by means of a pyramid scheme, promising to double the amount of a donor’s gift in six months with funds from anonymous wealthy benefactors. In reality, he used incoming donations to pay off his outstanding double-your-money pledges and diverted substantial amounts to personal use and his for-profit companies. He was sentenced to 12 years in federal prison for carrying out what many believe to be the biggest charity fraud case in American history. A charismatic individual, he was described by acquaintances as a religious man committed to the Lord and his church. Considering he owed Rockefeller and Simon $11.4 million and $6.5 million, respectively, the loss by CareED was not monumental.

²For a discussion of the types of scandals and the repercussions upon the individuals committing them, see a series of articles by Gibelman and Gelman:


Tables 1-3 are taken from these articles.
Dear ______,

A serious emergency has required my unexpected return to the United States from overseas.

Our board of directors has become aware, and our COO has admitted, that he has violated basic tenets of biblical stewardship, non-negotiable policy, and core values, as well as the trust of our donors and staff, by misappropriating CareED’s ministry assets.

As a result, the board and Dave have decided that he can no longer remain with this ministry. Dave’s letter of resignation has been accepted and is effective immediately.

This week, following a conference call with the board of directors, I spoke with Dave in person. Dave, his wife, and a CareED board member, were present. It was a redeeming time for Dave as he has asked forgiveness and is genuinely repentant.

Specifically, transitional steps are now being taken as CareED continues the search for new leadership. Dave’s predecessor here at CareED has agreed to return from retirement as an interim replacement. His competence and integrity are above reproach.

Presently, we have asked two individuals to act as our designated sources of information. They are the vice president of finance and vice president of human resources here in our national office. It will be their responsibility to gather the latest information. You can reach them at 611-6333.

Obviously this is heartbreaking for everyone, including Dave’s family. Please remember Dave, his wife, and their family as they seek counsel and support from friends. Likewise, your remembrance of CareED would be dearly appreciated as the board of directors continues to deliberate regarding the next steps to be taken.

If you have any questions which you would like to have addressed, please feel free to write me at the following e-mail address: pres@careed.org.

With thanksgiving for your service and remembrance, I am,

Sincerely and sorrowfully yours,

H.P. Smith
President
### Table 1
**Major Nonprofit Scandals in the United States (Pre-1998)**
*(Taken from Gibelman and Gelman as cited in endnotes)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Organization</th>
<th>Allegation</th>
<th>Wrongdoer</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>American Parkinson Disease Association</td>
<td>Embezzlement</td>
<td>CEO</td>
<td>Prison; Restitution</td>
</tr>
<tr>
<td>1996</td>
<td>Evangelical Lutheran Church</td>
<td>Embezzlement</td>
<td>Treasurer</td>
<td>Prison</td>
</tr>
<tr>
<td>1996</td>
<td>Episcopal Church (National)</td>
<td>Misappropriation of funds</td>
<td>Treasurer</td>
<td>Prison; Restitution</td>
</tr>
<tr>
<td>1996</td>
<td>Hellenic American Neighborhood Action Committee (HANAC)</td>
<td>Unauthorized contracting by parallel entity</td>
<td>Senior Administrator</td>
<td>Fired</td>
</tr>
<tr>
<td>1994</td>
<td>Jewish Community Center of Greater Washington</td>
<td>Embezzlement; Misuse of funds; Satellite business operations</td>
<td>CEO &amp; Three Top Aides</td>
<td>Prison; Restitution</td>
</tr>
<tr>
<td>1996</td>
<td>March of Dimes</td>
<td>Conflict of interest; Misappropriation of funds</td>
<td>Board Member</td>
<td>Resigned</td>
</tr>
<tr>
<td>1994</td>
<td>National Association for the Advancement of Colored People (NAACP)</td>
<td>Misappropriation of funds</td>
<td>CEO</td>
<td>Removal; Restitution</td>
</tr>
</tbody>
</table>


### Table 2
*(Taken from Gibelman and Gelman as cited in endnotes)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Organization</th>
<th>Allegation</th>
<th>Wrongdoer</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>Allegheny Health Education &amp; Research Foundations (PA)</td>
<td>Theft; Conspiracy</td>
<td>CEO; CFO; Board Members</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>American Cancer Society (OH)</td>
<td>Theft</td>
<td>CFO</td>
<td></td>
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<tr>
<td>1999</td>
<td>Baptist Foundation of Arizona</td>
<td>Lost investments; Fraud</td>
<td>Officers</td>
<td>Reorganization</td>
</tr>
<tr>
<td>1998-2000</td>
<td>Bishop Estate (HI)</td>
<td>Mismanagement; Conflict of interest</td>
<td>Trustees</td>
<td>Removal; Restitution</td>
</tr>
<tr>
<td>1999</td>
<td>Federation of Puerto Rican Organizations (NY)</td>
<td>Embezzlement; Money laundering</td>
<td>Executive Director &amp; Controller</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>Freeport Day Care Center (NY)</td>
<td>Misappropriation of funds</td>
<td>Director</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>Goodwill Industries (CA)</td>
<td>Systematic looting of funds</td>
<td>Director &amp; Six Co-federates</td>
<td>Suicide; Prison</td>
</tr>
<tr>
<td>1999</td>
<td>Head Start (NY)</td>
<td>Embezzlement</td>
<td>Director</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>National Baptist Convention</td>
<td>Grand theft; Racketeering</td>
<td>President</td>
<td>Prison; Restitution</td>
</tr>
<tr>
<td>2000</td>
<td>Operation Smile</td>
<td>Misappropriation of funds; Flawed recordkeeping</td>
<td>Founder/Chair</td>
<td>Change in board</td>
</tr>
<tr>
<td>2000</td>
<td>Toys for Tots</td>
<td>Theft</td>
<td>Founder/CEO</td>
<td>Prison; Fines</td>
</tr>
</tbody>
</table>

Sources: Abelson, 2000; Billitter, 1998; Bragg, 1999; Fried, 1999; Greene, 1998, 1999a, 1999b, 2000; Lipman, 2000; Pear, 1999; Smith, 1999; Staff, 1999a; Staff, 2000a; Staff, 2000b; Weiser, 1999.
### Table 3
(Taken from Gibelman and Gelman as cited in endnotes)

<table>
<thead>
<tr>
<th>Year</th>
<th>Organization</th>
<th>Allegation</th>
<th>Wrongdoer</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>United Way of the National Capital Area (DC)</td>
<td>Defrauded organization of $1.6 million</td>
<td>Oral Sauer, CEO</td>
<td>Plead guilty; Restitution; Fine; Imprisonment</td>
</tr>
<tr>
<td>2002</td>
<td>Hale House (NY)</td>
<td>Larceny and forgery involving $1 million</td>
<td>Lorraine Hale and Husband (CEO &amp; CFO)</td>
<td>Removal from office; 72-count indictment</td>
</tr>
<tr>
<td>2002</td>
<td>United Way of the National Capital Area (DC)</td>
<td>Misstating revenues; Questionable overhead and credit card charges</td>
<td>Norman O. Taylor, CEO</td>
<td>Resignation</td>
</tr>
<tr>
<td>2002</td>
<td>Easter Seals (IA)</td>
<td>$230,000 theft</td>
<td>Martha Wittlowski, Bookkeeper</td>
<td>Fired</td>
</tr>
<tr>
<td>2003</td>
<td>American Head and Neck Society (MD)</td>
<td>Embezzlement of $200,000; Forgery</td>
<td>Bridget Wallace, Secretary for CEO</td>
<td>Two years in jail and five years probation</td>
</tr>
<tr>
<td>2003</td>
<td>Capital Area United Way (MI)</td>
<td>Theft of $1.9 million</td>
<td>Jacqueline Allen-MacGregor, CFO</td>
<td>Fines; Imprisonment</td>
</tr>
<tr>
<td>2002</td>
<td>National Alliance for the Mentally Ill (WA)</td>
<td>$169,000 missing</td>
<td>Julie Warren, Office Manager</td>
<td>President replaced; Board members dismissed; Office manager charged with 40 felony counts of theft</td>
</tr>
<tr>
<td>2003</td>
<td>Goodwill Industries (CA)</td>
<td>$26 million embezzlement; Money laundering; Fraud</td>
<td>Andrew Liersch, Former President, and Seven Others</td>
<td>Arrested; Grand jury; Indictment; Assets frozen</td>
</tr>
<tr>
<td>2003</td>
<td>Worldwide Association of Specialty Programs and Schools (MT, UT, SC)</td>
<td>Misconduct; Abuse; Misrepresenting itself as a nonprofit agency</td>
<td>Robert Lichfield, Founder</td>
<td>Some affiliates closed</td>
</tr>
<tr>
<td>2003</td>
<td>Kid Care (TX)</td>
<td>Misuse of $640,000 for personal expenses</td>
<td>Carol and Hurt Porter (CEO &amp; COO)</td>
<td>Resignation; Agency assets frozen</td>
</tr>
<tr>
<td>2003</td>
<td>Community Coordinated Child Care (NJ)</td>
<td>Theft of $100,000 by deception</td>
<td>Leyda Mora and Tenesha Leak, Directors</td>
<td>Jailed</td>
</tr>
<tr>
<td>2003</td>
<td>Safe Space (NY)</td>
<td>$2.2 million mishandled; Inadequate records; Alleged embezzlement</td>
<td>Dispute between former program director and CEO over expenditures</td>
<td>Funding suspended; Shelter closed</td>
</tr>
<tr>
<td>2003</td>
<td>American Heart Association (NJ)</td>
<td>Theft of $186,000</td>
<td>Neil Volant, Former Financial Administrator</td>
<td>Restitution; Jailed for one year</td>
</tr>
<tr>
<td>2003</td>
<td>Odyssey House (NY)</td>
<td>$2.3 million embezzlement</td>
<td>Aaron Lugo, Former Operations Manager</td>
<td>30 months in prison; $1.19 million restitution</td>
</tr>
<tr>
<td>2003</td>
<td>Pipe Vine, Inc. (CA)</td>
<td>$18 million lost; $11 million owed United Way Bay Area; Financial statements did not reflect amounts owed charity</td>
<td>Was a spin-off of the United Way that collected contributions</td>
<td>Pending</td>
</tr>
<tr>
<td>2003</td>
<td>The Chimes (MD)</td>
<td>Excessive compensation; Failure to disclose business relationships among principals and subsidiaries</td>
<td>Teri Pearl, CEO</td>
<td>IRS investigating</td>
</tr>
<tr>
<td>2004</td>
<td>United Planning Organization (DC)</td>
<td>$200,000 pleasure boat; $2.9 million consultant; Contracts; Travel; Cell phone charges; Credit card purchases; Deficit of $1.1 to 1.5 million</td>
<td>Benjamin Jennings, CEO; Richard Hamilton and Therman Walker, Board Members</td>
<td>Resignations</td>
</tr>
<tr>
<td>2004</td>
<td>Project Homestead (NC)</td>
<td>$5.5 million in personal purchases</td>
<td>Rev. Michael King, Former President/CEO</td>
<td>Committed suicide</td>
</tr>
</tbody>
</table>
### Case 3: Caveat Emptor? The Consideration of Economic, Ethical, and Biblical Perspectives in Determining Legal Alternatives

Stacy M. Vollmers and Susan J. Marsnik  
University of St. Thomas  
Clyde Vollmers  
Russian-American Christian University

#### Introduction

Attorney Liz Ryan reviewed the file on her desk in her Denver office. She had a scheduled meeting with John and Susan Jacobson in an hour to review their legal options regarding the faulty construction of their home. This April meeting was a follow-up to the initial meeting held in January 2002. The Jacobsons wanted a solution that would preserve their long-term financial security and honor their Christian values.

#### Background

The Jacobsons were newcomers to Denver, having relocated in January 2001 when John took early retirement from the large Midwest university where he had taught strategic planning and marketing. In addition to John’s teaching career, John and Susan offered strategic planning and marketing services through a consulting business they owned.

Before John’s retirement, the Jacobsons began working with a Christian nonprofit organization in Denver to develop a strategic plan for the ministry. After 18 years with one product, the ministry was in the process of launching three new products and entering into additional foreign markets. John and Susan had traveled to Denver multiple times over the period of a year and spent six weeks during the summer of 2000 finalizing the plan for the nonprofit and beginning the implementation process. During those six weeks, Mike and Shelia Brown, co-founders of the ministry, asked John and Susan to join the ministry’s staff to lead the implementation process. The Jacobsons agreed to accept the position as full-time volunteers beginning January 1, 2001.

### Table of Cases

<table>
<thead>
<tr>
<th>Year</th>
<th>Organization</th>
<th>Type of Misconduct</th>
<th>Responsible Person(s)</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Health Education Resource Organization (MD)</td>
<td>Misuse of funds</td>
<td>Leonardo Ortega, Executive Director</td>
<td>Investigation ongoing</td>
</tr>
<tr>
<td>2004</td>
<td>Senior Citizen Counseling and Delivery Service (DC)</td>
<td>False spendings; Poor monitoring and oversight</td>
<td>Donald Tucker (Founder)</td>
<td>Funding withdrawn</td>
</tr>
<tr>
<td>2004</td>
<td>Economic Opportunity Board (NV)</td>
<td>Fraud; Waste; Mismanagement</td>
<td>Board pleaded ignorance</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>Tucker Centre (NJ)</td>
<td>$400,000 in tax money unaccounted for</td>
<td>Assemblyman Donald Tucker</td>
<td>Repayment ordered</td>
</tr>
<tr>
<td>2004</td>
<td>Camillus House (FL)</td>
<td>Used agency funds and employees to renovate personal residences</td>
<td>Dale A. Simpson, Executive Director</td>
<td>Resigned</td>
</tr>
<tr>
<td>2004</td>
<td>Reuben Lindh Family Services (MN)</td>
<td>$600,000 embezzled</td>
<td>Margaret Thompson, Financial Manager</td>
<td>Charged with nine felony counts</td>
</tr>
<tr>
<td>2004</td>
<td>AmeriDream, Inc.</td>
<td>Diversion of millions from charity to themselves</td>
<td>Co-founders and Chairman of Board</td>
<td>Pending</td>
</tr>
<tr>
<td>2004</td>
<td>Goodwill Industries (MI)</td>
<td>$750,000 stolen from agency over 23 years</td>
<td>Linda Battagello, Executive</td>
<td>Plead guilty; Restitution; One year in jail</td>
</tr>
</tbody>
</table>

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1Markon (2004); Salmon (2004b).  
3Johnston (2002); Raghunathan and Levine (2002); Salmon (2002a, 2002b, 2002c, 2004b); Strom (2002, 2003a); Whoriskey (2002); Whoriskey & Cho (2002); Whoriskey & Salmon (2002); Wilhelm (2002).  
4Stanton (2002).  
5Willis (2003).  
7Martin (2003).  
8Associated Press (2003b); Ex-charity head indicted (2003); Mintz (2003); Morin (2003).  
12McIntire (2003).  
13Davis (2003); Yellin (2003).  
14Reeves (2003).  
16Hancock (2003).  
Purchasing A Home

The previous summer, August 2000, John and Susan started looking for a home to purchase. Upon Mike Brown’s recommendation, they used Shawn Rook, a realtor from a major national firm, as a real estate agent. Shawn had completed a course with the nonprofit ministry, and his wife had worked for the ministry. During their discussions of housing needs, Shawn stressed that the one concern in the southwestern suburbs of Denver was bentonite in the soil, but he also stressed that he knew the area intimately and would make sure they found a house with no problems.

After looking at a variety of homes, the Jacobsons found a beautiful one-year-old townhouse just two miles from the offices of the nonprofit. It was a one-story home with a basement, and except for a bathroom, the basement was unfinished.

A Home Inspection

Having bought many houses in the past, the Jacobsons had the house inspected prior to purchase. The purpose of a home inspection is to make sure a home and its systems (such as plumbing and electrical) are structurally sound. Upon the recommendation of Shawn, John and Susan retained a licensed home inspector, Dallas Johnson, to evaluate the condition of the house. Shawn stressed that some real estate agents did not like Dallas because he tended to find too many problems that stopped sales.

During the August 2000 inspection, John and Susan visited, and Dallas reported that he carried a $1,000,000 malpractice insurance policy. He also invited the Jacobsons to try his church. Dallas stressed that some real estate agents did not like Dallas because he tended to find too many problems that stopped sales.

The Bentonite Issue

Houses across the United States are built on land that contains different types of soils. All soils expand, contract, and move over time in response to moisture changes or freezing and thawing. This leads to differences in construction practices for different regions of the United States. In Denver, areas of the city have soil with high levels of bentonite. This is an important consideration because bentonite is extremely expansive and moves more than other soils (bentonite is the clay used to make clumping cat litter).

Therefore, houses built on bentonite soil employ a unique basement and foundation design. First, a number of cement columns are sunk to bedrock, many feet below the ground’s surface. Then the concrete basement walls are suspended on the columns. By city building code, there must be eight inches of air below the basement walls to allow the bentonite to expand.

Unlike the concrete basement floors of the Midwest, basement floors over bentonite are similar to the first floor of a two-story house. The basement floor consists of stringers fastened to the basement walls and covered with plywood. They do not rest on the ground below them, and in fact, by code, there is supposed to be an 18-inch void below the floor to provide room for the bentonite to expand. If the home is wide, there is also an I-beam to support the middle of the basement floor similar to upper-floor supports. In summary, the city building code requires an eight-inch gap below the basement walls and an 18-inch gap below the basement floor, which is attached to the walls.

Problems at Home

Hints of a Problem

For the four-month period from September through December 2000 before the Jacobsons moved to Denver, a couple from the nonprofit ministry house-sat. When the Jacobsons arrived at their new home on January 1, 2001, the housesitters told them that the basement toilet was not working because it had risen off the floor. To solve the problem, a few floorboards were removed and the dirt that was pushing the toilet off the floor was removed.

By May 2001, the Jacobsons started noticing a few cracks appearing in the walls throughout the house. By fall, more cracks appeared and the existing cracks got larger. Further, the corner beads on the sheet rock...
were shifting, creating hairline cracks along all of the corners in some of the rooms. Cement work also showed signs of shifting as both the garage floor and the sidewalks were buckling. All of the interior and exterior doors started sticking. In fact, before long Susan wasn’t strong enough to open or close the front door.

The Jacobsons were not the only owners in the townhouse association with sticking doors. They learned that a neighbor suffering chest pains received delayed medical help because when paramedics arrived, they could not get the front door open because of the pressure from the house moving. The paramedics couldn’t enter the house through the garage entrance because they couldn’t get their equipment through the sharp turn inside the door. In the end, to provide medical attention, the medics were forced to call the fire department to go through the front door with fire axes.

An Existing Class-Action Lawsuit

At the Fourth of July party that summer, the Jacobsons were startled when neighbors asked if they had joined the class-action lawsuit. A class-action lawsuit against the primary contractor had been filed in September 1999, almost a year before the Jacobsons purchased their home.

The neighbors told them that during the fall of 2000, the four months they owned but did not occupy the home, everyone in the townhouse association had been notified by mail of a class-action lawsuit against the developer who designed and built the homes. The law firm that sent the notice had inspected a number of the townhouses. They suspected that the developer had not designed or constructed the townhouses to take bentonite into account. The professional engineer they hired had found, among other flaws, that the houses had not been designed nor built to withstand the pressure of expanding soil, and this was causing serious problems to a number of homes and would eventually cause problems to all the homes. The law firm indicated that the townhouses did not meet building code requirements or sound engineering specifications. In the law firm’s mailing, townhouse homeowners were advised they had three alternatives concerning the class actions:

1) if damage to their home was significant, they could become named plaintiffs and would have an opportunity to collect a significant amount towards their actual damages;

2) they could remain members of the class but not become named plaintiffs, in which case they would share in the award, but the amount would be smaller and would probably total between $3,000 to $8,000 for each class member; or

3) those individuals who felt they had no damages could opt out of the case entirely and collect nothing.

However, by the time the Jacobsons learned of the lawsuit, the closing date for becoming named plaintiffs had passed. Only option 2, remaining in the suit as class members, was available, unless they decided to hire a lawyer to petition the court to be allowed to join the lawsuit. Almost 100 homes were involved in the class-action suit, and damage estimates totaled more than $8 million.

The Extent of the Problem

In March 2002, the Jacobsons hired a professional engineer who inspected their home and found significant damage. He reported that inadequate drainage allowed too much water into the soil around and under the house. As the soil became saturated, the bentonite soil expanded by moving upward into the voids under the floor and inward by placing additional pressures on the exterior basement walls.

A few of the engineer’s recommendations to solve the problem included: building counterfort walls to support the basement walls and keep them from collapsing ($45,000); excavating under the basement floor to remove dirt that was forcing the floor upward ($65,000); removing sidewalks and the garage floor to level them and to install proper drainage under them ($35,000); repairing sheet rock and other cosmetic applications ($10,000); and repairing the deck and putting columns under it ($8,000). The estimate for the repairs totaled $200,000.
Later in early April, Susan woke to a loud cracking sound in the middle of the night. She thought a wall had collapsed and got out of bed to check. Finding no problem upstairs, she went back to bed.

About a week later, another engineer inspected the house and, after a minute in the basement, called the Jacobsons down. When they joined him in the basement, they were alarmed by what they saw. A steel post supporting the I-beam had been pushed up by the rising floor, and its top had twisted like a candy cane. This caused the I-beam supporting the middle of the main floor of the home to twist more than 30 degrees, making it resemble a licorice twist.

The professional engineer employed by the Jacobsons immediately called a reconstruction company and asked them to make emergency repairs. John and Susan could only hear his end of the conversation, in which he told the reconstruction company, “You’re not hearing me. I want you here now – tomorrow morning is not good enough.” At that point, John and Susan were not concerned only about a wall collapsing but rather about their entire house falling into the basement.

Emergency repairs were completed that evening, and a few days later, emergency excavation of the basement started. When the basement floorboards were removed, the contractor discovered that the entire area that was supposed to be empty was filled with bentonite, which was pushing the floor up. There was no 18-inch void as required by law. It was clear that the contractor had not followed the city building code pertaining to bentonite. The I-beam under the basement floor had been pushed up 1.25 inches off the cement columns. It had in turn driven the steel post between the floors up, causing it to bend over at the top, twisting the upper I-beam.

Two days into the project, the foreman immediately stopped work when he found raw sewage from the basement toilet. The sewer line had been crushed between the bentonite and the floor. Later the crew returned with bio-security equipment to ensure they were not infected by the raw sewage. The reconstruction company also found evidence of earlier repairs to the sewer pipe, and it appeared that the flooring had been removed to facilitate the repairs. This indicated that the previous owners of the townhouse had knowledge of the problems the house was facing but did not reveal it in their homeowners’ disclosure.

At this time, John and Susan read the home inspection report, and it contained several statements that Dallas never shared with them in his verbal report when they purchased the house. One was a recommendation that they hire a professional engineer to inspect the basement. Hiring an engineer would take time, and Dallas knew the timeline on the Jacobsons’ purchase agreement. It appeared that he didn’t want them to know this until after the house closed.

At this point, the Jacobsons contacted Attorney Liz Ryan for legal advice for a follow-up meeting. Liz did not work for the firm bringing the class-action lawsuit.

A Biblical Perspective

Property Rights

The Bible clearly identifies the concept of property rights (private ownership to enjoy the use and benefit of an item). Individuals can own their homes, land, the fruits of their land, and livestock. When a neighbor damages or steals another’s property, the neighbor is held accountable. Exodus 22 establishes this accountability as punishment by restitution rather than vengeance. Leviticus 6:1-5 creates a general guideline for restitution for ill-gotten gain. Anything acquired through theft, extortion, or lying must be returned to the owner with an addition of a fifth of the value of the item.

Exodus 22 establishes specific restitution guidelines for agricultural property stolen or damaged. If a man steals an ox or a sheep and slaughters it or sells it, he must pay back five head of cattle for the ox and four sheep for the sheep. If the stolen animal is found alive in his possession – whether an ox or donkey or sheep – he must pay back double. If a man’s grazing livestock strays into another man’s field or vineyard, he must make restitution from the best of his own field or vineyard. If a man starts a fire that damages another’s property, he must make restitution. Through Old Testament law, a property owner could expect restitution for possessions damaged or stolen.

A Code of Conduct for Believers

Concerning lawsuits, the Bible distinguishes between believers and non-believers. In Matthew 18:15-20, Jesus lays out the procedure for settling a dispute between two believers. This process involves several steps, ceasing at the point that the injuring party listens to the complaint. The courses of action are:
1) Approach the other party privately and show him his fault.
2) Return with one or two others as witnesses, as every matter may be established by the testimony of two to three witnesses.
3) Tell it to the church.
4) If the injuring party refuses to listen throughout the process, then he will lose the protection of being a believer and is to be treated as a non-believer.

In I Corinthians 6:1-7, Paul admonishes the Corinthians for taking their personal disputes to the courts of unbelievers. It is useful to understand the situation that led to this letter by Paul. Clarke (1993) suggests that the secular leadership customs in the city of Corinth had influenced the perceptions and practices of leadership in the Christian community. This secular type of leadership valued status, patronage, and benefaction. It resulted in contests of eloquence and practices of gift-giving to cultivate and maintain friendships.

More specifically, individuals of high social standing were using the secular legal system to elevate their own status and reputation in the community. Chow (1992) suggests that those involved in the lawsuits were more interested in material gain than spiritual maturity. These individuals were using the courts to their own purpose and gain, neglecting the more important matters of the law – justice, mercy, and faithfulness. Jesus warns against this in Matthew 23:23. Leviticus 19:15 warns believers not to pervert justice but to judge our neighbors fairly.

So, the Corinthians were guilty of using the legal system for their own personal gain and not following the process God set for settling disputes.

Another resource available to the Christian community is Peacemakers Ministries. This organization’s mission is equipping and assisting Christians and their churches to respond to conflict biblically. The Institute for Christian Conciliation, a division of Peacemaker Ministries, provides formal mediation and arbitration for Christians through certified mediators and arbitrators.

**Recourse When Issues Cannot Be Settled In the Church**

Examining history, it is found that religion, the church, and church policy can be and has been greatly influenced by outside economic forces. More specifically, business institutions can and have impacted church policy (Pope, 1965). Out of fear of losing their congregation and/or financial support, churches have supported management in management/labor disputes, opposed racial integration, and even justified racial segregation.

When we look at justice within the church, the above suggests that when the church resolves inner conflicts, it does so in a traditional manner. These results may be at the expense of the weak/poor, if the person in the wrong is financially important to the church.

Injustices are not always the result of economic motivation. In addition, the church may have strategies to deal with misdeeds that are different than how the legal system would proceed. Not that the church condones illegal behavior. For example, to strengthen and heal a family, a pastor might use counseling to deal with a situation of abuse, whereas the legal system might remove a family member from the home.

Taking a wrong to court can speed up justice and sometimes help move/update the church’s position on an issue. Exodus 22 states that when two parties have a dispute that can’t be settled and a wrong has been committed, the parties should take the case to a judge.

When this is the case, we are instructed as to how to behave in court. Exodus 23:1-2 suggests that we are not to help a wicked man by being a malicious witness, and we are not to pervert justice by siding with the crowd. In addition, we must present truthful testimony.

Alice Curtis (2001) suggests that Christian lawsuits should be rare and should only proceed after taking the following steps:

1) Prayerful self-examination that is not tainted by anger over the other party’s actions
2) Counsel from a trusted and neutral advisor
3) Genuine attempts at resolution using the principles laid out in Matthew 18
4) A determination that the lawsuit can be handled with integrity and will not tarnish one’s Christian witness...
Possible Legal Recourse

Who Is Liable?

As John and Susan relaxed on their crooked deck drinking coffee, they recognized that they faced a very serious legal problem. The $200,000 to repair their home was a big loss that would cut into their life savings significantly. They had a number of decisions to make. They discussed the alternative courses of action that Liz Ryan had suggested.

In hindsight, the purchase of the townhouse was almost a comedy of errors. The Jacobsons recognized they might have been careless in several decisions. Further, they thought they had been too slow to recognize the problem. They asked themselves, “How much of the loss is our responsibility?” They also thought about Shawn and Dallas, who were both Christians but belonged to churches, as did the Jacobsons, that did not participate in formal conflict resolution as the Peacemakers offered.

In addition, there seemed to be problems with most of the parties who had been involved with the sales transactions or with the townhouse itself. Examining liability, there were several parties who might be held responsible:

1) The previous homeowners. Two seemingly sweet, elderly widows on fixed incomes sold them the townhouse. While they seemed very nice, the Jacobsons wondered why they had not told them about problems with townhouses in the association. Surely they knew about the lawsuit and were legally required to disclose the class action lawsuit on the homeowners’ disclosure form. They hadn’t done so. And the Jacobsons also knew that the widows had repaid the basement already. The Jacobsons were advised that their out-of-pocket costs were likely to total $25,000 for expert witnesses and other costs. They wondered if they could win and, if they won, how much the sisters could pay.

2) The home inspector. While Dallas, the home inspector, probably had not intentionally misled them, the Jacobsons felt that he had not disclosed a very critical recommendation during the verbal portion of his report. In fact, John had called Dallas three times to specifically check on his recommendations regarding the space between the soil and the basement floor. Not once did he suggest a problem. John was very frustrated by the difference between the oral and written reports. Liz had advised the Jacobsons that they would have to sue Dallas and that his insurance company would defend him and pay any judgment up to the policy limits. While the insurance ensured that a judgment could be paid, insurance coverage cannot be disclosed during a trial. Liz had advised them that the out-of-pocket costs of bringing the suit were likely to total about $25,000.

3) The real estate agency. The realtor, Shawn, failed to deliver on his promise to help them find a house with “no problems.” While his promise may have been only sales talk, surely he knew about the bentonite problem in the development. If not, a few quick phone calls should have revealed the problem. Had Shawn done his job? Surely he could have discovered the class action lawsuit underway in the development. The Jacobsons wondered if Shawn had insurance. Again, they had been advised that the out-of-pocket costs to sue the realtor would be about $25,000.

4) The builder. The developer who designed and built the townhouses seemed to have made a number of mistakes in designing and constructing the townhouse. The home had inadequate drainage, and the basement was not built to city code for a home built on bentonite. If the Jacobsons were to sue the builder, they had two options:

a) Joining the class action suit as named defendants. After contacting the attorneys handling the class action lawsuit, Liz found out that it looked likely that the case would be delayed, thus allowing the Jacobsons to file an appeal to become named plaintiffs. However, this would be expensive and without any guarantee that the judge would grant their petition. The petition and expert witnesses were anticipated to cost $6,000. (The plaintiff’s law firm had provided much of the money to pay the up-front costs).

b) Bring an independent suit. The Jacobsons could pursue the case on their own through their own lawyer, and Liz indicated her willingness to work with them. If they pursued this alternative and they either won or settled their lawsuit before the class-action suit, their judgment or settlement would be first in line against the contractor’s assets. However, they would be responsible for the cost of trial, including expert witnesses, which could run to $25,000.
What Should be the Jacobson’s Goal?

The Jacobsons thought about their goal. What was the purpose of the lawsuit? Should they attempt to get back what they had paid for the home ($225,000)? Housing in Denver had appreciated substantially during the intervening two years, and their home was now worth about $265,000.

- Should their goal be to break even and get the $225,000 they had paid for their home?
- Should they focus on trying to get a fair market value for their home?
- Should they seek damages for the stress and anxiety that the situation has inflicted on them?
- Should they seek punitive damages to teach the builder a lesson?
- Should they attempt to get as much money as possible to help them retire?

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REFERENCES


Caveat Emptor?

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A false representation of a material fact may be made orally, in writing, by conduct, or in a combination of words and conduct. A representation is falsely made when the person making the representation knows that it is false or makes it with reckless disregard for the truth. A person may also be liable for a false representation if (s)he fails to disclose material facts if (s)he has a duty to disclose those facts. Facts are material if they are important to the parties to whom they are being made. The party misrepresenting a material fact must do so with the intent that the other party will rely on the misrepresentation or omission. If the deceived party relies on the misrepresentation, the reliance must be justified. In other words, was it reasonable for this person to rely on the misrepresentation? The person must suffer damages as a result of relying on the misrepresentation, and the misrepresentation must cause the injuries.

Plaintiffs who can prove a case of false representation are entitled to damages to cover the injuries they have suffered. Because false representation is an intentional tort, courts are allowed to impose punitive damages. Punitive damages are imposed to punish the wrongdoer and to deter others from similar actions.

Negligence

Unlike intentional torts, negligence doesn’t require proof that the person committing an act wishes to bring about the consequences of the act. To prove negligence, a plaintiff will have to prove the following:

1) The person committing the tort, the defendant, owed a duty of care to the plaintiff. The idea is that people may act as they wish as long as the actions don’t infringe on others’ interests. The typical standard is that of a reasonable person. The reasonable person is society’s judgment of how an ordinary, prudent person would act. This person is careful, even-tempered, and honest. If the defendant is a skilled professional, the standard will be the reasonable professional in the same profession and geographical area.

2) The plaintiff will have to show that the defendant engaged in “bad faith” conduct.

3) The plaintiff will also have to prove that the defendant’s breach of duty caused his or her injuries and that it could have been foreseen that the breach would cause the injuries.

APPENDIX A
Possible Legal Issues

Colorado Consumer Protection Act (CCPA)

The purpose of the CCPA is to control deceptive trade practices in order to prevent fraud against consumers. Its provisions apply to the sale of real estate to consumers. The CCPA provides (actual language of the statute):

A person engages in a deceptive trade practice when, in the course of his business, vocation, or occupation, he:

a) Knowingly makes a false representation as to the source, sponsorship, approval, or certification of goods, services, or property.

b) Knowingly makes a false representation as to the characteristics … of services or property …

c) Represents that goods, food, services, or property are of a particular standard, quality, or grade … if he knows or should know that they are other.

d) Fails to disclose material information concerning goods, services, or property which information was known at the time of an advertisement or sale if such failure to disclose was intended to induce the consumer to enter a transaction.

The CCPA provides that a person found to have engaged in deceptive trade practices will be liable for actual damages or $500. The judge may award treble damages if the defendant engaged in “bad faith” conduct.

False Representation

False representation, which is called misrepresentation or fraudulent misrepresentation in some states, is an intentional tort. Intentional torts are civil, as opposed to criminal, wrongs. The person committing the tortuous act must have intended to commit the act. In other words, (s)he must know with substantial certainty what the consequences of the action will be.
4) Finally, the plaintiff has to show that the law recognizes the injury. These injuries include damage to person or property.

A plaintiff injured by a defendant’s negligence is entitled to damages to compensate for his or her injuries. If the plaintiff has been negligent and his or her negligence is partially responsible for the injuries, the damages may be reduced. Punitive damages are not appropriate in negligence cases.

**Negligent Misrepresentation**

Negligent misrepresentation is another tort. Like negligence actions, it requires proof of a duty, a breach of duty, causation, and injury. In this case, the plaintiff has to prove that the defendant negligently misrepresented a material fact. As with the intentional tort of fraudulent misrepresentation or false representation, omitting material information can be a misrepresentation. Therefore, a defendant may be liable for negligently misrepresenting or omitting material facts. Colorado recognizes a tort of negligent misrepresentation in two circumstances: 1) where negligently supplying false information harms the plaintiff or his/her property; and 2) when negligently providing false information during a business transaction causes financial loss.

**Breach of Fiduciary Duty and Agency**

An agent is someone who agrees to act on behalf of another person, the principal. When an agency relationship is formed, the agent becomes a *fiduciary* with heightened obligations. The *fiduciary duty* has been defined as “the duty of finest loyalty.” Many forms of conduct that might otherwise be appropriate are forbidden to those with fiduciary responsibility. In addition, the fiduciary duty includes a duty to act with due care (including a duty to avoid intentional or negligent mistakes). Some states require that the agent act with the level of care (s)he would use for her/his own affairs. An agent who breaches a fiduciary duty owed to a principal will be liable for damages.

Agency relationships are one of the most common in the business world. Employees may act as agents of their employers. Corporations act through their officers and directors. Through the legal doctrine of *respondentate superior*, in certain circumstances principals, such as employers and corporations, may be held responsible for acts of agents. This includes both negligent and intentional acts.
Case 4: Saving Souls and Selling Sandwiches: True Bethel Baptist Church
Perry Haan
Tiffin University

Introduction

Going out for a sandwich after church is not unusual for many people, but buying and eating that sandwich at the church is a little unusual – except for those who attend True Bethel Baptist Church in Buffalo, New York. In September 2004 the church opened a SUBWAY® sandwich shop in the church. In fact, part of the church’s choir stand had to be moved to make way for the retail sandwich business.

The SUBWAY® shop was the brainchild of Pastor Darius Pridgen. The goal of the business is to provide opportunities for the youth in the area. “I expect none of them to work here for more than a year; that’s my goal,” Pridgen said. The restaurant has done well – better than Pridgen had anticipated. Shortly after it opened, the pastor had to ask for bread from another SUBWAY® to get through a busy day.

But making money is not the objective. “Money just follows the mission” according to Pridgen. The mission of the ministry is to “Affect positive change in a negative society by whatever means necessary.” He felt this mission was being accomplished but not to the level he would like to see. The mission is not to build a business or make money for the church, but to help people find jobs and learn how to work.

The church is located in a part of Buffalo that experiences the problems associated with many inner-cities – crime, drugs, and high levels of unemployment. Pridgen conducted approximately two funerals a month at the church for young people who were caught up in the violence of this impoverished neighborhood. The violence was a result of the hopelessness of an inner-city area in a Rust Belt city that had few opportunities for its young people. Pridgen hoped that the training provided by the sub shop would return some hope to the young people.

Pastor Pridgen and True Bethel Baptist Church

True Bethel Baptist Church began in 1961 with eight members meeting in a home. The name True Bethel means “True House of God.” In 1962 the group moved to a location on Genesee Street in Buffalo. In 1993 True Bethel was in search of a pastor. After hearing Pridgen preach three times, the chairman of the church deacon board offered Pridgen a two-year trial at the church. After nine months, the church voted Pastor Pridgen in as its full-time pastor.

Since Pridgen’s arrival in 1994, True Bethel has grown from 25 members to well over 2,000. When he started, he was charged with growing the congregation. “I decided to focus on young people. Most of the churches in the neighborhood at that time, whether they knew it or not, were attracting older people who were already churched,” Pridgen said. The other thing Pridgen felt he was called to do was help the community by providing jobs and job training.

The church moved to a larger building. At an auction, they bought an old supermarket that could house the church and the SUBWAY® franchise.

The church also sponsored local television and radio broadcasts. Like many pastors, Pridgen had a vision to train, equip, and empower the church to share God’s Word with those who are already Christians as well as those who are not. He and the church ministered to the needs of those who were hurting, shared God’s Word with all people, and ensured that the city of Buffalo was exposed to the gospel of Jesus Christ. True Bethel Baptist’s vision was to spread the gospel in a way that a child could understand. It also emphasized that a person’s outside appearance is not what matters to God, but rather the heart is the center of His attention. The SUBWAY® ministry was helping to spread the gospel in a unique way.

Pridgen said he is a “businessman at heart.” He grew up in the church’s neighborhood. He started studying business in undergraduate school but was convinced by those in the church that had ordained him to change to a major more appropriate for a pastor. He earned his undergraduate degree in criminal justice at Livingstone College. When he returned to the Buffalo neighborhood to minister, he saw that his business background could be used to provide jobs and, more importantly, job training for those in the community.

SUBWAY® Sandwich Shops

Was it risky for an international franchisor like SUBWAY® to open a location in an inner-city church? Apparently not, according to Les
Winogard, spokesperson for SUBWAY®. SUBWAY® had no problem opening the shop in the church. “If there’s room and it fits within the zoning board requirements, we’re happy,” Winogard stated.

Fred DeLuca and Pete Buck founded SUBWAY® in 1965. By 1974 they owned and operated 16 units throughout the state of Connecticut. In that same year the pair decided to expand through franchising. By the year 2004, the SUBWAY® chain had become the world’s largest submarine sandwich chain with more than 21,000 franchisees in 75 countries. In the year 2005, SUBWAY® operated more units in the U.S. and Canada than McDonald’s did. SUBWAY® emphasized the healthy aspects of its products in its advertising and other promotions. Its spokesperson, Jared Fogle, lost 245 pounds eating nothing but SUBWAY® sandwiches for almost a year.

In the year 2000, Pridgen was approached by an owner of a SUBWAY® store in Buffalo about the possibility of the church buying a franchise. “I didn’t realize it at the time, but I think SUBWAY® had asked him to help them find other possible franchisees,” Pridgen said. The church explored many other franchising opportunities before deciding to open the sub shop. “SUBWAY® responded quickly. They were flexible enough to work with us. Their (lower) franchise fee was an easy fit financially for us,” according to Pridgen.

One reason the business had succeeded so far was a lack of competition in the area. There was only one other black-owned franchise of any kind at all in Buffalo. People in this inner-city neighborhood were looking for a place to eat and help the community at the same time. People were more trusting of businesses that were owned and operated by others in the community. And for the 2,000 plus who worshiped at True Bethel Baptist, eating at the SUBWAY® helped their church.

Nonprofits and For-Profit Businesses

Nationwide, there has been a push for nonprofit organizations to operate businesses. Some nonprofit boards of directors urged their organizations to become financially self-sufficient. They saw the generation of earned income as a way to create sustainability for these nonprofits.

The True Bethel Church SUBWAY® is unique among businesses that are involved with nonprofit organizations. Most nonprofit organizations that earn money by running businesses do so under their nonprofit umbrella, thereby avoiding having to pay income tax and other taxes. Despite these tax advantages, most nonprofits fail to generate profits in these endeavors.

The SUBWAY® shop and two other businesses that provide training opportunities are separate for-profit businesses owned by True Bethel Baptist Church. Pridgen created the separate for-profit businesses for several reasons. First, he felt the church should pay its own way when it comes to taxes. “Except for tax breaks that we get for being in an economic development zone, we pay the same taxes as any other business,” he explained. Any business operating in the area would have received the same development zone tax break that the church’s SUBWAY® store did. Pridgen believed the business needed to make a contribution to the Buffalo tax base. Also, hopefully, paying taxes avoids potential tax problems for the church and business. “I know some people don’t understand that [the for-tax businesses], but it’s the way I think about things,” he said.

Second, the SUBWAY® start-up was partially financed through a $10,000 grant provided by the city of Buffalo. Typically this relationship between government and church would be illegal, but because the SUBWAY® was a separate business from the church, it was possible for the city to provide the grant money to the start-up. Pridgen said the city of Buffalo approached the church about applying for the grant.

Third, the for-profit aspect of the SUBWAY® business kept its finances and other assets separate from the church. Pridgen believed that the separation of the entities (and the accounting for each) minimized the criticism the church might be subject to if the entities were combined. There were no questions about the division of assets between the organizations.

The church also owns a trophy and awards business as well as an office cleaning service that employs from six to 10 people. Like the SUBWAY® shop, these are separate for-profit businesses. The church also operates a bookstore on its premises as part of its nonprofit operation.

Despite a few anecdotal exceptions, most nonprofits that have operated businesses in the U.S. are not profitable. There are a number of reasons these nonprofits do not generate profits in their business
ventures. First, a nonprofit’s concern for its nonprofit objectives can get in the way of earning a profit. Conflicts can exist between the organization’s business and other objectives. They may pay employees higher wages than their for-profit competitors or they may hire and keep less competent employees. While the True Bethel SUBWAY® has these conflicts, they do not appear to be a problem. Pridgen cited examples of employees that in a normal business situation would be fired. But because of the mission of the SUBWAY® ministry, instead of firing them, he provides them with more training and attempts to help them. “I’m losing money with people like that, but it’s the mission,” Pridgen remarked.

Another problem is nonprofits’ misunderstanding of the difference between revenue and profit. Often nonprofits ignore overhead or fixed expenses when determining the cost of products or services they sell. This exaggerates profits being generated by the endeavors. Pastor Pridgen’s business experience appears to be a factor in keeping True Bethel from this error. The separation of the businesses from the church’s accounting may also have forced the SUBWAY® to be more accountable than businesses that were operated as part of a nonprofit organization.

A third reason nonprofits fail in business is their reliance on indirect customers. Indirect customers are clients of the nonprofit organization. Unfortunately many of these indirect customers may not be able to afford the products being sold; thus they do not buy as much as is needed for the business venture to survive or flourish. Again, the True Bethel SUBWAY® appears to have avoided this problem. The lack of other competing businesses in this relatively depressed area may help. Also, the SUBWAY® shop is selling a product that is relatively inexpensive and is something people need – food for lunch or dinner.

Finally, nonprofits fail at running businesses because they are reluctant to pull the plug when it becomes obvious they are not making money. Instead, what often happens is money from other parts of the nonprofit are thrown at the business, making it even more difficult to evaluate the business’ success or failure. If the SUBWAY® shop encounters this problem, it should be easier to evaluate because it is a separate entity from the church.

Nonprofits need to determine whether or not a business is part of the mission. If not, the nonprofit’s business could fail and take down the rest of the organization and its mission with it. “Churches shouldn’t start businesses to make money,” according to Pridgen. He argued that mission came first and the money, in this case, followed.

Criticisms of the Church and Business

As might be expected, True Bethel Church’s venture into the business world had some detractors. Pridgen said there have been a few critics in the local community, but not as many as might be expected. Some conservative media and talk shows in the Buffalo area questioned the church’s business endeavors. People outside the inner-city complained about problems such as crime in the area and then complained again when something was done to attempt to improve conditions in the area. “I can get pretty fired up about that issue,” Pridgen said.

Some had suggested that the church went into business to fund its other ministries. On the contrary, the church was doing just fine financially by itself. “Actually it’s been just the opposite of what people said. The church loaned money to the SUBWAY® to get it started,” Pridgen said. He believes the separation of the church and the for-profit businesses helped minimize the criticism. Pridgen said he didn’t have time to worry about the criticism that came his way. People fear change, especially when they don’t understand what is happening.

This is not a ministry that would work in every church. Some congregations are in communities that do not have people who need to learn these kinds of job skills. Churches with older congregations may not need this type of ministry, Pridgen believes.

Mixing Church and Business

Much has been discussed and written about the connection between Christians’ spiritual lives and work lives. The idea that the church (and more specifically clergy) is disconnected from business activities has its roots in the philosophies of Plato and Augustine. Both of these philosophers made the distinction between what Plato called the “upper-level” or “form” thinking that deals with spiritual matters and “lower-level” or “matter” thinking that has to do with work and everyday activities. Augustine made a similar distinction between the
“contemplative” (higher-level thinking) life that deals with church-related concerns and the “active” (lower-level thinking) life that addresses activities that are more secular. In both cases, business and work are relegated to these lower levels of thinking. Many of the misconceptions clergy have about business are traced back to the ideas that were first stated hundreds of years before the birth of Christ.

Business people challenge this philosophy, as they want to be able to integrate their work and spiritual lives. The distance that many have seen between the church and business disturbs those who want to make their business work count for God. The SUBWAY® ministry of True Bethel Baptist Church and others like it may have helped bridge the gap between these two worlds.

Pridgen said the SUBWAY® ministry was built on biblical principles. “I can guarantee when I went to the congregation with ideas about starting businesses that they wanted to know how I was justifying it,” he noted. Genesis 2:15 is one verse he used to explain the mission. Adam was told by God to keep up the garden, to keep up his area: “The Lord God took the man and put him in the Garden of Eden to work it and take care of it.” By teaching job skills to those who work for SUBWAY®, the church helps its employees maintain the areas in which they live.

Another Scripture passage Pridgen used to demonstrate the connection between the SUBWAY® shop and the church was Christ’s parable of the talents found in Matthew 25:14-30. Christ tells of a man who before going on a journey left his property or talents with three of his servants. He gave five talents to one servant, two to the second, and one talent to the third. Upon his return, the ones to whom he had given the most talents had invested them and were able to return more than what they had been given by the master. The master was pleased with each of the two who had invested and made a return on his property. “Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things.”

The third servant to whom the fewest were given did not invest the talents and was only able to return what was given to him. The master was very angry with the servant who had only buried his talents and made no attempt to earn a return on his investment. “Take the talent from him and give to the one who has the ten talents. For everyone who has will be given more, and he will have an abundance. Whoever does not have, even what he has will be taken from him. And throw that worthless servant outside, into the darkness, where there will be weeping and gnashing of teeth.” Pridgen believed that a business like the SUBWAY® shop was a way to apply this parable and show people how to use their talents.

The Future of True Bethel Baptist and SUBWAY®

There are no plans for future expansion of the SUBWAY® or other businesses owned and/or operated by True Bethel Baptist. Pridgen said he does not think much about such things, preferring to take things one day at a time. He believes that focusing on the future would make a hands-on approach to managing the businesses and expansion more difficult.

The one thing Pridgen would have done differently if he had the chance to start the SUBWAY® business over was build a bigger space. The shop has become a popular place for young people to hang out and for bands to give evening concerts. “Sometimes it’s difficult for customers to get in and get their subs,” said Pridgen.

The church is also fulfilling its mission of helping the community by helping other black-owned businesses. In what Pridgen referred to as “drive-by shopping” during the Christmas season, busloads of people are taken to struggling black-owned businesses to shop. Pridgen said some of the business owners are shocked to see a busload of customers appear at their doors and are not sure they can handle all of the business.

Should Your Church Operate A Business?

Assume someone at your home church has read about the success of True Bethel Baptist, and, as a result, your church is considering operating a business of its own. Your home church has hired you as a consultant to determine if it is a good idea for your church to operate a business.

What would you tell the board member about the concept of a church going into business? Does operating a business coincide with the mission of your church? What biblical principles, other than the ones Pridgen cited, could be used to support or reject the concept of a church operating a business? Should the mission of a church include the training of its members for the workplace? Or is that best left to the
government or private sector? Are there biblical principles that support your position? Do you think the verse Pridgen cited (Genesis 2:15) supports his position?

If your church decided to start a business, what specific guidelines would you recommend your church use to choose the type of business to operate? Should your church own a franchise, or would starting some other business make more sense? If your church wants to buy a franchise, as True Bethel Baptist did, what specific criteria would you use for choosing a franchisor? Should the church consider buying an existing business as opposed to starting from scratch?

If your church wanted to start a business like True Bethel Baptist did, would it take away sales from other businesses in the area where your church is located? Would this be fair to other owners of similar businesses to have to compete with a church? How would businesses in your community respond to your church competing with them? Could your church operate its business in a different part of the city or town from which the church is located?

Assuming your church decided to start a business, would you recommend that it establish the business as a separate for-profit entity apart from the church as True Bethel did, or should it be part of the nonprofit operation of the church? Should your church run the business as a separate entity, or should the church use its tax-exempt status to make more profit for the church? What is your opinion of Pridgen’s reasons for setting up True Bethel’s businesses as separate for-profit entities owned by the church? Are his reasons consistent with what Jesus says about paying taxes in Matthew 22:15-22? What about Pridgen’s argument that making the SUBWAY® a separate entity keeps the business’ accounting records separate from the church? Is that a legitimate reason for doing this?

If your church decided to operate a business as a separate for-profit business, should it seek government grants or other funding as True Bethel did? Or would you suggest that your church seek other financing for the business? What are some other possible sources of financing? Explain any potential problems your church-owned business might encounter if it seeks and/or accepts money from government agencies.

Bethel Baptist Church loaned money to its SUBWAY® business to get it started. Do you think God approves of a church lending money to a business and then accepting the profit – even if that profit goes back to the church and is used to further its mission on earth? Are there biblical principles to support your position?

Earlier in this case a number of problems were cited that nonprofit organizations encounter when operating businesses. Some of these problems include conflicts between the organization’s business and other objectives, nonprofits’ misunderstanding of the concepts of revenue and profit, reliance on indirect customers, and reluctance to pull the plug when it becomes obvious the business is not making money. What would you recommend to your church to avoid or work through these problems?

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Case 5: The Salvation Army

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Major Rick Mikles
The Salvation Army

Problem

Nashville, Tennessee, had a shortage of charitable housing for families and single parents with children. A national motel chain was selling a building. With a few minor renovations, George, working with The Salvation Army, envisioned a place that could provide support and housing for homeless families in need.

While the acquisition appeared to be a win-win situation for all involved, some individuals and organizations were lobbying against approval of this facility for its proposed use. George was concerned that politics and outspoken opposition would undermine his efforts. Everyone seemed to want to help the needy, but not if it happened in their neighborhood. Others argued for what they called the “separation of church and state.”

How could George overcome the obstacles and get approval to buy a building he was convinced would help meet the housing needs of Nashville’s homeless?

Background: The Organization

The mission statement of The Salvation Army states, “The Salvation Army, an international movement, is an evangelical part of the universal Christian church. Its message is based on the Bible. Its ministry is motivated by the love of God. Its mission is to preach the gospel of Jesus Christ and to meet human needs in His name without discrimination.”

The Salvation Army international headquarters is in London, England, to which all branches report. The national headquarters in the United States is in Alexandria, Virginia. The United States is divided into four territories headed by territorial commanders. These are located in New York, Chicago, Los Angeles, and Atlanta. Each territory has a board of trustees possessing fiduciary responsibility for that territory.

The territories are divided into divisions headed by divisional commanders who report to the territorial headquarters. Kentucky and Tennessee form one of the nine southern divisions, with headquarters in Louisville, Kentucky. Divisions are broken down into areas.

The national and territorial headquarters leave the day-to-day operations of each area to area commanders, who are expected to comply with the Minute Book – a book of standardized corporate policies and procedures. Commanders are responsible for raising support for local programs and are audited yearly by the divisional headquarters.

Divisional and territorial headquarters may become involved in the major capital and strategic decisions of the branch. Property and legal issues go through them for preliminary approval and then to the territorial headquarters for final approval by the board of trustees. Headquarters may veto commander decisions if the action goes against the organization’s mission or if they deem an action ineffective or not feasible.

Before starting a capital campaign, The Salvation Army requires a study to justify the need and feasibility. Proposals are submitted to headquarters for review by the legal, property, accounting, and capital campaign departments.

Nashville Operations

In an older part of Nashville, just south of downtown, The Salvation Army owns a 5,000-square-foot office building and a 15,000-square-foot warehouse. On the west, south, and east sides of downtown – in neighborhoods where the need is greatest – they own and operate three homeless shelters. Two of the buildings house men, and one houses women. Each includes common rooms designated as lounges and kitchens. They also own or lease seven thrift shops around the city, which are operated by their Adult Rehabilitation Center. These shops provide goods and services to the needy, income for the organization, and funding for drug and alcohol abuse programs.

After George Patton completed the College for Officer Training – a two-year school – the territorial headquarters appointed him commander of the Nashville, Tennessee, area. George is responsible for all major financial decisions; this includes capital projects ranging from acquisitions to raising funds.
Since assuming this role five years ago, George has successfully reestablished the area’s financial viability and cultivated relationships with key individuals and organizations in the community. He also

- convinced several corporations to sponsor activities that improved the quality of life in the community.
- led a community awareness campaign on how The Salvation Army is meeting the needs of the poor and disadvantaged and making Nashville a safer place.
- promoted a value-added philosophy for The Salvation Army, illustrating how contributions to a few in need are multiplied for the benefit of many.
- developed an enthusiastic board of advisors that has supported many of his initiatives.

**Family Housing: The Opportunity**

About a month later while out running an errand, George noticed a Sleep Inn Motel on the north side of Nashville that was for sale. An idea sparked. He stopped to inquire. He left excited.

The facility had 160 rooms on two floors with three separate wings, office space, a dining room, kitchen, outdoor pool, parking, and a fence around the property. The arrangement seemed to be perfect for families needing short-term housing. Additionally, the motel was on a major intersection with bus lines to all parts of the city on both streets. “This would provide transportation to our residents as they seek employment, visit the doctor, attend school, and go wherever they need to go,” thought George.

Next, George investigated the neighborhood. The motel was in a combination of residential and commercial buildings. The homes were mostly old and for single and multiple families. Crime rates were high and financial transactions were not as common. The neighborhood was challenging and needed outside consumers into the district other than favorable leasing arrangements, low rentals, and depressed property values.

Back at the office, George called several people he typically consulted. He learned that the neighborhood had cultural problems. Illegal drugs, crime, and alcohol abuse were common in and around the motel. The police patrolled the area, but they could only do so much. However, change was coming. Some of the residents had organized neighborhood watch programs and drug-free zones. Others were working to discourage businesses like nightclubs from getting permits to operate in the area.

The motel was 30 years old. It had lost most of its business customers to newer hotels that had been built near the airport and major corporations. Tourists preferred motels closer to sports facilities and tourist attractions. Sleep Inn Corporation expected its motels to earn an

Family Housing: The Need

A new concern is on George’s mind. It seems to be everywhere lately. He reads about it in the newspaper. He hears it discussed on Nashville talk radio. He watches it reported on the evening news. It’s the need for charitable family housing.

George brought a recently published article to the office and discussed it at the next staff meeting. “Our facilities seem to do an adequate job of feeding and sheltering single men and women. But what about families and single parents with kids? We don’t have satisfactory housing for them. Based on this article and from everything I’ve been hearing and seeing lately, neither does anyone in Nashville,” he said.

Joe, a staff member from facility services, replied, “If we do something for families, they are going to need some additional things like a private room versus dormitory living. And they’ll need their own bathroom and kitchenette.”

“Don’t forget day care,” piped in Hanna from personnel, “and safety. Moms need to know their kids are safe. Fences. Gates. Security. Maybe even a playground.”

Debbie, the accountant, stated, “The cost per square foot would be higher, along with the requirement for more stringent safety regulations and building codes.”

George left the meeting pondering the plight of families, especially single dads and moms with children. Throughout that day and the following weeks, he prayed, expressing his concern and wrestling with options.
annual return on investment of at least 15%; this facility fell far short and Sleep Inn saw no benefit in maintaining it.

A potential buyer could be someone looking to convert the building into a low-income extended stay or continued-living residence. A local corporation might consider buying the building to house minimum-wage employees as an additional form of compensation to encourage company loyalty and reduce employee turnover as some southern mill cities used to do for their employees.

Apparently, no one wanted to buy the property to tear down the motel. While real estate was undervalued, there wasn’t a demand for property. Additionally, neighbors were not looking for high-rise buildings or more warehouses in their area, even if it replaced a decaying structure. Actually, the residents preferred a motel or something like it that could draw revenue to the area, as long as the organization was reputable and did not cater to illegal activities.

The Cost

Although the motel idea had its challenges, the consensus was that George should pursue the idea. Next, he considered the cost. The Sleep Inn was asking $2.2 million. A plus – all the beds, TVs, dressers, office furniture, and kitchen and dining room contents were included! It would take another $300,000 to convert the building to accommodate family housing, fill in the pool, construct a day care, bring the dining areas up to code, increase security, and add additional fencing to protect children.

George did the math. The annual motel operating budget was about $500,000. This covered two full-time staff and 12 part-time staff in various positions including maintenance, security, and day care. The day care needed licensing, which would determine the number of workers allowed. George figured $100,000 annually for capital improvement and equipment repair or replacement. He estimated $26 per square foot for operating expenses and a 5% annual increase for inflation for the next 10 years.

The Salvation Army Nashville Area had a secure balance sheet. Debt funding supported about 35% of assets and contributions; grants and surplus operating funds underwrote the remaining 65% of assets. The annual operating fund statement had a small surplus for the last three years. George anticipated that trend continuing.

Funding

George decided a capital campaign would be the best way to raise the funds to purchase the Sleep Inn. The Salvation Army fund-raising guidelines require that 60% of the total funds be pledged or in-hand to begin activities. He had several executives from major corporations on his board who had been generous in the past. The building was tangible; once donors “saw” the building and caught the vision for its use, he was certain they would contribute. He believed he could count on pledges or contributions for 60% of the purchase price plus all capital improvement costs within the next 90 days or in time for closing. He might be able to get a cooperative financing arrangement through the Sleep Inn Corporation for the remaining 40% of the costs within one year. George was confident on the success of the project as the balance of funds, with verifiable pledges, could be collected over a three-year period.

Annual operating motel costs were more difficult to fund. These costs were not as glamorous – or visible – as a building. George would have to resort to more traditional fundraising activities to meet the increased annual operating budget. He believed that as he took care of these homeless families, the community would benefit, welfare costs would decrease, and income taxes through increased employment would increase. Governmental agencies and corporations should be willing to share some of the increased prosperity and help offset the additional cost to The Salvation Army. George thought about partnering with HUD, working through the local Homeless Coalition for the construction and operating phases. “I’ll also look into grants,” he thought.

If George borrowed money, he would pay 8% interest over 30 years. The current annual inflation rate was 4%, and the return on U.S. government securities was 5.5%. Because of The Salvation Army’s size, they were able to obtain loans at a favorable prime rate.

While this capital project appeared to be a win-win-win situation for The Salvation Army, people in need, and the community at large, funding was only one of the hurdles standing in George’s way.
The Opposition

Another potential hurdle was the opposition. As George pursued the idea of purchasing the Sleep Inn and converting it into family housing for homeless families, he began to hear of pockets of resistance to the proposal. Some individuals in the neighborhood displayed “not in my backyard” fear. While everyone “said” they wanted to help the needy, many did not want them in their neighborhood. To them, accepting homeless people would degrade the neighborhood and bring property values down, just as they were finally seeing the glimmer of revitalization occurring.

Some in the neighborhood were motivated by the desire for investment dollars. A few investors did not even live in the area but were real estate speculators. They leveraged into various properties at pennies on the dollar and wanted a significant turnover in investment in a short time. Believing that a homeless shelter would not increase real estate values, they sowed seeds of doubt in the minds of neighbors and started a movement against the proposed housing. Vocal constituents in a seemingly popular uprising can significantly impact the hearts and minds of the city council.

Some members of city government might be reluctant to support The Salvation Army because of its Christian-based values system even though it is well recognized for its charitable mission. Individuals who approve permits and licenses have been known to invoke separation of church and state restrictions if anything takes on the appearance of supporting a religious activity.

Government-based social service agencies were also trying to justify their operations. When their caseloads increased, so typically did their funding. If a private organization were to meet the same needs, the public organizations feared there would be less funding available to them. If social services leaders felt short-changed, they might lobby government officials and businesses to oppose The Salvation Army’s plan. Additionally, government agencies and social services have the advantage of being on the inside; they know the system and how to use it to achieve their objectives.

Also working against George could be an “old South” or “good old boy” culture among some that superseded all other beliefs and values. However, in George’s favor was the fact that Nashville was the buckle of the “Bible Belt,” and the culture strongly supported Christian organizations and initiatives. People stood for strong moral values and favored helping the poor and disadvantaged.

Summary

Organizations and individuals can fight hard when they feel their personal space is threatened. Anyone could use a scare campaign to maximize their political clout and voting power with city and state government politicians and agencies. Although operating within the law, George was aware there could be attempts to undermine his project; the acquisition was not certain.

However, George was a strong Christian. He promoted Christian values within his organization as a source of hope and encouragement for the many disadvantaged who relied – and even survived – on The Salvation Army to meet their basic needs. The project’s social value was substantial. Adequate housing would take families off welfare and improve their potential for employment. The small businesses in the area made jobs and training available. With people working and contributing to society, there would be less crime. Children would receive better care, nurturing, and education and would be more likely to make a positive contribution to society.

He was ready to act. Once more, George analyzed the capital acquisition from every angle. Believing that the financial benefits of this capital project would exceed the initial and subsequent annual operating costs, and with assurance that he held the “high ground” in terms of those who would oppose him, George organized a meeting of the board of advisers. He would ask them to use their means and networks to support the project, and he would enlist whatever help he could to wade through the bureaucratic channels and get necessary approvals to purchase the Sleep Inn.

While lying awake in bed the night before the meeting, George wondered, “Will the board be as enthusiastic about this project as I am? Will Sleep Inn accept my offer? Will I get the required governmental approval? How can I spark compassion in the hearts of these people and enable them to see all the goods things that could come out of this? With God’s help!”

Tim Redmer, Ph.D.
Professor of Accounting
Jack Brown, an active member of his local church, genuinely desired to serve as a Christian businessperson. At the age of 42, he was hired as the CEO of ZYX Corporation. The previous CEO’s executive assistant, Miss Emma Cummings, who had served 30 years as personal secretary/executive assistant to the last six CEOs, decided that it was a good time for her to retire. This would allow Mr. Brown the opportunity to select her successor as he began his tenure.

The executive assistant to the CEO serves a strategic role. In larger organizations that have a team of executive officers, there may be a group of personal secretaries or executive assistants who jointly as well as separately exercise great influence. Whereas the executive officers generally have only a few years’ tenure, especially in any one position, the executive assistants often make a career of their roles, typically having proven their company loyalty, skill, and intelligence by moving up from other secretarial positions in the organization. They do not make policy decisions but are most influential regarding access to policy makers. They value the public reputation and integrity of the organization and are gatekeepers between the CEO and its stakeholders, including owners, managers, employees, customers, suppliers, and the public-at-large.

CEO Brown, recognizing the critical importance of the position, asked human resources to set up interviews with the three most technically qualified candidates. The manager of human resources suggested the following three applicants:

1) **Cynthia Whyte**, 30, a college-educated teacher with excellent computer skills. Two years ago she married the vice president of human resources for ZYX Corporation. They have had no children, and she says she wishes to assume a full-time position for her personal career development. She emphasizes that she already knows the company well because of her husband.

2) **Edgar Greene**, 33, an employee of ZYX’s engineering department. Since joining the company three years ago, he has risen
rapidly due to outstanding performance reviews and a track record of productive suggestions. He has completed two years of college and is unmarried. He says that he is seeking the position as a way to broaden his business experience.

3) **Amanda Blue**, 56, a widow, is a recent early retiree who served 20 years as an executive assistant in ABC Corporation, a firm in ZYX’s industry with headquarters in another state. She says that she seeks the executive assistant position because she misses her work, having realized she is a long way from needing to retire. In addition, whereas she recently moved to the community in order to be close to her grandchildren, she now realizes that she should work so as not to interfere too much with the child-raising efforts of her son and daughter-in-law.

After interviewing each of the candidates, Jack Brown is convinced that each is well-qualified in terms of the technical skills listed in the job specifications and that each, based on reference checks and interview discussions, appears to be a person of good Christian character. Moreover, each candidate appears to understand the requirements in the formal job description and has confirmed that he or she will accept the job, if offered. Jack faces a difficult choice and wants to make the right choice with godly wisdom.

Jack wonders if he needs to consider anything else – any special circumstances or relationship factors that will help him to determine the most appropriate choice. He wonders whether it would be culturally appropriate to hire a male as his personal executive assistant. He is unsure how he would relate to a significantly older personal assistant. He and his wife already have a close acquaintance with Cynthia and her husband, Bernard Whyte, not only because of company gatherings but also because they attend the same church and belong to the same neighborhood ministry group. Edgar Greene and Amanda Blue regularly attend other churches whose pastors have supplied good character references.

Jack has been very impressed with Bernard Whyte as a capable and innovative executive, one who is enthusiastic about some major strategic changes Jack Brown thinks ZYX Corporation needs to meet its strategic objectives. In particular, Bernard has proposed hiring a small computer consulting firm with expertise in ZYX’s industry. Jack knows this firm very well, having worked with it during college. He worked directly for its founder, who also is Bernard’s uncle. Jack sees Bernard Whyte as someone with whom he needs to work closely in building the company, but wonders whether the other employees would see his hiring of Bernard’s wife in the strategic gatekeeper role of executive assistant as an appropriate choice.

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Ellen pulled into the parking lot, found a spot, and then pointed the rearview mirror toward his tie. Not perfect, but it never would be. IT guys don’t do ties that often. “No matter,” he thought as he gathered his interview materials. “These guys aren’t going to judge me on my tie anyway.”

Inside the building, the corporate headquarters of Master’s Software Solutions, the group preparing to interview Scott for the software engineer position assembled in the conference room. Adorning the walls was an assortment of industry awards and Christian artwork. The photo of Jesus at a computer terminal was particularly intriguing and usually provided a nice icebreaker for the interviews.

Master’s is a company of 53 employees, proudly run on Judeo-Christian values. It had always been run this way, ever since its founding 20 years ago by Walt DeVries, a seminarian turned entrepreneur and self-described “geek for God.” And although the company’s commitment to those values had never wavered, today’s events would test something even deeper than the commitment – they would test what the company values actually mean.

Walt had been part of every interview since establishing the firm. From vice president to office clerk positions, Walt was central to the hiring process. He even insisted on having input into which interns Master’s would accept from the local university. But otherwise, Walt was no micromanager and certainly no autocrat. Rather, he saw himself as a shepherd, caring for his employee flock, wanting to know each “sheep” personally. He also wanted to ensure the quality of the flock, so to speak, and the corporate culture of Master’s; hence the meticulous attention to the staffing process.

As Walt walked into the conference room, there sat the three other members of the selection committee: two software engineers in their late 20s, Dave Anderson and Jeanie Thompson, and the firm’s chief operating officer, Bill Maxwell. Self-effacing but brilliant, Bill was Walt’s first employee and the only M.B.A. in the firm. In fact, Walt credited Bill with having saved Master’s on a number of occasions from making unwise business decisions, some of which could have sunk the once-fledgling firm.

Walt closed the door and smiled at his team. “Thanks for coming, everyone,” he began with customary genuineness. “And a special thank you to Jeanie for boiling down the resumes to these five candidates. As you know, we’re going to do a group interview with each one this morning and then do individual interviews later today. Anything you want to discuss before Theresa shows in the first guy?”

Dave spoke right up. “Well, his resume shows he’s qualified for the job – he practically got a 4.0 in college and he’s worked three years for Microsoft. But what’s with all this gay stuff at the bottom of the resume? President of the Gay-Lesbian-Bisexual Club in college? Member of GLEAM: the Gay and Lesbian Employees at Microsoft? Member of Digital Queers? Digital Queers? I don’t understand why we’re wasting our time. This is a company run on Christian values. It’s in our mission statement. It’s how we operate. It’s even in the artwork on the walls. This seems like a no-brainer to me that we shouldn’t even be interviewing this guy.”

Dave was not one to mince words. But neither was Jeanie. “You can’t be serious,” she replied with a set of non-verbals that punctuated her irritation. “That’s the same as saying that we think it’s acceptable to discriminate against African-Americans or women!”

“But actually, Bill, it’s not,” explained Dave. “It’s about what inevitably follows when we compromise our principles. If we don’t take
a Christian stand on this, then we’re letting a secular society drive our
decision-making and ultimately our corporate policies. And when we do
that, we lose our distinctives.”

“Oh, so now bias is a Christian distinctive?” winced Jeanie.
“I swear, Dave, you’ve gotta listen to yourself sometimes. This is
why people stereotype us Christians the way they do.”

Walt finally reeled them in. “Folks, I understand that you have
some strong opinions about this, but we should have a more reasoned
discussion here. Now, Jeanie, I’ve always admired the depth of your
faith. So help me to understand why you don’t think this guy is a
problem for us.”

“Sure, Walt,” Jeanie answered, regaining her composure. “Here’s
how I see it. This company operates on Christian values, right?
We consider God in every decision we make. And that’s as it should
be. So we need to do that here as well. My read of the Bible tells me
that God doesn’t play favorites – that non-discrimination is a Christian
value. Everyone’s created in the image of God, and so everyone’s
entitled to be treated with love, respect, and fairness. In business,
then, I think we just need to consider people on their merits. We have
absolutely no place judging people the way Dave is judging them.”

Despite the insult, Dave gently offered his best rejoinder. “Can I
interject something here? I’d be the last person to advocate arbitrary
discrimination. It’s ugly, and I know firsthand how much it hurts. But
there is such a thing as legitimate discrimination. We do it all the time
if an applicant or employee doesn’t embrace our corporate values. And
there’s real urgency to do it here, too. If we follow the path that Jeanie’s
suggesting, we’re helping normalize a lifestyle that God condemns. In
my mind, that’s more wrong than ‘discriminating’ against this applicant.”

Walt continued, but now in a more didactic tone. This was turning
into a quintessential shepherding moment for him. “What I mean is this:
non-discrimination implies there’s nothing wrong with the lifestyle.
That leads to demands for equal treatment, which in turn leads to
insistence on things like domestic partner benefits and sensitivity
training for employees. It’s how gay marriage and gay adoption are
becoming ‘civil rights’ in parts of this country. Ultimately, we end up
with a culture that condones what God condemns. As Christians and a
Christian company, I don’t think it’s wise to take even one step down
that road, whatever the cost to our business.”

As she saw it, much was at stake here. So Jeanie made one last
attempt. “Quite frankly, Walt, I don’t understand your theology on this
at all. Or yours, Dave. What about the Christian ... in this little Christian
bubble: we go to a Christian church, we send our kids to Christian
schools, we run Christian...
companies dealing with a lot of Christian clients, all of our friends are Christians, we read Christian books and magazines. We’re becoming separatists. We’ve developed our own comfortable subculture that insulates us from engaging people God might want us to reach.”

“That’s not what Jesus did,” Jeanie continued, now as confident as she was entrenched. “In fact, he did just the opposite. He associated freely with all people, regardless of their lifestyle or their past, and through those relationships, he pointed people to God. What I think is that we should open our doors – and our minds – and do the same.”

Walt was thoughtful, his eyes reflecting the conflict in his heart. “That’s a valid point, too, Jeanie,” he conceded. “I’m left wondering, though, where Jesus would draw the line in business. At non-discrimination? At equivalent benefits? And what about the customer side of things? What happens if a gay rights group wants us to develop some software for them? Do we just do it? Wouldn’t we be advancing their movement by creating something for them?”

Nobody spoke for a several seconds. Finally, Walt broke the silence, framing the challenge ahead. “This is a hard issue,” he said with a slow shake of his head. “From a Christian perspective, just how gay-friendly should a company be?”

A knock at the door interrupted their deliberations. Theresa stuck her head in. “Scott Mitchell’s here for his 9 a.m. interview. Are you ready for him?” she asked.

“That’s a good question,” Walt replied, chuckling at the timing of her query. “I’m not sure … but show him in anyway.”

A few moments later, Scott walked in. Clean cut. Professional. Smartly dressed (except for his crooked tie). He extended a cheerful “Good morning!” to the group. Walt stood, smiled, and shook Scott’s hand. The group then proceeded to interview Scott, offering no hint of the seeming dilemma that his presence created for the company.

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ENDNOTES

1As of the writing of this case, there is no federal law in the United States that prohibits companies from considering sexual preference when making personnel decisions. However, 13 states and the District of Columbia, as well as approximately 200 U.S. cities, have enacted workplace antidiscrimination laws that apply within their jurisdiction. This case is set in a state and city where the employment-at-will doctrine prevails on such matters; that is, Master’s Software would not be violating any federal, state, or local law by refusing to interview Scott on the basis of his sexual preference.
Part I: February 21, 2005

John Smith, an auditor and partner for Smith & Jones Accounting Firm, was sitting in his office contemplating what course of action he should take regarding the audit of Alpha Corp. Located in California, Alpha Corp. is a publicly held company that distributes textbooks to colleges and universities. In December 2004, Alpha Corp. hired Smith & Jones to audit their financial statements as required by the Security and Exchange Commission. Smith & Jones is a small, regional accounting firm, and Alpha Corp. is one of its largest clients. Alpha Corp. requested that Smith & Jones complete the audit by February 28, 2005 so that the results of the audit could be presented at their annual stockholders’ meeting scheduled for March 15.

John Smith was the principal auditor for the Alpha Corp. audit. He was very aware of the deadline and scheduled all work in a way that would let them complete the audit on time. Of course, John was also responsible to ensure that the audit be performed according to generally accepted auditing standards to provide sufficient evidence to issue an unqualified opinion. Thus, John did not want to perform a substandard audit just to satisfy the client’s interests. As of February 21 the audit was still unfinished due to a series of unexpected issues that had surfaced since the December 31 closing date. The following discussion occurred during the most recent meeting on February 18 with Alpha Corp.’s chief financial officer, Paul Roberts.

**John:** Paul, I’ve been looking over several financial events that transpired since December 31 of last year. I believe they are going to have a significant impact on the audit.

**Paul:** Sure, John, feel free to ask me anything. I know the audit deadline is rapidly approaching, and I want the audit completed by then. In fact, it is imperative that it be finished.

**John:** I recently became aware that one of your major customers, XYZ University, recently filed for bankruptcy. I checked your accounting records from the December 31, 2004 trial balances that you gave us to determine if there were any implications for Alpha Corp. Your accounts receivables show that XYZ University currently owes you $250,000. I also found several mentions in the press that XYZ University was having problems as early as October of last year. What have you done to account for the bankruptcy?

**Paul:** Unfortunately, the bankruptcy of XYZ University hit at a very bad time since we were closing the books at year’s end. Since the university declared bankruptcy, it’s highly unlikely we will collect any of the $250,000. However, since XYZ University only declared bankruptcy in 2005, I don’t see any reason to account for this in our 2004 report.

**John:** Actually, there are some issues related to disclosure. However, that is not the only problem. I also have a question about another major customer of yours.

**Paul:** Oh, I bet I know who that is. Are you referring to the Smalltown College account?

**John:** Yes. According to the final records, Smalltown College represents $100,000 of your company’s accounts receivables. Last month, a fire destroyed one of its buildings. The casualty caused Smalltown to default on all debts that became due in January because the college did not have sufficient cash on hand to pay for the losses from the fire as well as additional obligations on the building. Have you revised your books to reflect this issue?

**Paul:** Unfortunately, we may take a big hit. It’s not the best way to start out the year, is it? Smalltown has told us that they are strapped for cash. It’s doubtful we will see any payments for a long time while Smalltown gets back on its feet. I hope to recoup part of the debt, but I am uncertain how much or when we’ll receive any payments.
John: So shouldn’t this amount be written off as an uncollectible account?

Paul: John, I just don’t think it’s warranted right now. Besides, two big hits in a row just might cause our shareholders to get nervous and divest their holdings. We really don’t need any negative news that might affect stock prices right before our annual meeting.

John: I understand your position, Paul, but based on your comments, the loss may have to be disclosed. I will give you one more week to assess the situation. We’ll need to resolve it at our next meeting. I see in the last board meeting report dated January 14, 2005 that Alpha Corp. intends to issue a stock split the day before the annual meeting where it will be announced.

Paul: Yes, we have 1,000,000 shares authorized and outstanding of our $10 par value stock. The stock split will be two for one. The board feels that the increase in shares would positively influence the number of shares being traded and would raise the stock price.

John: Sounds like a good strategy to me. Have you disclosed this information in your financial statements that will be issued upon completion of the audit?

Paul: Since it will happen in 2005, I don’t think it’s necessary to disclose it in the 2004 audit.

John: OK, Paul. I understand your position, but auditing standards may require disclosure. I’ll research each issue and give you my recommendation next week. One more issue – my legal representative provided an update on the litigation that Alpha Corp. has been under from Deermont University. Refresh my memory. Did Deermont University claim that Alpha Corp. had conspired in price-fixing agreements?

Paul: Yes, Deermont University brought the suit against Alpha Corp. in June 2004. As of December 31, 2004, the litigation had yet to be decided; however, our legal counsel advised that we be prepared to lose the case, and we accrued a liability of $500,000. I personally felt the case had no merit, but I am not a lawyer or judge. Unfortunately, on February 5, the lawsuit was settled with a verdict of $700,000 against Alpha Corp. Can you believe that we have suffered three major hits in just the first two months of 2005?

John: I know that must be tough. Have you made the necessary accounting adjustments?

Paul: Actually, since the lawsuit was settled this year, I haven’t done anything. I’d really prefer to just forget about it; however, I know I have to figure out a way to explain to the board the additional $200,000 loss and the other negative outcomes.

John: Yes, Paul, I think both of us want my firm to be able to issue an unqualified opinion on the audit. That means that all of these outstanding issues must be resolved according to ethical accounting standards. Thanks for meeting with me, Paul.

Part II: February 23, 2005

John Smith had just finished conferring with the other principal in the firm per normal policy on all audits. Alpha Corp. was a client that the firm could not afford to lose. John knew that...
Tina: John, I was performing the final check on the Alpha Corp. audit before filing it, and I discovered that one of Alpha Corp.’s accountants accidentally recorded twice the allowable depreciation on some production equipment. As a result, 2004’s net income was understated by $50,000.

John: Thanks Tina. I’ll call Paul Roberts and alert him about this issue. [calls Paul]

John: Hi, Paul, it’s John Smith at Smith & Jones Accounting. I am calling you about two matters. First, did the earthquake cause any problems for your manufacturing plants?

Paul: The earthquake was centered near some of our production facilities. Unfortunately, one of our plants was destroyed. The loss is about $3,000,000. We do have insurance, and we are going to rebuild the plant. In the short term, we will be able to shift some of the scheduled production to other plants, thereby minimizing any lost production, but we will still suffer from a reduced production capability for the next six months.

John: I’m sorry to hear that, Paul. The other issue concerns your depreciation calculations. Apparently, twice the allowable depreciation was recorded for one of your machines. This error caused your 2004’s net income to be understated by $50,000.

Paul: I will definitely have to check on that. If it’s true, the $50,000 will help to offset all the financial hits we have taken so far this year. Let me get back with you.

John: OK, but we might have to reissue the financial statements and the audit report to account for these events. Goodbye.

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When an auditor has subsequent events, the date of the audit report may also be affected. If a subsequent event occurs before issuance of the audit report, and if the event is treated appropriately, then the date of the report is the issue date. However, if a subsequent event occurs after the date the report is issued, then a dual dating may be used.

Dual dating may be accomplished in two methods. The first method is to date the report on the date the fieldwork was completed and then date the subsequent event in the note disclosure. This effectively limits the auditor’s responsibility to the specific subsequent event only, not any other events that occur after the date of fieldwork. A second method is to date the audit report using the date that the subsequent event occurs. However, the auditor is responsible for the period up to the date of the subsequent event (American Institute of Certified Public Accountants Professional Standards AU Section 561, “Subsequent Discovery of Facts Existing at the Date of the Auditor’s Report”).
Case 9: Bread of Life Bookstore
Robert A. MacDonald
Atlantic Baptist University

An Overwhelming Situation
Kevin Hutchinson1 exhaled slowly and tapped his pen gently against his forehead. The clock on his desk chimed softly – 2 p.m. “Where do we go from here?” he thought.

His eyes darted across the sea of papers on his desk. Never in his seven years as manager of Bread of Life Bookstore had he felt so overwhelmed. He had just received year-end financial statements from the store’s bookkeeper, and they had confirmed what he already knew – declining sales and shrinking margins had combined to put the business into a loss position for the first time in recent memory. Kevin felt that he had a good understanding as to what had happened, but what to do about it seemed elusive. The board of directors would be expecting a meeting soon to discuss the store’s performance and to gauge his opinion as to the future viability of the business.

Kevin leaned back in his chair and closed his eyes – perhaps a mental review of the store’s situation would prove helpful.

History of the Enterprise
Francis LeFort incorporated Bread of Life Bookstore of Sydney, Nova Scotia, Canada, in 1930. An itinerant evangelical preacher who had been conducting mission work with the province’s aboriginal population, LeFort felt that the ministry could be supported and grown through the existence of a bookstore that would carry materials useful to aboriginal ministry and for the edification of the local Christian population. The store opened as a small shop in the front corner of a building on Steeves Street in the city’s downtown area and by 1954 had moved to occupy the entire building.

Organization
Since its inception, Bread of Life Bookstore had been operated as a ministry of Bread of Life Mission, Inc., a registered charitable organization managed by a volunteer board of directors. As of 2004, the board consisted of seven members, three of whom served on the store’s management committee, providing guidance and advice to Kevin Hutchinson, the store manager. Bread of Life Bookstore’s mission stated that it existed “To support the ministry of the Association of Evangelical Native Churches (AENC) by providing and promoting Christian resources to our valued customers.” The store carried out this mission by remitting its net income plus any donations received annually to the AENC.

At the end of 2004, Bread of Life Bookstore carried a variety of products for sale to its clientele, including Christian books and magazines, church resource materials, music and videos, and various other products (e.g., T-shirts, inspirational plaques, jewelry, etc.). The store’s annual statements of income and expense (see Table 1 on next page) indicated that the business had experienced four years of consistent profitability with the exception of 2004, during which time the operation experienced a loss of $65,488 and was – for the first time in memory – unable to remit funds to the AENC.

Kevin Hutchinson, who came to the store after five years with a medium-sized retail operation in the Halifax, Nova Scotia, area, had managed the store since 1999. Upon arrival he had found the business lacking an organization chart, so he immediately went to work preparing one (see Table 2 on page 85) while seeking to modernize the store’s retail operations. Kevin felt that the business ultimately reported to Jesus Christ in that it existed as an extension of His Great Commission – literally purveying the Word of God to this corner of the world.2 In a physical sense, Kevin reported to the management committee of the board of directors. As far as Kevin was concerned, the management committee was “hands-off” in its approach to store operations, meeting infrequently and with few suggestions respecting how to deal with challenges being faced by the organization. As such, he often felt that the burden of responsibility for the store rested squarely upon his shoulders.

Under Kevin were nine employees – one full-time bookkeeper/merchandiser, four full-time sales clerks, and four part-time sales clerks. These employees worked shifts Monday through Saturday during the store’s hours of operation: 9 a.m.-5 p.m. from Monday-Thursday, 9 a.m.-9 p.m. on Friday, and 9 a.m.-3 p.m. on Saturday. Kevin was proud of the structure he had brought to the organization, although events of the past year had concerned him. It seemed that there
### Table 1

**Bread of Life Bookstore Statements of Income and Expense**

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Book &amp; Magazine Sales</td>
<td>432,275</td>
<td>449,320</td>
<td>441,003</td>
<td>463,884</td>
<td>339,992</td>
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<td>Church Resource Sales</td>
<td>153,200</td>
<td>148,092</td>
<td>147,237</td>
<td>162,270</td>
<td>118,416</td>
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<tr>
<td>Music &amp; Video Sales</td>
<td>188,956</td>
<td>194,894</td>
<td>199,406</td>
<td>205,565</td>
<td>175,692</td>
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<tr>
<td>Other Product Sales</td>
<td>18,771</td>
<td>19,237</td>
<td>18,420</td>
<td>22,010</td>
<td>17,444</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>793,202</td>
<td>811,547</td>
<td>806,066</td>
<td>853,729</td>
<td>651,544</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of Goods Sold</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COGS – Books &amp; Magazines</td>
<td>259,365</td>
<td>274,085</td>
<td>273,422</td>
<td>296,886</td>
<td>231,195</td>
</tr>
<tr>
<td>COGS – Church Resources</td>
<td>125,624</td>
<td>118,474</td>
<td>116,317</td>
<td>133,061</td>
<td>98,285</td>
</tr>
<tr>
<td>COGS – Music &amp; Videos</td>
<td>113,374</td>
<td>118,888</td>
<td>125,626</td>
<td>133,617</td>
<td>119,471</td>
</tr>
<tr>
<td>COGS – Other Products</td>
<td>10,136</td>
<td>10,965</td>
<td>10,315</td>
<td>12,766</td>
<td>12,385</td>
</tr>
<tr>
<td><strong>Total Cost of Goods Sold</strong></td>
<td>508,499</td>
<td>522,412</td>
<td>525,680</td>
<td>576,330</td>
<td>461,336</td>
</tr>
<tr>
<td><strong>General &amp; Administrative</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting &amp; Legal</td>
<td>2,238</td>
<td>2,045</td>
<td>2,355</td>
<td>2,681</td>
<td>2,862</td>
</tr>
<tr>
<td>Advertising &amp; Promotion</td>
<td>18,278</td>
<td>10,779</td>
<td>12,563</td>
<td>11,281</td>
<td>16,403</td>
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<tr>
<td>Bad Debts</td>
<td>638</td>
<td>594</td>
<td>438</td>
<td>601</td>
<td>384</td>
</tr>
<tr>
<td>Bank Charges &amp; Interest</td>
<td>840</td>
<td>873</td>
<td>814</td>
<td>922</td>
<td>978</td>
</tr>
<tr>
<td>Insurance</td>
<td>3,420</td>
<td>3,600</td>
<td>3,670</td>
<td>3,745</td>
<td>3,908</td>
</tr>
<tr>
<td>Maintenance &amp; Repair</td>
<td>3,250</td>
<td>4,877</td>
<td>2,412</td>
<td>2,834</td>
<td>1,992</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>1,488</td>
<td>1,390</td>
<td>1,434</td>
<td>1,604</td>
<td>1,598</td>
</tr>
<tr>
<td>Postage &amp; Shipping</td>
<td>2,484</td>
<td>2,790</td>
<td>2,984</td>
<td>2,101</td>
<td>1,929</td>
</tr>
<tr>
<td>Salaries &amp; Benefits</td>
<td>198,480</td>
<td>202,450</td>
<td>206,499</td>
<td>210,629</td>
<td>214,841</td>
</tr>
<tr>
<td>Telephone &amp; Internet</td>
<td>1,800</td>
<td>1,898</td>
<td>1,974</td>
<td>1,904</td>
<td>2,132</td>
</tr>
<tr>
<td>Utilities</td>
<td>8,261</td>
<td>8,420</td>
<td>8,211</td>
<td>8,492</td>
<td>8,669</td>
</tr>
<tr>
<td><strong>Total General &amp; Administrative</strong></td>
<td>241,177</td>
<td>239,716</td>
<td>243,354</td>
<td>246,794</td>
<td>255,696</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>749,676</td>
<td>762,128</td>
<td>769,034</td>
<td>823,124</td>
<td>717,032</td>
</tr>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>-43,526</td>
<td>-49,419</td>
<td>-37,032</td>
<td>-30,605</td>
<td>-65,488</td>
</tr>
</tbody>
</table>

### Table 2

**Bread of Life Bookstore Organizational Chart**

- **Jesus Christ**
- **Board of Directors**
- **Management Committee**
- **Store Manager** Kevin Hutchinson
- **Sales Clerks • Full-Time** (4)
- **Sales Clerks • Part-Time** (4)
- **Bookkeeper/Merchandiser**
had been more interpersonal conflict between staff members, and Kevin sensed that a lack of confidence in the store’s long-term viability was growing, especially in the face of new competition.

**Competitive Environment**

The Bread of Life Bookstore had enjoyed more than 70 years of relatively light competition. During most of its operating history, no Christian retail stores of its nature existed within 100 kilometers of the Sydney area. During the 1990s, the business began to note some fluctuation in sales volume in step with the increasing popularity of online booksellers such as Chapters.ca and Amazon.com. These online retailers were able to offer many of the mainstream Christian titles and popular Christian music that Bread of Life carried. In response to these developments, the store established its own Web site in 2003 that – while permitting the advertising and sale of the store’s products – did not offer the discount prices of its online competitors. The store was also experiencing an increase in competition from secular retailers like Wal-Mart as these operations began to devote more shelf space to religious products. In spite of the increase in secular competition, however, the business had continued to generate a level of profit deemed acceptable by the board.

In June 2003, the local competitive environment changed completely with the arrival of Blessings Christian Marketplace in Sydney. Blessings began as a home-based business during 1987 in Saint Paul, Alberta. By 1989, it had moved into a retail space in downtown Saint Paul and in subsequent years opened stores across the country. As a privately owned Christian retail chain in 2004, Blessings consisted of 24 stores spread across 19 Canadian cities. These retail outlets offered a diverse selection of Christian products including books, media, church resource materials, and other sundry products of interest to Christians across denominational stripes, reflecting the chain’s mission, “Giving our world the opportunity to discover God’s love through Christ honouring products.”

The Blessings operation in Sydney opened in a small retail mall located in the city’s growing west end and immediately embarked on an aggressive marketing campaign that included the mailing of attractive color flyers to residents of the city, radio advertising, and the staging of public relations events including book signings and personal appearances by recording artists. The store was open Monday through Saturday, 9 a.m.-9 p.m.

**The Christian Retail Industry**

The sale of Christian products surged during the 1990s and into the 21st century. While data on the size and volume of the Canadian industry was scarce, the Christian Booksellers’ Association (CBA) in the United States estimated 3,500 retailers across the country sold Christian merchandise worth $3 billion in 1997. By 2000, this amount had increased to an estimated $4 billion, and by 2002, sales were just under $4.2 billion ($2.4 billion via Christian retail outlets, $1.1 billion via general retail stores, and $725 million via direct to consumer ministry channels).

The CBA attributed this growth to the increased buying power of the churchgoing public, of which the average shopper was defined as “a well-educated Caucasian, age 30 to 49, with net income of more than $40,000.” In terms of purchases being made by this market, the CBA estimated that 39% of purchases were for books and Bibles, 19% for gift items, 17% for music, 7% for cards, 6% for supplies, 3% for videos, 2% for jewelry, 1% for software, and 5% for miscellaneous items (with 1% unaccounted for).

CBA Canada listed 219 member and affiliate stores in 2003, spread across the country. Not surprisingly, store locations generally followed population, with 47.0% of retail operations located in central Canada (Ontario, Quebec), 39.7% in western Canada (Manitoba, Saskatchewan, Alberta, British Columbia), 12.3% in Atlantic Canada (Newfoundland and Labrador, Nova Scotia, New Brunswick, Prince Edward Island), and 0.9% in northern Canada (Yukon, Northwest Territory, Nunavut). At the date of listing, 19 of these stores were owned by Blessings Christian Marketplace, and by 2004, the chain numbered 24 outlets.

**The Challenge of Being Independent**

The growth experienced by the industry was not without its downside, as many independently owned stores lost market share to secular retailers who increased their selection of Christian products. Many independents expressed frustration with the fact that they lacked sufficient buying power to secure the volume and negotiated discounts available to larger retailers. Some even suggested that larger chains –
like Blessings – were applying predatory business practices when entering markets traditionally serviced by independents and essentially driving them into the ground.

The difficulties being experienced by independent Christian retailers were not necessarily new – small firms had always faced significant resource disadvantages when competing against larger firms. Independent retailers in the secular bookselling industry had been dealing with these challenges for a number of years and had achieved some success by pursuing focus and/or adaptive strategies. Independent Christian retailers, it seemed, had been slow to pursue such competitive approaches.

In an address to a CBA conference in 2004, former Christian retailer Steve Adams had stated that “today, independent Christian retailers are facing a declining share of a growing market. We face the prospect of a serious contraction in the number of stores, in the impact of our stores, and in the relevance of the independent retailer in communicating the message of Christ to His people.”

His recommendation to deal with the situation was differentiation, suggesting that the independent Christian retailer “maintain the perception that he is THE source for personal service and a broad selection in a shopping experience that is distinctively Christian. Without these qualities, our customer relationship is not authentic and we find ourselves not dominant in anything.”

A Complex Situation

Kevin Hutchinson felt that Bread of Life Bookstore was at a critical point in its history. For more than 70 years the business had operated profitably and generated consistent operating funds for the mission it supported. Despite the fact that the 2004 year-end loss was the first in recent memory, Kevin felt that it was significant – not only because of its magnitude, but also because of the message he believed it delivered concerning the store’s continued viability as an independent Christian retailer. As he considered the store’s financial results and thought about the industry and Bread of Life’s position in it, he concluded that there were two main issues that he needed to bring to the board’s attention:

1) An increasingly competitive retail environment. Kevin felt that the greatest competitive threat to Bread of Life’s survival was Blessings Christian Marketplace. From his perspective, Blessings represented deep pockets and economies of scale that combined to make a formidable competitor. In addition, Blessings’ Christian nature made him unsure of how to compete with them. On one hand he felt that the chain represented a serious competitive threat that was eroding his customer base and directly impacting his sales volumes – as had been demonstrated by the 2004 financial statements. At the same time he was uneasy about going toe-to-toe with another organization that purported to be engaged in Kingdom work. He had considered the words of the Apostle Paul to the Corinthian church, “… whereas there is among you envying, and strife, and divisions … one saith, I am of Paul; and another, I am of Apollos … Who then is Paul, and who is Apollos, but ministers by whom ye believed, even as the Lord gave to every man? I have planted, Apollos watered; but God gave the increase. So then neither is he that planteth any thing, neither he that watereth; but God that giveth the increase … For we are labourers together with God …”. Kevin felt that God would not bless competitive actions that might harm a fellow servant.

Yet Kevin was also bothered by Blessings’ retail strategy, which seemed to focus upon aggressive expansion of the chain. He had also been giving some thought to the words of Dennis Mulholland, an independent Christian retailer who had commented to the CBA that “the ministry concept of Christian retail is being replaced with the Wal-Mart dog-eat-dog model … Corporate chain profitability now takes precedence over ministry and Christian consideration for each other … it’s not about heart – it’s about looking independents in the face with a friendly grin while putting both hands in their pockets all the way to their knees.” Was it possible that chains like Blessings were sacrificing the Great Commission for profitability? Were such businesses simply taking advantage of faith in a utilitarian way to generate sales and attract customers? And if so, did that change the way in which an independent Christian retailer like Bread of Life could respond to them?
it possible that an independent could remain independent if pursuing a consolidation strategy? Would such a course of action simply turn independents into the chains they were seeking to resist?

The Task Ahead

Kevin ran his fingers nervously through his hair. He had given the issues facing the Bread of Life Bookstore considerable thought and much prayer, but a course of action to recommend to the board still eluded him. He knew that the board was expecting an explanation of the past year’s performance, concrete recommendations to deal with the situation at hand, and a strategic plan to carry the store successfully through the year ahead. He took a deep breath, pulled out a pad of paper, and looked at the clock – 5:45 p.m. It was going to be a long night.

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ENDNOTES

1At the request of company management, names, dates, and certain financial details have been changed and/or distorted to ensure privacy and confidentiality. The author gratefully acknowledges the willingness of company management to participate in the development of this case study.

2Management believes strongly in the headship of Jesus Christ with respect to the business and seeks to conduct all operations with the view that the store is adding to the Kingdom of God by a) generating operating funds for the mission, and b) providing Christian resources to the community.

3The management committee is comprised of three members of the board of directors – the dashed line serves to reflect the fact that the committee is part of and yet distinct from the board.

4Christian Booksellers Association Canada, 2003 Members Resource Directory. A few sellers of Christian material do exist within the region but they are not listed as Christian retail stores and do not carry the breadth of product lines Bread of Life Bookstore does.


6More details can be found at www.blessings.com/history.html.

7More details can be found at www.blessings.com/about.html.

8More details can be found at www.blessings.com/mission.html.

9The Economist, Christian retailing: Made in heaven, 347(8069), 1998. Information concerning the size of the Canadian industry appears anecdotal, a likely result of the comparatively small nature of the market.
the industry in Canada.


**REFERENCES**


Case 10: To Buy or Not to Buy?
That is the Question
Jacquelyn Warwick
Andrews University

Introduction
Garren and Bonny Dent had grown up in the small Midwestern town of Brendan Sands, population 2,220. They were both 25, had been married for two years, and were facing a decision they knew could ultimately change the direction of their lives. As they sat together in well-used kitchen chairs, Garren laid down his pencil and rested his hand on the old, scarred table. In front of him lay a notepad on which he had placed all the reasons why they “should” and “should not” buy a hardware store. As he glanced out the window, he let his mind wander for a moment, thinking back to his childhood days in this town and what had happened in the last few years that had led him and his wife to this fork in the road.

Two Hardware Stores in One Town
Laid out in the typical small town grid, the town had one main street with several streets running across Main. The town sported two traffic lights and, even though the second light had been added ten years earlier, there was still an on-going argument over the need for it. He chuckled as he thought of the heated discussion over the light that he had just heard that morning. That was the way of a small town though; change didn’t often come easy.

There were two hardware stores in town. The smaller one (approximately 1,638 square feet), located on a downtown side street, was not well managed. It had been passed from one owner to the next with the new owners never really taking the time to either clean it up or determine the needs of the customer. Although each new owner seemed to continue to make a small profit, it was not due to store improvements, since none had been made for years, but rather simply because it was there. The frustration of many of the customers was that it only had one of anything on the shelf: one screwdriver, one hammer, one tape measure. Also, customers were never sure if the store would have what they needed; more often than not, they wouldn’t. For the past seven years Dave, a schoolteacher, had been the owner. He would go down to the store at the end of the day after school was out. He hired a few retired men to work in the store during the day. It was truly an old town hardware store. Garren smiled as he remembered his wife telling him, “The older men from town go down there and chat but nobody actually buys anything.” It was very different from the other hardware store.

The larger hardware store was located right on Main Street, around the corner and just a short distance down from the smaller one. The owner of the larger store, Harry, also owned an apartment complex. This was a good fit, since keeping the apartments in good repair was important and owning the store assured Harry that he would be “his own best customer,” always having what he needed on hand.

Mr. Fix-It
Things were going well, and as the larger hardware store grew, Harry began to invest in more properties. As his business ventures thrived, Harry realized that he was too busy to keep up with all the needed rental repairs of the various units himself. Once he realized this, he went to the Seventh-Day Adventist college on the outskirts of town looking for a student who would be interested in a job. That was where he had found and hired Garren. Harry now owned 25-30 apartment units which gave Garren a wide variety of new experiences. He fixed switches, garbage disposals, various plumbing mishaps, and all sorts of leaky pipes and faucets. Looking back on that time, Garren marveled at what a great learning experience it had been and wondered at the patience of Harry as he trained him in a wide variety of maintenance tasks.

As time passed, Harry realized that even though he enjoyed being at the hardware store, he no longer wanted the responsibility of owning it. So, about ten years after he had purchased it, Harry sold the store. He told the new owner that he would probably continue to be one of his best customers since he would still use the store for all his hardware needs.

Nothing Ever Stays the Same
Harry had hired Garren about a year before he sold the store. During that time, Garren had learned an incredible amount about a
variety of tasks, from painting walls to installing new plumbing fixtures. He knew the hardware store well and could find exactly what he needed for his current repair job.

Soon after Harry sold the store, things started to change. First, the new owner moved the store a short distance from town to a new, beautiful, 15,000-square-foot building. In the beginning it was great. But, as the new owner grew and started opening additional stores, he “outgrew” his money supply. This shortage of cash led to less inventory in the store, so it was not as well stocked as it had once been.

Second, it was no longer what Garren considered a “real” hardware store. It was crowded with a wide variety of large and small appliances such as washers, dryers, blenders, patio furniture, and riding lawn mowers. If Garren went in for the repair of a faucet or a sink, they didn’t have the part or even the very basic, common items. When asked, the employees would say they didn’t carry it or were out of it. Garren complained, “They would let the inventory go to zero and then let it sit that way for weeks!” He remembered they would tell him, “It’s coming in on the truck,” so he would leave and then come back to pick it up only to be told, “It didn’t come in on the truck.”

It was a very frustrating period. During this time the smaller hardware store, now a tenth the size of the other one, was not much better. Since no one kept an eye on the merchandise, they might or might not have what was needed, and, if they did have the part, there was no guarantee they would have the quantity needed. Finally Garren decided it wasn’t worth the risk of going to either store, so he began spending a great deal of his time driving (30-40 minutes one way) to other towns to buy parts. This had always seemed ridiculous to him. That was when he first began to think about how nice it would be to once again have a hardware store in town that had the common, everyday things people needed for home repairs.

Marriage: The Early Years

Garren had gotten married during college. He had two years left to acquire a bachelor’s degree in business, and his wife had three years left to acquire a degree in physical therapy. Once married, they purchased a home, and Garren realized, as many others had before him, that he now had bills to pay so he could no longer attend college full-time. Although he worked construction in the summers plumbing new houses, he knew he couldn’t keep a regular 9 to 5 job in the fall since he had to work around his college schedule. That was when he started doing odd jobs and began to work for Harry as a handy man.

As college graduation drew near, Bonny and Garren were prayerfully asking the Lord what He wanted them to do with their lives. They thought about becoming student missionaries since, aside from student loans and a small house payment, they didn’t have any debt. During the placement phase they found there were no matches between their college skills and the various mission stations which currently needed missionaries. After three months of waiting to be assigned and a great deal of prayerful consideration, they decided the Lord was not pulling them towards the mission field. At loose ends but still believing that when the Lord closes a door somewhere He opens a window, they continued to ask for guidance.

It was during this time that Garren and Bonny walked by the small hardware store. Garren recalled, “It had a little ‘For Sale’ sign, like you would have to sell your car. It was in the front window. It just said ‘For Sale.’ And I looked at Bonny and said, ‘What do you think? I kind of know a little about hardware.’”

Opportunity Knocks

After seeing the sign in the window of their hometown hardware store, Garren and Bonny agreed that it would be worth looking into the possibility of buying the store. As they began thinking of the possibility of store ownership, they realized that what was really important was assessing what they could bring to the community.

Harry, Garren’s boss, encouraged the couple, reminding them there was a market in the community for the types of things that ordinary people needed for ordinary household problems. He reminded Garren of his frustration over the last year of how hard it had been to find those items for simple household repairs. His advice had been simple, “Don’t abuse your 1,638 square feet. Don’t carry appliances or riding lawn mowers since others in town are already doing that. Serve the small niche in the marketplace that is not being met and you will do well.” Harry also offered to show him his books from the days when he owned his hardware store so Garren could get a sense of what he could expect in Brendan Sands given the type of merchandise he wanted to carry.
Garren liked the idea of serving those in his community, yet there was still a major obstacle standing in the way of ownership, and that was money. If the Lord was truly leading them towards this opportunity, they both knew that He would have to find the money for them. Upon talking to the owner, they found that he was done with the store and simply wanted to sell. He assured them that money wouldn’t be a problem since they could buy it on a land contract over five years. After Garren looked through the balance sheet (Table 1), the projections for the next five years (Table 2), and last year’s sales broken down by week and month (Table 3), he was excited. He knew that even though the town wasn’t growing much, there was a profit to be made with this store and he wanted to help his community. But before he made a final decision he decided to look in the area for other possibilities.

Garren found a number of stores for sale in the surrounding two-state area. One store, which was not far from their home, was of particular interest. It was different than the one in his hometown in that it was the only hardware store in town. It was a wonderful little Ace hardware store owned for many years by a now-elderly man who had been successful but decided it was time to retire. He was willing to work with them to make sure the financing went through. He was also willing to continue working at the store and help train Garren. Similar to the other owner, he simply didn’t want the headache of owning the store anymore.

Garren soon realized the Lord had presented him with two great opportunities. He was excited as he talked to his wife, saying, “It’s in a small town but they are building new subdivisions all around and you could tell that it is primed for growth!” The older gentleman who owned the store just needed some younger blood to take over, but his kids didn’t want anything to do with it. Garren knew that to really take off, the store needed to be relocated to the outskirts of town. Since the store didn’t have any immediate competition, he realized that with this small change the store would soon be booming in sales. As Garren evaluated the store’s five-year projections (Table 4) and last year’s balance sheet (Table 5), he knew this was a really, really good opportunity. He went down three times to evaluate the store, assess the demographic studies, and look at the sales numbers. When he compared current sales with the projected growth for the next five years, the potential was huge.

Before a decision could be made, Bonny, a student in physical therapy, still had to finish her last six-week clinical rotation to graduate. This rotation was to be done in Hawaii. When they arrived, he noticed a hardware store advertising to hire a sales person for the plumbing aisle. He went in and inquired, knowing that no one would hire him for just six weeks. He bravely told them he wanted the job but that he could only work 9 to 4 (when he dropped off and picked up my wife), no weekends, and he was leaving in six weeks. To his surprise they said, “OK, then you can start right now!” and gave him a uniform shirt. Another door was being opened. Here was his entry into the hardware market in an actual retail environment. In the end, it was an invaluable learning experience.

Decisions Don’t Come Easy

Now, back from Hawaii, a decision needed to be made, but there were still two ethical issues with which Garren and Bonny had to come to terms. First, could they continue to be good Christians and own a business, and second, could they maintain the store’s hours and still keep the Sabbath? As Christians, they had been raised hearing the debate over the dilemma of “business ownership and being a good Christian” all of their lives, so they had been discussing this issue for quite some time and thought they had it resolved.

The other issue was a bit harder. As Seventh-Day Adventist Christians, Garren and Bonny worshipped on Saturday, which meant that they did not work from Friday night sundown until Saturday night sundown. This would mean either store purchased would be closed on Friday night and Saturday.

... could they maintain the store’s hours and still keep the Sabbath?
### Table 1

**Brendan Sands Hardware Balance Sheet (December 31)**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash in Bank</td>
<td>$8,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>60,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>$68,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Property and Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture, Fixtures, Equipment</td>
<td>10,300</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in Hardware Wholesalers, Inc.</td>
<td>1,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$79,300</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES AND CAPITAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes Payable - Bank (current portion)</td>
<td>$8,008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Contract (current portion)</td>
<td>5,700</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$13,708</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Long Term Indebtedness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes Payable - Bank</td>
<td>$21,992</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Contract</td>
<td>7,800</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$43,792</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital, Owner Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>35,800</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities and Capital</strong></td>
<td>$79,300</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 2

**Five-Year Projections: Brendan Sands Hardware (Michigan)**

Note: This assumes a sales area of 1,638 square feet. Also, these figures are, at least, an estimate of what could take place at this store. As you are aware, there are many variables such as the degree of competitiveness in the market, the local economy, the correct suppliers, etc., which could change these projections.

<table>
<thead>
<tr>
<th>Full</th>
<th>1st Yr.</th>
<th>2nd Yr.</th>
<th>3rd Yr.</th>
<th>4th Yr.</th>
<th>5th Yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>115,000</td>
<td>131,000</td>
<td>147,000</td>
<td>155,000</td>
<td>165,000</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>72,500</td>
<td>81,220</td>
<td>89,670</td>
<td>93,775</td>
<td>99,000</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>42,500</td>
<td>49,780</td>
<td>57,330</td>
<td>61,225</td>
<td>66,000</td>
</tr>
<tr>
<td>Occupancy</td>
<td>7,000</td>
<td>7,000</td>
<td>7,000</td>
<td>7,000</td>
<td>7,000</td>
</tr>
<tr>
<td>Payroll</td>
<td>22,000</td>
<td>25,000</td>
<td>28,000</td>
<td>29,000</td>
<td>31,000</td>
</tr>
<tr>
<td>General</td>
<td>10,000</td>
<td>12,000</td>
<td>13,000</td>
<td>14,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Total Liabilities and Capital</td>
<td>39,000</td>
<td>44,000</td>
<td>48,000</td>
<td>50,000</td>
<td>53,000</td>
</tr>
</tbody>
</table>

*HWI Rebate (Hardware Wholesalers, Inc.): Once the store invests in the wholesaler, all purchases made through the wholesaler receive a 9% rebate.

**Other Income – Store had a small office space attached which could be rented out.
Table 3

Brendan Sands Hardware Sales (Monthly)

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>$3,167.75</td>
</tr>
<tr>
<td>February</td>
<td>2,420.56</td>
</tr>
<tr>
<td>March</td>
<td>3,055.63</td>
</tr>
<tr>
<td>April</td>
<td>3,705.87</td>
</tr>
<tr>
<td>May</td>
<td>4,350.68</td>
</tr>
<tr>
<td>June*</td>
<td>5,472.93</td>
</tr>
</tbody>
</table>

Yearly Sales: $47,566.11

Brendan Sands Hardware Sales – June** (Weekly/Daily)

<table>
<thead>
<tr>
<th>Day</th>
<th>Wk 1 Sales</th>
<th>Wk 2 Sales</th>
<th>Wk 3 Sales</th>
<th>Wk 4 Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuesday</td>
<td>$220.38</td>
<td>$154.20</td>
<td>$200.69</td>
<td>$163.09</td>
</tr>
<tr>
<td>Wednesday</td>
<td>301.61</td>
<td>214.37</td>
<td>205.31</td>
<td>195.10</td>
</tr>
<tr>
<td>Thursday</td>
<td>286.45</td>
<td>253.41</td>
<td>215.38</td>
<td>206.09</td>
</tr>
<tr>
<td>Friday</td>
<td>336.48</td>
<td>293.30</td>
<td>250.62</td>
<td>299.10</td>
</tr>
<tr>
<td>Saturday</td>
<td>537.51</td>
<td>412.41</td>
<td>332.04</td>
<td>395.39</td>
</tr>
</tbody>
</table>

Total June Sales = 5,472.93

*These are the sales figures for the last full year before the business went on the market.

**Store is closed Sunday and Monday.

Table 4

Five-Year Projections: New Carlton Hardware (Indiana)

Note: This assumes the sales area is 2,000 square feet and inflation is at 5.00% after the first year. These figures are, at least, an estimate of what could take place at this store. As you are aware, there are many variables such as the degree of competitiveness in the market, the local economy, the correct suppliers, etc., which could change these projections.

<table>
<thead>
<tr>
<th>Year</th>
<th>Projected Sales</th>
<th>Cost of Sales</th>
<th>Gross Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full Yr.</td>
<td>1st Yr.</td>
<td>2nd Yr.</td>
</tr>
<tr>
<td>1st Yr.</td>
<td>120,000</td>
<td>78,000</td>
<td>42,000</td>
</tr>
<tr>
<td>2nd Yr.</td>
<td>138,000</td>
<td>86,940</td>
<td>51,060</td>
</tr>
<tr>
<td>3rd Yr.</td>
<td>151,800</td>
<td>92,598</td>
<td>59,202</td>
</tr>
<tr>
<td>4th Yr.</td>
<td>166,980</td>
<td>100,188</td>
<td>66,792</td>
</tr>
<tr>
<td>5th Yr.</td>
<td>183,678</td>
<td>110,207</td>
<td>73,471</td>
</tr>
</tbody>
</table>

Est. Operating Expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>Full Yr.</th>
<th>1st Yr.</th>
<th>2nd Yr.</th>
<th>3rd Yr.</th>
<th>4th Yr.</th>
<th>5th Yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>7,700</td>
<td>7,785</td>
<td>7,875</td>
<td>7,968</td>
<td>8,066</td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>22,500</td>
<td>25,625</td>
<td>28,056</td>
<td>30,724</td>
<td>33,651</td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>16,939</td>
<td>16,716</td>
<td>16,427</td>
<td>16,187</td>
<td>16,023</td>
<td></td>
</tr>
</tbody>
</table>

Total: 47,139 50,126 52,358 54,879 57,740

Operating Profit/Loss

<table>
<thead>
<tr>
<th>Type</th>
<th>Full Yr.</th>
<th>1st Yr.</th>
<th>2nd Yr.</th>
<th>3rd Yr.</th>
<th>4th Yr.</th>
<th>5th Yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit/Loss</td>
<td>-5,139</td>
<td>934</td>
<td>6,844</td>
<td>11,913</td>
<td>15,731</td>
<td></td>
</tr>
<tr>
<td>HWI Rebate*</td>
<td>-4.28%</td>
<td>.68%</td>
<td>4.51%</td>
<td>7.13%</td>
<td>8.56%</td>
<td></td>
</tr>
<tr>
<td>Other Income**</td>
<td>7,020</td>
<td>7,825</td>
<td>8,334</td>
<td>9,017</td>
<td>9,919</td>
<td></td>
</tr>
<tr>
<td>Net Opportunity (before taxes)</td>
<td>6,881</td>
<td>14,009</td>
<td>20,691</td>
<td>26,718</td>
<td>31,728</td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td>5.73%</td>
<td>10.15%</td>
<td>13.63%</td>
<td>16%</td>
<td>17.27%</td>
<td></td>
</tr>
</tbody>
</table>

*HWI Rebate (Hardware Wholesalers, Inc.): Once the store invests in the wholesaler, all purchases made through the wholesaler receive a 9% rebate.

**Other Income – Store had a small office space attached which was being rented out.
Table 5
New Carlton Hardware Balance Sheet (December 31)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash in Bank</td>
<td>$ 8,000</td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>65,000</td>
<td></td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$73,000</td>
<td></td>
</tr>
<tr>
<td>Property and Equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture, Fixtures, Equipment</td>
<td>12,000</td>
<td></td>
</tr>
<tr>
<td>Other Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in Hardware Wholesalers, Inc.</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>$86,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND CAPITAL</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes Payable - Bank (current portion)</td>
<td>$ 9,450</td>
<td></td>
</tr>
<tr>
<td>Land Contract (current portion)</td>
<td>6,575</td>
<td>$16,025</td>
</tr>
<tr>
<td>Long Term Indebtedness</td>
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<tr>
<td>Notes Payable - Bank</td>
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<tr>
<td>Land Contract</td>
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<tr>
<td>Total Liabilities</td>
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<tr>
<td>Capital, Owner Equity</td>
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</tr>
<tr>
<td></td>
<td>36,000</td>
<td></td>
</tr>
<tr>
<td>Total Liabilities and Capital</td>
<td>$86,000</td>
<td></td>
</tr>
</tbody>
</table>

For some businesses this might not have been much of an issue, but they knew the hardware industry was a Saturday business. For both large and small stores, the whole industry was geared around Saturday. The large hardware stores like Home Depot, Lowe’s, and Menard’s all had large Saturday sales. Sundays were also big days but usually consisted of more afternoon sales so, overall, Sundays only did half the business of Saturdays. The rationale was that most people went to church or had other activities planned. Since sales were slower, stores usually closed earlier on Sundays – such as 6 p.m. as opposed to 8 p.m. or 9 p.m. on Saturdays. This held true for most local businesses in both towns as well.

Currently, both stores Garren and Bonny were considering were closed on Sundays, with the Brendan Sands store also closed on Mondays and the New Carlton store open Monday through Saturday. Given this store schedule, Garren evaluated the sales charts of the Indiana store. They indicated that across the board, Saturdays were huge. It was found that for both stores Saturdays were their biggest day. For the New Carlton store, Saturday sales were nearly 80% of weekly sales. The Indiana owner had verified this himself by stating many times that “Saturdays were huge,” “On Saturdays the store was just packed,” and “People are off and are in the store on Saturdays.”

All of this meant that as Christians, wanting to witness for the Lord in all that they did, should Garren and Bonny buy a hardware store knowing the people were expecting it to be open on Saturday? Garren knew they had two options in either location they chose. They could either 1) maintain steady sales by continuing to keep the store open on Saturday for the convenience of their customers, or 2) based on their religious beliefs, only open Sunday through Friday, closing on Saturdays, knowing from the beginning that this would be a huge inconvenience for their customers as well as a danger to their success.

Buying either hardware store was a big decision, and Garren found himself asking Bonny if realistically she thought they could succeed in buying either store, since they were basically choosing to come into a town, buy the only hardware store for miles around which would carry the items that were truly needed for home repairs, and then promptly close it down on the biggest day of the week for doing home repairs. Sitting there at his kitchen table and looking at it for the first time from that perspective, Garren realized that if he bought either store and
decided to close it on Saturdays it would only be because of the Lord’s power that he could/would survive in the hardware business. This brought him up short but, once he recognized the truth of what it would take to make it in the hardware business, he picked up his notepad, looked at his wife and said, “I have made a decision and you might be surprised at what I have decided to do!”

Challenges for the New Seminary Dean

Dr. Gary Janzen, the new seminary dean, had recently come to Friends’ Northwest University (hereafter referred to as Friends’). He was to develop a strategy to make the seminary competitive locally (with its master’s degrees, certificate programs, and outreach), and competitive nationally (with its doctor of ministry degree program, which was based on a hybrid residential and online format). Janzen had a practical orientation, having served more than 25 years as a pastor. His terminal degree was a doctor of ministry – a professionally oriented doctorate, as opposed to the Ph.D.s held by researchers in seminaries. The newly arrived President Bill Duncan believed the seminary needed a practical leader.

During the first three months of his tenure as the dean of the seminary, Janzen interviewed as many people as possible. The seminary had never even come close to breaking even; the financial reports showed yearly deficits of $150,000 to $300,000. The faculty morale of the seminary was extremely low; they felt beaten down, misunderstood, betrayed, assaulted, and unappreciated by the merger between the seminary and Friends’. When the two cultures had merged, the university culture had been imposed on the seminary. The seminary faculty had not had fair or good representation among the key administrators or board at the university level; there was no one who “championed” their cause, accomplishments, or mission. There was no clear identity or defined constituency. Janzen knew he had to act fast. He was concerned that President Duncan would be forced to pull the plug on the seminary; long-term deficits were unsustainable in the tuition-driven university. Although the M.B.A., counseling, and graduate degree programs in education subsidized the undergraduate program, Duncan and the university board wanted the other graduate programs (i.e., seminary and Psy.D.) to at least break even. He had instructed Janzen to resolve the financial

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deficit and had told him he would support him if he could come up with a good plan.

A central feature to Janzen’s plan was expanding the doctor of ministry options to include a program he and the faculty named “Leadership in Emerging Culture” (LEC). The American public had been moving away from established mainstream Protestant denominations to non-denominational churches or away from Christianity all together. Janzen and the faculty felt a strong sense of mission in attempting to be responsive to the spiritual needs of the changing American society. One way to do so was to train leaders in adapting Christ’s message of love and compassion to the needs of the emerging culture. Janzen was editing the LEC draft proposal to be presented to the faculty. Excerpts read as follows:

- The LEC Doctor of Ministry (D.Min.) track “seeks to enable students to effectively lead in the emerging culture. Students in the program: establish a conceptual basis for ‘leadership in the emerging culture,’ develop their ministry vision and ‘voice’ in effective leadership, explore how one’s identification with the person of Christ impacts one’s self-perception as a leader, engage in and reflect on a cross-cultural experience in order to ‘think globally and act locally’ with regard to leadership issues in their particular ministry contexts, reflect on the essential intermingling of leadership and spiritual formation in corporate Christian contexts, and synthesize a coherent theology of leadership in the emerging culture that will serve to inform their practice of leadership.”
- “The customized courses are designed to give students greater flexibility to pursue subjects of interest to them.”
- The celebrity theologian’s “courses are characterized by directed reading and self-organizing interaction. … students explore various aspects of leadership in the emerging culture.” Courses normally include the reading, meeting weekly in an asynchronous chat forum to discuss the assigned course materials, and meeting once a week for synchronous chat. The celebrity theologian facilitates the discussion. Students meet from time to time with the celebrity theologian.

This would be a new D.Min. track that would be responsive to changing societal needs. Janzen knew that pastors were searching for professional, cognitive, psychological, and spiritual renewal, and some sought to meet these needs in the D.Min. certification. Some professors from other departments were skeptical of the celebrity appeal that was central to the new degree. The celebrity theologian was to be the lead mentor to the students in the program. Should Janzen go forward with this program even though he knew its dependence on one celebrity made it fragile? The existing D.Min. program was more traditional and didn’t bring in enough revenues to keep the seminary in the black. He had to be careful with the faculty in that some might view the celebrity theologian as a tacky way to make the seminary more attractive.

Friends’ At a Glance

Friends’ had been founded in 1891. It conferred the following degrees: B.A., B.S., M.A., M.A.T., M.B.A., M.Div., M.Ed., D.Min., Ed.D., and Psy.D. It offered majors in more than 35 undergraduate majors. It had a 77-acre suburban campus (20 miles from downtown) and other sites, the most important of which was the park-like metropolitan office building that housed the seminary as well as evening adult programs in degree completion, counseling, education, and business. Friends’ had 134 full-time faculty.

Friends’ was based on evangelical Christianity. As a university, it was “to demonstrate the meaning of Jesus Christ by offering a caring educational community in which each individual may achieve the highest intellectual and personal growth and by participating responsibly in our world’s concerns” (from university Web site).

Friends’ was to “liberate the student for a life of purpose and fulfillment …”. It maintains a “program of varied activities that directs the student to a commitment to Christ as Lord and Savior, encourages attitudes of reverence and devotion toward God, leads to recognition that the revealed commandments of God are the supreme criteria of the good life, enables the student to mirror the example of Christ in human relationships, and develops a greater desire to serve humanity in a spirit of Christian love.” It promotes activities that emphasize “the development of leadership, initiative, and teamwork by giving opportunity to make practical use of the skills and ideas acquired through academic courses.” Friends’ mission includes a concern for social justice, a commitment to peace and nonviolence, and a belief in the equality of all people.
Though the school was founded by the Friends, only approximately nine percent of the undergraduate students are Friends. More than 50 denominations are represented on campus, and the largest denominational choice is Baptist; however, “non-denominational” was the category chosen by the largest number of students. Friends’ is a Christian community that expects students and employees to abide by the university’s community responsibilities and expectations. All employees – faculty, administration, and staff – are committed evangelical Christians. The students do not have to be Christian, though the vast majority of the traditional undergraduates are. However, many of the adults in evening programs are not. Schools of divinity in universities can have people of various faiths, including non-Christians, but this was not true at Friends’.

The key factors leading up to the merger were the desire of Friends’ to become a university, which required graduate programs such as those they perceived as an excellent education. In order to enhance the administrative and marketing capacity of the university and better serve students, many administrators had been added in marketing, recruitment, and retention efforts, thereby driving administrative costs higher. Though the undergraduate college charged premium tuition prices, it still could not make ends meet. It also used financial aid to attract students; it didn’t really collect the premium tuition prices from most families, who had average annual incomes under $50,000.

Other liberal arts colleges depended on income from endowments to subsidize their undergrad programs. Friends’ endowment was modest; for 2002-2003 it was $15,086,540, only enough to cover four to five months of the operating budget. As Bill Duncan, the current president, was fond of stating, “We live by our wits.” Friends’ had to be entrepreneurial and responsive to its market segments and it could not sustain autonomous programs, such as the seminary, that ran perennial deficits.

Undergraduate majors varied in terms of profitability, but Duncan saw the undergraduate college as a unit made up of interdependent majors that had to be seen holistically. One couldn’t readily eliminate expensive majors, such as science or engineering, without decreasing the overall image of the undergraduate college. Eliminating the seminary would not threaten the institutional identity or existence of the university, as it was not perceived as central to the university. The Christian core was the undergraduate program. Although the seminary clearly contributed to the Christian mission of the university, it was evaluated first on its bottom line because it was a graduate program; this was the way Friends’ key administrators and board perceived the matter.

Other liberal arts colleges depended on income from endowments to subsidize their undergrad programs. Friends’ endowed a budget of $5.3 million. To survive financially, the university had moved into adult and graduate programs (e.g., degree completion for working adults, 1986; doctor of psychology, 1990; master of arts in teaching, 1992; master of business administration, 1993; master of education, 1993; Evangelical Seminary, 1996). The M.B.A., counseling, and graduate education programs continued to generate large surpluses that subsidized the undergraduate college.

However, the growth in graduate programs coincided with a nearly 100% increase in the undergraduate student population in the undergraduate college. The college had been written up in news magazines as a top ranked regional school. Christian parents saw Friends’ as a safe haven for their children that also provided what
offered by the seminary, and the financial desperation of the seminary. L. Samuel Davidson, the president of Evangelical Seminary at the time of the merger, was the key facilitator. He had also served as president of Friends’ years before, thereby making him familiar with all the key decision-makers.

Davidson came to the seminary on January 2, 1993 with the goal of getting the seminary ready to merge with a larger institution. From his earlier contacts with the seminary, he was aware of significant financial problems. Yet, upon arrival, he was shocked to find that the seminary couldn’t even afford to have its garbage removed. The next day bank officials demanded immediate payment on a note that was one year in arrears. After investigating further, he discovered that the seminary was $2.4 million in debt. This debt and the dwindling support from its traditional evangelical constituency threatened accreditation from the Association of Theological Schools and the regional collegiate accreditation body. He struggled to keep the seminary afloat through donations, tuition revenues, and grants. He finally managed to make the seminary attractive to Friends’.

Friends’ board and key administrators thought the addition of a seminary would justify Friends’ transition from college to university status. At a joint meeting of the boards in February 1996, the decision to merge on July 1, 1996 was made. This gave the administrators very little time to work out all the details. Thus, a college of approximately 2,000 students absorbed the 300-student seminary and renamed itself a university.

The merger process was not easy, but Friends’ balance sheet improved (see Table 1). The contribution of assets at the time of the merger made the decision to merge a “no-brainer” in the eyes of the CPA accounting and finance professor who had an extensive outside practice and was experienced at business valuation. The accredited seminary programs were worth a great deal as well even though they didn’t figure in the balance sheet. The most visible asset of the seminary was its building, which proved ideal for evening adult programs servicing the metropolitan area and beyond.

**Post-Merger Era under Dean Janzen**

Janzen knew he had to address both the external community to build interest in seminary programs as well as maintain positive relations with

**Table 1**

**Summary of Impact of Merger on Friends’ (July 1, 1996)**

<table>
<thead>
<tr>
<th></th>
<th>Pre-Merger Friends’</th>
<th>Pre-Merger Seminary</th>
<th>Post-Merger Friends’</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>$43,289,181</td>
<td>$7,771,899</td>
<td>$51,061,080</td>
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<tr>
<td><strong>Liabilities</strong></td>
<td>$11,844,766</td>
<td>$4,048,683</td>
<td>$15,893,459</td>
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<tr>
<td><strong>Net Assets</strong></td>
<td>$31,444,405</td>
<td>$3,723,216</td>
<td>$35,167,621</td>
</tr>
</tbody>
</table>

Friends’ administrators so they wouldn’t be too draconian in their demands that the seminary always cover its expenses. He knew he had to get the seminary close to breaking even but he also could promote several features of the seminary to the university administration:

- The seminary had a stronger minority enrollment than other parts of the university. The undergraduate program was based in a small town, 25 miles from the greater metropolitan area, which was not perceived as attractive for African-American students.
- The Mexican-Americans who lived close to the rural campus often chose not to attend higher education. Hence, the undergraduate college was overwhelmingly white. This was a concern for the board of directors, which had directed the Friends’ administrators to work on increasing minority enrollment.
- The seminary also led the university in the adoption of Web-based teaching and the use of smart classrooms. Such classrooms had built-in computers, overhead projection devices, and ceiling-mounted projectors. The system developed by the seminary became a model for Friends’ new construction at the undergraduate campus.
- Janzen had started a guest lecture series to serve local churches by bringing in famous speakers. The first several events were very well attended.

Janzen wanted to be innovative as well as maintain the existing successful programs. He thought a positive attribute of the LEC
program was its celebrity appeal in that a charismatic theologian was to be contracted to give some of the courses and serve as lead online mentor to the students. He also knew that this dependence on one celebrity would be perceived as a weakness in that the program could be done irreparably harm should the celebrity theologian become unavailable to Friends’ due to illness or a falling out between the university and the celebrity theologian.

Traditional Protestant denomination churches suffer poor attendance. On the other hand, megachurches are popular because of charismatic leadership and programs that address the psychological, spiritual, and social support needs of congregants. These churches are referred to as spirit-filled. They are vibrant and exciting as opposed to the reserved reverence of traditional church. They offer a wide range of programs to serve people, including small groups that give people a feeling of social support, entertaining worship meetings that include professional musicians, and so forth. Janzen thought the seminary would have to be responsive to this movement toward spirit-filled communities of faith such as the megachurches. He knew the seminary could not count on ties to a specific denomination like many other seminaries that trained pastors for that denomination. The Friends didn’t require that their pastors have a master of divinity, though many of those serving programmed meetings (i.e., services led by pastors that appeared much like other Protestant worship services) had formal divinity training. Unprogrammed Friends meetings did not depend on pastoral leadership. Furthermore, some of the non-denominational groups in the area did not require formal training for their pastors. Janzen knew he could not count on denominational support. He hoped programs like the LEC would alleviate the financial deficits of the seminary.

Managing the Tension between Mission and the Bottom Line

During the ‘90s growth years, a campus culture had developed at Friends’ whereby financial concerns drove the evaluation of new programs. Mission-driven programs typically didn’t get beyond faculty review unless they could show self-sufficiency within a three-year period. President Duncan appreciated this concern for fiscal discipline. He had worked at four other small Christian colleges before coming to Friends’ and viewed the opportunity at Friends’ as his last chance to serve as a university president before retirement. He was familiar with the competitive landscape of Christian undergraduate education.

Duncan was concerned about the seminary’s competition in that it competed with another seminary that was also losing money. However, the other seminary had a wealthy donor who enabled it to continue and even to expand; it had opened a branch in northern California.

The transition from an undergraduate college (focused exclusively on Christian education) to a larger institution with elements that were clearly “profit” centers (i.e., excess revenues in not-for-profit accounting), such as the early degree completion program (it had begun struggling financially of late), counseling, and graduate business and education, created strains on the existing structure. For example, Friends’ administrators and board continued to be focused on undergraduate education in their meetings yet understood that the graduate programs existed and were bringing in money, nearly 30% of the total (see Table 2).

This transition to a complex university occurred over more than a decade, beginning in 1986. The organizational structure changed, the accounting and administrative systems expanded, enrollment grew dramatically, and so forth. However, the mission and strategy of the organization did not change from the prior emphasis on undergraduate Christian education.

**Table 2**

**Undergraduate and Graduate Revenues**

<table>
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<th>Academic Year</th>
<th>Program</th>
<th>Total</th>
<th>Percentage</th>
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<tr>
<td>FY 02-03</td>
<td>Undergrad</td>
<td>$25,978,391</td>
<td>71%</td>
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<tr>
<td></td>
<td>Actual Grad</td>
<td>$10,558,623</td>
<td>29%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$36,537,014</td>
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<tr>
<td>FY 03-04</td>
<td>Undergrad</td>
<td>$28,512,752</td>
<td>72%</td>
</tr>
<tr>
<td></td>
<td>Actual Grad</td>
<td>$11,255,127</td>
<td>28%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$39,767,879</td>
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</tr>
</tbody>
</table>
Should Janzen Push for the Adoption of the LEC Program?

Janzen knew the seminary’s accomplishments were extensive. However, Janzen also understood he had to bring the seminary’s finances close to balance. The seminary needed a cash cow quickly. It could not charge more and attract students in the master’s programs. Should the seminary expand its existing doctor of ministry program (D.Min.) to include an LEC track? What Janzen and the seminary faculty were looking into was a D.Min. track focused on serving the needs of what they called “emerging culture,” a Postmodern culture less defined by traditional denominations. In the Postmodern era, the “emerging culture” longed for a spirit-filled church that would meet their religious, psychological, and social support needs.

Janzen understood that the board and administrators were focused on the undergraduate college, which could run deficits. He accepted that the seminary, which also served the Christian mission, would need to come close to breaking even and could not continue to run large deficits.

Janzen also was concerned about the sense of mission felt by the faculty. How could he get them to see beyond meeting budget targets; satisfying teaching loads; surviving the retention, tenure, and promotion process; and other such practical details? He knew that theologians had spent their careers studying the Christian worldview, which is transcendent, going beyond life’s more banal activities. Such people are responsive to the notion that they are part of a cause, an evangelical movement. Janzen thought the LEC program would build excitement which would protect them from being preoccupied with their routines so that they could be motivated by the transcendent. He was concerned that faculty had become too comfortable teaching, writing, and serving on committees – too inward-looking. He wanted to promote outreach and continuing education seminars to promote the seminary. He thought the LEC program would complement the outreach approach.

Janzen worried that the seminary faculty too readily indulged themselves in self-pity about the merger. He thought success with the LEC program would help them put this behind them. Janzen felt like telling the faculty to “get over it,” but he hadn’t experienced the messiness of the merger. He knew that he had to help build excitement, which he thought might be possible through the LEC program. Also, he worried that the administration would keep harping at the seminary and making veiled closure threats if the deficits weren’t corrected.

He had to present the seminary in a positive light to university administrators to influence their perceptions. He hoped the LEC program would help administrators focus on what the seminary was doing to promote the mission of the university rather than continually be preoccupied with losses.

Janzen reflected on how the LEC program would mirror the university’s values. It was to demonstrate the meaning of Jesus Christ by offering a learning community that would participate responsibly in the world’s concerns. He saw it as providing pastors a chance to renew themselves for a life of purpose and fulfillment to serve humanity in a spirit of Christian love. Central to the program was the development of leadership, initiative, and teamwork by giving opportunity to make practical use of the skills and ideas acquired through the LEC program. Janzen understood how such leaders would more likely find a home in the non-denominational and evangelical churches, rather than the staid and dying churches linked to conventional Protestant denominations. Janzen felt a sense of urgency about ministering to the needs of people who couldn’t find a home in the conventional churches. He thought the path revealed to him through his analysis and prayers was the LEC program.

He wondered how he could present the LEC program to the faculty and the administration so that they would approve it. He couldn’t rely exclusively on the Christian focus of the seminary and its programs as the administrators applied a different standard (i.e., the bottom line) to the seminary than the undergraduate college, which lost a great deal of money each year. How could he present the seminary in a positive light in terms of its contributions and show how the LEC program would build on what he perceived as a positive path? Would it resolve the financial bottom line problem of the seminary?

Janzen also knew President Duncan was concerned about whether or not to pull the plug on the seminary. President Duncan had said publicly that he thought there was not enough demand in the area for two seminaries; he saw the competitive landscape as unpromising. Janzen was hoping the national draw of the proposed LEC program would reframe this argument of too many seminaries for the area from a local frame to a national one.

It was unlikely that the program would foster much in terms of loss as existing faculty were used and the celebrity theologian’s contract
could be made contingent on satisfactory enrollment or cancelled after the first year.

Duncan was willing to support the new program; he didn’t think it could do any harm to the university’s image in that it was perceived locally as an entrepreneurial university. The university would periodically borrow money against its endowment. It had done so previously with the failed launch of its online effort and lost hundreds of thousands of dollars. To Duncan it came down to the following: risk a few hundred thousand dollars to launch the LEC program or close the seminary. Duncan had been through enough start-up programs to know that early budgets were simply estimates. He thought several hundred thousand dollars was a likely short-term cost before the program began to pay off.

It was late and Janzen had to prepare his Powerpoint presentation for the full faculty. How should he present the LEC program to get buy-in from faculty and administrators?

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2. That the Word of God expressed in the Bible is inspired by God and is authoritative in the development of Christian faith and practice.
3. That the Christian faith has significant implications for the structure and practice of business.
4. That developing Christian education for business practice should be undertaken as a cooperative venture of this organization.

CBFA Membership Enrollment & Renewal Form
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<td>Department</td>
<td>Teaching Field(s)</td>
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<td>Office Phone</td>
<td>Home Phone</td>
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Return this form with a check or money order (made out to Christian Business Faculty Association) to:
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