

PRINCIPLES FOR GOOD ORDER ENDORSEMENTS

I wish I had this book in my hands decades ago. In the parishes I served, it would have meant far less wasted time and far more cooperative and coordinated ministry, leadership, and communication. Tim Kurth introduces and teaches Principles Based Governance in an easily accessible way while lacing the text with illustrations that hammer home his excellent points. Your church, ministry, or organization will find help and hope from this book and the principles it delivers.

—REV. THOMAS EGGBRECHT,
SENIOR VICE PRESIDENT OF
MINISTRY SOLUTIONS,
LUTHERAN CHURCH
EXTENSION FUND



PRINCIPLES FOR GOOD ORDER



Creating Organizational
Harmony Through
Effective Governance



T i m K u r t h

DEDICATION

This is for all the hardworking ordained and commissioned workers, the lay leaders who support them, and all those striving to remove every impediment to achieving our Lord's Great Commission.



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FOREWORD

Governance can be messy, as much an art as a science. Governance in the church and her organizations can be even more unpleasant as sinners and saints work to order all things for Christ and neighbor. Sin and conflict are inevitable. Forgiveness and restoration must abound.

Our Lord Jesus, through the Holy Spirit, calls, gathers, enlightens, and sanctifies the whole church and keeps it. This same Lord made me and gave me my reason and all my senses. His church remains forever as it lives through the Gospel purely taught and the Sacraments rightly administered.

Into a world characterized by chaos and confusion, the pursuit of good order becomes not just a practical necessity but the reflection of a longing for peace and harmony. Our Lord brings order from chaos. He brings forgiveness and life from sin and death. He does all things well.

These pages are born from Tim's personal journey and experience living with and serving congregations, schools, and organizations for decades. His thoughts have been refined and reshaped over the years, arriving at this place through careful study and lived experience. The book is both theoretical and pragmatic—a practical road map built upon the foundation of John Carver's Policy Governance® principles, adapted and refined for the unique context of Lutheran churches and organizations.

Tim does not shy away from hard realities: board dysfunction, those all-too-common stories of good intentions gone astray, personal agendas hijacking meetings, and gifted individuals losing their common sense in the boardroom. He argues that effective governance isn't just about avoiding these pitfalls; it's about creating a model that empowers leaders, supports ministry, and ultimately serves the Gospel.

Whether you are a pastor, board member, or involved lay leader, *Principles for Good Order* provides practical wisdom and theological insight. I encourage you to dive in, engage with the ideas presented, and embark on a journey toward good order and lasting harmony in your ministry. Your congregation, organization, leaders, and community will be blessed. It won't be easy. There is no magic bullet.

There will be bumps along the way. But our Lord is always faithful. He stands in the gap. He provides all that we need to support this body and life, including grace and good order—enough for our life together.

—**BART DAY**

Bart is currently serving as president and CEO of Lutheran Church Extension Fund. He has served as a parish pastor, headmaster of an elementary school, executive to oversee domestic mission work, and now head of the church's financial institution.

Bart received his bachelor's degree from Concordia University, Nebraska; a master's degree from Concordia Seminary, St. Louis; and an Executive MBA from Washington University, St. Louis.

He enjoys hiking, attending sports events and concerts, and spending time with his wife, Julie, and their children. He believes in the satisfaction that comes from hard work, the enjoyment of a job well done, and the beauty of joy and laughter in working alongside similarly motivated people. Bart serves on various nonprofit boards that serve the church and world.

INTRODUCTION

For God is not a God of confusion but of peace.

(1 CORINTHIANS 14:33)

The pastor and his wife showed up at the food pantry—again. For weeks now, it had been the only way they could feed their family. A dispute with the church council had escalated, and leadership had decided to simply stop paying the pastor’s salary. They couldn’t make an argument for his removal based on his divine call, so they simply decided to starve him out. Quite literally. The power of a congregational governing board cannot be understated.

Governing boards have been around for a very long time. For as long as they have existed, board members have struggled to understand exactly what they were to be doing, individually and corporately. Some on boards have seized the opportunity to pursue personal agendas, while others have joined boards out of a sense of obligation and are ill-equipped for such service. I’m not the first to have noticed the ineptitude of boards. Often I have wondered why when gifted, intelligent, business-savvy folks walk into a congregational board meeting, their brains seem to fall out of their heads. I’ve witnessed congregations and schools nearly destroyed by their boards. I’ve worked with organizations closing their doors because they were utterly obliterated by their boards. And, yes, I lay responsibility at the foot of the boards because, as you’ll come to learn, boards are solely and legally responsible in the eyes of both governmental and ecclesiastical authorities.

For decades, it seemed the best I could do was complain about boards and commiserate with fellow church workers over this bane of our existence. Yes, there have always been valiant efforts by consultants, coaches, and experts to help churches structure their governance in such a way that best supported success. Some forms crumbled under the weight of their own complexity. Others seemed to fit for a season but became less useful or effective over time. In the end, as with all things, the presence of broken, sinful people serves as sand in the gears of even the simplest and most elegant governing structure. That eventuality may even overtake what I share in this book, and I address that in the closing chapter. But I am going to make the case that Principles Based Governance is not a structure but a model. It’s a model that provides organizations of any size or age

an understanding of the proper place of governance in their business operations (their left-hand kingdom function) and how to function in a way that provides good order for the sake of congregational harmony.

My whole purpose in writing this book is to bring good order to our Lutheran congregations, schools, and other service organizations. Because I believe that when good order prevails, our ordained and commissioned ministers flourish. Healthy workers lead healthy churches, and healthy churches nourish healthy leaders. Governance—that is, church councils or boards or whatever name you use for those selected to act on behalf of and in the interest of the voters—is an unavoidable component of your church, school, or organization. I have met many frustrated lay leaders on boards and called workers leading day-to-day operations who strove to do the best they could but without clear direction on how to succeed.

I came late to my understanding that excellence in governance is possible when I stumbled on the term *Policy Governance* in the late 2010s. First articulated by John Carver in 1990,¹ Policy Governance[®] was not universally embraced, which is an understatement, to say the least, and even more so when it came to our Lutheran churches. The percentage of churches and organizations adopting Policy Governance was extremely small. So the fact that I hadn't heard much about it shouldn't have been much of a surprise. Once I began to explore the model, I could barely contain my excitement. I enrolled in an intensive training program from the only organization in the world offering professional certification in governance. It happened to be an organization descended from John Carver's original International Policy Governance Association, now dubbed Govern for Impact.

I devoured Carver's original text, prompting my good friend Mark to declare I wasn't right in the head. While people read Carver's work, very few found it to be a page-turner that they couldn't put down. I did! Then I proceeded to help Lutheran churches and organizations across the country begin to understand the principles of Policy Governance. I began talking to others in the governance consulting community. I began thinking about all the ways Policy Governance could be effectively implemented in any setting for any organization of any size at any stage of existence, from start-up to legacy institutions.

An ongoing frustration is the negative impressions people have about Policy Governance or "The Carver Model." The frustration is mine as these impressions are born out of, in my opinion, misunderstandings about the model. These misunderstandings can be traced to a variety of causes, but that doesn't change the reality that people are reluctant to consider Policy Governance as an effective model for church governance. At its core, Policy Governance is based on ten guiding principles. These principles make the application of the model infinitely flexible for congregations and organizations of any size or age. Because *Policy*

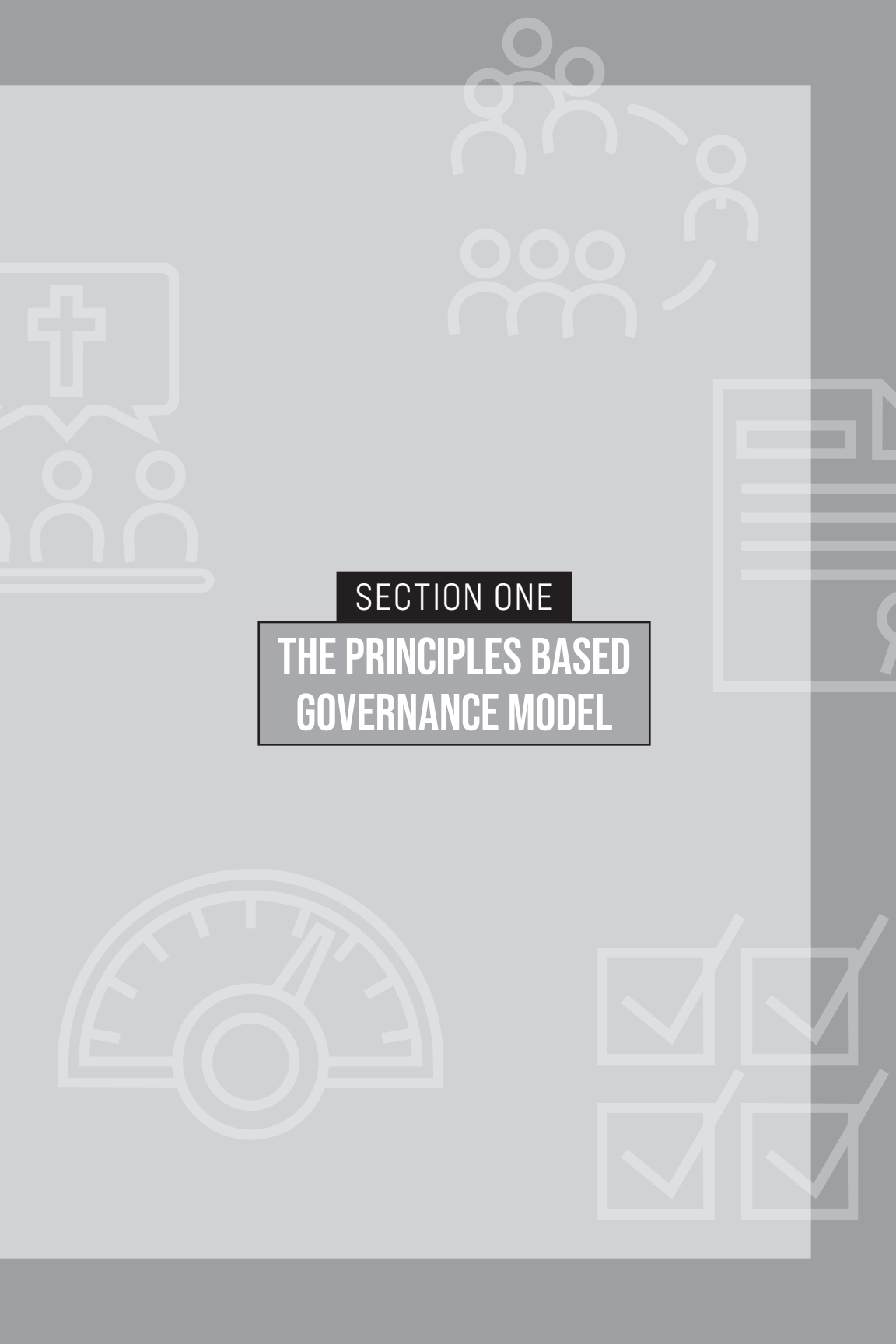
1 John Carver, *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations* (Jossey-Bass, 2006).

Governance as a term engenders such negative reactions, I'm choosing to use the term *Principles Based Governance* from here on throughout this book. Governance based on the ten guiding principles is healthy, effective, and adaptable governance. While Principles Based Governance is a more broadly inclusive term, everything discussed in this book *is* built on Carver's ten principles as I interpret them to work within the context of Lutheran churches and organizations.

With a clarity I've rarely experienced, I see how to integrate Principles Based Governance into any congregation, school, or agency of the Lutheran Church. I find myself waking up with new revelations and insights. How is the role of voters honored? What about the question of elders? What about churches with schools? How do you engage volunteers? How does this impact ordained and commissioned ministers? Can Principles Based Governance be tuned to perfectly fit the polity of the Lutheran Church?

I believe the answer to that last question is a resounding yes! This book attempts to confirm that and answer the other questions as well—in some ways theoretically, in some ways practically, and in all ways as an encouragement to congregations and organizations to strive for better governance. And to do so using a simple, elegant, infinitely flexible model, Principles Based Governance. It's my hope this book brings order out of chaos, empowers boards, sets pastors and executive leaders free, and puts congregations and organizations on the fast track to good order and operational excellence. Let's go!





SECTION ONE

THE PRINCIPLES BASED GOVERNANCE MODEL

CHAPTER 1

THE CASE FOR PRINCIPLES BASED GOVERNANCE

All things should be done decently and in order.

(1 CORINTHIANS 14:40)

Policy Governance is a service mark now owned by The Governance Coach Inc., based on the work of the late John Carver. They didn't charge for use of the term but asked that he be acknowledged for coming up with it. As I shared in the introduction, I'm reframing Carver's work using the term *Principles Based Governance*. However, I want to acknowledge Carver's seminal work in establishing the ten principles that form the basis of Policy Governance. Beginning in the 1970s, Carver began noodling out various elements of what would become the Policy Governance model and would be introduced to the world fully realized in 1990 with the release of his book, *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations*.

Principles Based Governance is my adaptation of the model and its principles, specifically calibrated for Lutheran churches and organizations. I will not substantially deviate from Carver's principles, but I will word them in such a way that they harmonize with our Lutheran theology and doctrine because I believe these principles are fully compatible. Also, all ten principles work together and must remain intact for the model to be as effective as possible.

When I was a senior in high school, my family relocated to North Manchester, Indiana, and moved into a large house we purchased from Mr. Brown, the original owner. To say he was old is putting it lightly; Mr. Brown attended Notre Dame University before they had a football program! Eventually, he worked in the auto industry, and in the attic of the house we bought was a beautiful 1/10th model of a car from the 1930s. It wasn't the car itself; it was the model that gave shape and form to the car. Using that model, a whole team of folks would put the necessary details in place to arrive at a vehicle that would actually take people places.

In the same way, Principles Based Governance gives shape and form to your board by utilizing ten principles. Using this shape and form, you fill it with the

necessary particulars best suited to your organization, thereby building a governing vehicle that gets you where God is leading you. The model in Mr. Brown's attic had four doors, four tires, a hood, and a trunk. It looked like a car. If the engineers working off that model had removed a tire or a door or the hood, the resulting car would not have been as useful or effective. Removing even one part of the model impairs the final product.

So it is with Principles Based Governance. Some have taken the model and removed certain of the ten principles to accommodate organizations that found it too difficult to adhere to all ten. I refuse to do that, because I truly believe the model in its entirety will work for those who accept the challenge of understanding all ten principles and applying the model with all the necessary particulars to best serve your congregation's or organization's needs.

This makes me a self-proclaimed Principles Based Governance purist. It also comes from many conversations with governance folks all over the world, trying to find other models against which to compare Policy Governance, only to find that there actually aren't any other models out there. Check for yourself. The Policy Governance model is the only fully articulated *model* for governance. Yes, the Cadbury Report, released in the United Kingdom in 1992, gave substantial direction to governing boards, particularly around financial accountability, but even Sir Adrian Cadbury said of Policy Governance, "For the first time, we are offered a fully integrated and coherent system of governance, a significant advance in management thinking, as near a universal theory of governance as we at present have."²

To be clear, there are other ways of doing board governance. Many people have come along with ways for boards to operate. Types of boards have been identified from founding boards to managing boards to operating boards, but those are descriptions of board function, not governance models. Others, like Cadbury, have enumerated a list of board "best practices." These are great tools for guiding a board, but a list of best practices, even if exhaustive, isn't a model for governance. And, in Lutheran circles in particular, the Policy Based Governance model has been heavily used. Policy Based Governance tinkers with Policy Governance, allowing congregations to significantly alter or eliminate those principles they find difficult or troublesome. Much like Mr. Brown's car, Policy Based Governance risks putting your necessary particulars into a wobbly foundation, an incomplete model. That said, Policy Based Governance has been a blessing to many congregations that can now benefit from studying Principles Based Governance to see if they might improve their governance even further.

This book is meant to support the argument I've just made. Principles Based Governance is my interpretation of the only fully articulated governance model in the world, for use by Lutheran congregations and organizations. Properly understood

2 Adrian Cadbury, foreword to *Corporate Boards That Create Value: Governing Company Performance from the Boardroom*, by John Carver and Caroline Oliver (Jossey-Bass, 2002).

CHAPTER 2

PREDICATES AND ASSUMPTIONS

*Know this, my beloved brothers: let every person
be quick to hear, slow to speak, slow to anger.*

(JAMES 1:19)

This chapter came about because I made some assumptions in my initial draft of this book. I discovered rather quickly that writing from a place of personal knowledge while assuming others have that same knowledge is to proceed on a faulty premise. I believe this chapter will lay a common foundation from which you will better understand the rest of the book. So before diving headlong into what Principles Based Governance is, how it works, and what it does, it's important to set the predicate based on what I assume is generally true for all congregations, schools, and other organizations. In part, that predicate deals with the distinction between the various authorities inside and outside a congregation or organization and the documents that formalize the relationship of the congregation or organization to those authorities. Let's start with the four governing authorities to which all congregations and organizations are subject:

- Local/municipal government
- State government
- Federal government
- The Lutheran Church—Missouri Synod (LCMS)

The first three on this list are governing authorities that Paul calls all of us to honor as individuals (see Romans 13:1), and we cannot do less corporately. A congregation desiring to be a member of the LCMS places itself under the authority of the Synod. Expressions of congregational submission to authority are found in a church's articles of incorporation, constitution, and bylaws.

These three documents are necessary for state recognition as a not-for-profit entity, state and federal recognition for tax benefits, and acceptance from the Synod as a congregation or recognized service organization (RSO). They are not usually required for local or municipal governments, except when it comes to matters of building permits, zoning, and other local ordinances that might require existing recognition by state and federal governments.

Therefore, articles of incorporation, constitutions, and bylaws are *founding documents*, establishing the congregation or organization in the public and denominational spheres. They must be approved by these governing bodies, and any changes made to them may require resubmission to maintain approval. While these are all documents pertaining to governance, they are wholly distinct in type and purpose from the governance discussed in this book. Principles Based Governance is a model that articulates the three distinct components that make up the congregation or organization and serves as the gyroscope bringing internal order and direction.

What does this mean?

It means the policies created using the Principles Based Governance model do not replace, contradict, countermand, or obviate the constitution and bylaws of your congregation or organization. As you progress through this book, you'll see that one duty of a board is the duty of obedience. This is specifically obedience to outside governing authorities. Therefore, a governing board cannot write or enact policies that violate local, state, or federal law. Nor can they write or enact policies that violate the LCMS constitution, bylaws, or resolutions of Synod in convention without putting the congregation's or organization's standing in jeopardy. Everything that follows about governance sits on these assumptions. Principles Based Governance provides for the good order of a congregation internally and never jeopardizes its standing with outside authorities to which it is subject.

Why is a coherent internal model of governance necessary? Because a congregation is a collection of sinners. One definition of sin that is quite appropriate is "turned in on self." Paul, in his second letter to Timothy, encourages him to remain steadfast and diligent in reproving, rebuking, and exhorting. Indeed, the Law serves as a rule, a curb, and a mirror to keep the wayward mindful of their corrupted condition. In much the same way, when it comes to the left-hand kingdom work of an incorporated not-for-profit operating in this world, Principles Based Governance provides a rule and a curb defining when your congregation is on the path to operational excellence and when it strays from that path. Not only does the Law apply to good governance, but the Gospel does as well. The congregation is a form of the Body of Christ. The theology of the Body has deep implications for how a congregation functions and why Principles Based Governance is such a good fit. An entire chapter will be dedicated to this later in the book.

Equally important as coherence is simplicity when it comes to a governance model. A simple model properly understood, diligently enforced, and scrupulously