Risky Kingdom Impact

***Jamie MacAlister** draws our attention to the difference in risk assessment between investing and giving. Is there a place for accepting more risk if the impact is going to be stronger? Are we elephants or tigers? He offers some solutions.*

How does Christian faith play a role in financial investment decisions in new and small businesses with an impact agenda? Does it see risk differently from other approaches to investment? If we talk about "Kingdom investment" in a financial sense, what do we mean by this? Where does it sit in relation to giving for the Kingdom of God? Is it about investing in "Kingdom" businesses, and if so, should we have different expectations about returns?

These are all questions that we started to explore in a one hour Zoom workshop[1] in December, co-sponsored by Faith in Business and Kingdom Business Pioneers, an online group I co-founded in 2020 on the back of research I had done on Pioneering Leadership[2] and a book I published in 2016 on risk-taking called *Risky Strategy*[3]. The idea for this workshop emerged from a number of observations we have made in Kingdom Business Pioneers:

- When Christians in finance talk about financial impact investing, particularly in business projects in developing countries, they often seem to apply to these kinds of investments a similar risk/return assessment as is applied generally - the result being a limited amount of investment in these projects, regardless of their likely impact, because they are considered too risky.
- When we think about giving, we don't expect a financial return at all, but this is seen as a very different thing from financial investing.
- We have been persuaded that giving and aid are not as effective as business in alleviating poverty and addressing many social issues.

Elephants and Tigers

I wrote the book *Risky Strategy*[3], in collaboration with Hult International Business School (Ashridge) where I have been an executive coach and lecturer, because I was interested in the role of faith in business decision-making involving risk. There is a varying degree of risk in business decisions, and the question is how do you evaluate that risk. We noticed in our business school curriculum that we had courses on risk management, which advertised learning objectives like "how to drive out risk". But we also had courses on leadership and entrepreneurship which looked at how to take risk. So, to try and address this dichotomy of views, we designed some research to understand better how managers view and work with risk. We discovered in our research that managers tend to approach risk in two modes: we characterised these as the "tiger" and the "elephant" mode, based on a story told by one of our participants. Elephants take an analytical formal approach, which often means following a process designed to minimise risk. They also tend to work in groups, to improve the quality of the decision-making. The downside is that this can be a slow process – and opportunities can slip away. Tigers tend to adopt a more intuitive informal approach, cut corners, and take more risks, which can lead to faster action. The downside here is that too many tigers can be quite chaotic.

A common theme between both approaches is the need to feel safe in the face of risk - and this typically relates to where or in whom we place our faith. For elephants, it can be in the process and the data. For tigers, it can be related to a track record of intuitive decisions, whether that be intuition about people or situations. In part of our research, we discovered for example that financial traders, who often don't have the luxury of process and data, will just sense "something in the airwaves" which triggers an impulse to buy or sell.

So what is it for Christian business decision-makers? How does faith play out differently, if at all, for them? Is it a more elephant approach, which seeks reference to God's word, and to consult with fellow-believers, before deciding? Or is it a more tiger approach, where "intuition" translates into prayer and spiritual insight? What is God saying to me in this situation?

Stephen Gunning, former Chair of International Christian Chambers of Commerce UK[4], is an entrepreneur who took risks to invest in setting up two successful software businesses. He talks about the need to hear from the Lord about each key decision, and to have a sense of Holy Spirit peace before doing so. This sounds like "tiger" intuition. He also has talks about a risky investment that went badly wrong and which, after reflection, he felt was due to the fact that he and his wife were not both in peace about it - so the more "elephant-like" consultative approach comes into play.

Impact, Risk and Return

In our workshop in December, we discussed what a Kingdom approach to impact investing might look like, particularly when thinking about risk. We talked about how to measure impact and how to weigh that against financial return. What does a risk/return profile look like? And is there a level of impact that justifies the possibility of very little if any return?

How do we reconcile the answer to that question with the idea of giving and not expecting a financial return? In a sense, giving could be seen as Kingdom investment. We only really expect to see the return in God's Kingdom.

So some would say, why not be clear and just give, if that is what you want to do? This links to the idea that purely charitable activity, or aid, is often not the most effective way of realising social impact. Kim Tan and Brian Griffiths in their booklet *Social Impact Investing*[5] argue this persuasively. They show an inverse correlation between aid as a % of GDP and the growth in GDP *per capita*. They also note that 90% of jobs in poor countries are created by the private sector. And that the Asian success stories in transforming economies (that have largely eluded African economies) have largely been through supporting enterprise and foreign direct investment.

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More Trade, not more Aid

This certainly resonates with my experience having lived and worked in Uganda, that aid has not been the most effective way of tackling poverty. At Clarke International University I was involved in setting up the business and technology faculty. It had a vision to develop very practical skills, to help the country trade much more effectively in the international marketplace. Aid, which often funds suppliers to Africa from developed countries, is connected with an inability for African businesses to develop and create jobs and skills, since it creates both a dependency mindset amongst Africans and can undermine the competitiveness of African businesses.

Ghana's president, John Dramani Mahama, told the United Nations General Assembly (UNGA) in 2016[6] that Africa is a continent that needs fair trade and not the usual aid and development assistance. While young Africans are highly entrepreneurial, many fail and seek to emigrate because they can no longer compete with the aid-supported product dumped on African markets annually, or the adverse business environment that they have to face.

Uganda for example has a large trade deficit and only approximately 20% of Uganda's exports are value-adding (i.e., manufactured items as opposed to raw materials) compared to a global trade average of 70%. Value-adding business is an important part of the solution to Africa's poverty, but getting much needed investment in that sort of business is a challenge.

In a London School of Economics blog in 2020[7], David Luke argues that trade is central to development in Africa. With 17% of the world's population, Africa only accounts for about 3% of world trade. He attributes poor international trade performance to the fact that African economies are mainly dependent on producing and exporting low-value products (and services), often subject to severe price fluctuation. This is fuelled by high trade costs/inefficient border processes and a lack of access to credit and finance.

I have personal experience of the challenge of trying unsuccessfully to get investment in African businesses. These include a proposed investment in a solar heater manufacturer, which had been endorsed by the Ugandan Industrial Research Institute; as well as funding from a Social Impact fund to build a new campus for an established university with a growth revenue track record. An American Christian friend in South Africa with a senior management career in the energy sector, has been trying for years to get investment in a major energy capacity building project, which was turned down because Africa was considered too risky.

However, when we start to reframe the faith investment decision in business as a donation, we start to see more success albeit on a relatively small scale. In our workshop, Peter Cheshire told us about B4T[8], that receives funds from stakeholder donors which are turned into loans to small Kingdom businesses in Africa and Asia, to accelerate growth; once these loans are repaid, they are recycled to other similar businesses. Transformational Enterprise Network[9] (represented by Jerry Marshall) operate a similar approach channelling donations from members and grants to start-ups in Africa, which are then supported by the membership, with a focus on alleviating poverty. Faith Driven Entrepreneurs[10], a US-based organisation represented in the workshop by Reuben Coulter, have a close link with an investor network, which uses a tool to agree with investors the level of spiritual impact desired from the investment, and the level of expected return on a scale from "philanthropic" to "aggressive". They as well as another US investment fund, Legacy Kingdom Fund[11] represented by Derek Kessen, tap into Donor Advised Funds as one source of funding. These are funds based on donations which are then specifically assigned to impact investments. These are now well established in the USA, but are at an early stage of development in the UK.

Risk-taking in the Bible

So these are some practical examples of approaching risky impact investing in a more faith-driven way. But are we interpreting Christian faith correctly in this context? One commentator in the workshop raised the question: "What does the Bible have to say about investing?" This is an intriguing question, and one I believe Faith in Business will be engaging with over the coming year. Certainly, if you go back a step and ask what does the Bible have to say about faith and risk-taking, the answer is, plenty. Apart from "Without faith, it's impossible to please God" (Hebrews 11:6), here are a couple of other examples. The people of Israel had the opportunity to enter the promised land 40 years earlier than they did, but didn't seize it because the majority of analysts (*aka* spies) focused on the dangers from the giants rather than the protection of their mighty God. The spies reported: "We entered the land you sent us to explore, and it is indeed a bountiful country—a land flowing with milk and honey. Here is the kind of fruit it produces. But the people living there are powerful, and their towns are large and fortified. We even saw giants there, the descendants of Anak!"

Caleb, the true pioneer among them had a different view: 'But Caleb tried to quiet the people as they stood before Moses. "Let's go at once to take the land," he said. "We can certainly conquer it!" (Numbers 13: 27-30). But he was in the minority and lost the argument. The promised land, it turned out, was too risky.

In the New Testament, we read that Peter was the only one of the disciples to walk on the water, after he asked Jesus, who had just done the same, to call him to himself: 'Jesus spoke to them at once. "Don't be afraid," he said. "Take courage. I am here!" Then Peter called to him, "Lord, if it's really you, tell me to come to you, walking on the water." "Yes, come," Jesus said. So Peter went over the side of the boat and walked on the water toward Jesus. But when he saw the strong wind and the waves, he was terrified and began to sink. "Save me, Lord!" he shouted. Jesus immediately reached out and grabbed him. "You have so little faith," Jesus said. "Why did you doubt me?" (Matthew 14: 27-31)

That event was the inspiration behind a chorus I wrote recently, which encapsulates the essence of my challenge to all of us who are Kingdom investors: "You cannot walk on water if you don't get out the boat!"

1. Workshop held on Zoom on Tues 14th Dec 2021 on www.kingdombusinesspioneers.com, using Google Jamboard, co-sponsored by Faith in Business, co-facilitated by Mike Clargo, featuring representatives from Business 4 Transformation (B4T), Christian Business Leaders (CBL), Creo, Faith Driven Entrepreneurs (FDE), International Christian Chamber of Commerce (ICCC), Kingdom Legacy Fund and Transformational Enterprise Network (TEN).
2. Jamie MacAlister, "Pioneering Leadership" research conducted in 2019, in collaboration with Hult International Business School (Ashridge) https://blonay.co.uk/pioneering-leadership-research/
3. Jamie MacAlister, *Risky Strategy: Understanding Risk to Improve Strategic Decisions*, Bloomsbury, 2016. http://riskystrategy.co.uk/risky-strategy
4. International Christian Chamber of Commerce - https://iccc.net/
5. Kim Tan and Brian Griffiths, *Social Impact Investing: New Agenda in Fighting Poverty*, Transformational Business Network, 2016
6. John Dramani Mahama, President, Ghana at the United Nations General Assembly: https://www.africanews.com/2016/09/22/africa-does-not-need-sympathy-or-aid-we-need-fair-trade-mahama-tells-un/
7. David Luke, "Why Trade matters for African development", London School of Economics / African Trade Policy Centre, UN Economic Commission for Africa 2020: https://blogs.lse.ac.uk/businessreview/2020/08/25/why-trade-matters-for-african-development/
8. B4T – www.b4t.org
9. Transformation Enterprise Network – https://www.tencommunity.net
10. Faith Driven Entrepreneurs - https://www.faithdrivenentrepreneur.org
11. Legacy Kingdom Fund - https://legacykingdomfund.com/

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