Business as Mission: A Good Fit for Your Mission?

By Nicholas R. Morgan, The Evangelical Alliance Mission/TEAM

For the last few decades, many North American Christian missionary-sending organizations have become increasingly interested in the concept of sending missionaries with a "businessperson" label. Depending on the context, the concept of using business activity to create evangelism opportunities in a community to which access is limited can be referred to as business as mission (BAM), business for transformation (B4T), Kingdom professionals, Kingdom entrepreneurs, Kingdom impact companies, tentmaking, or a number of other terms. It is not a new development (see 1 Thessalonians 3:8), but its use has trended positively in recent decades.

While the terms may vary, the challenges and impediments to the success of this alternative missionary wave have typically come within three categories: missiological, cultural, and legal. This article seeks to identify the two primary issues in each of the three broad categories that impede the success of the BAM movement when done through, or in close collaboration with, a North American missionary-sending organization so that those organizations can think critically and strategically about creating solutions that will have maximum viability and sustainability.

Missiology

Issue 1 – Shortsighted Motivation: Missions have tended to emphasize the strategic access advantages of BAM without giving equal attention to the biblical theology of work, entrepreneurship, and business. So long as the motivating justification for BAM is limited to access, business performance will lack organizational resources and accountability. With inadequate resources, actual business successes in the BAM movement will continue to be anomalous.

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Issue 2 – Unflattering Witness: Missions have tended to emphasize team participation and mission culture conformity over business (read: bottom line) performance. In most cases, BAM has not been allowed freedom to operate any differently. Furthermore, non-efficient business models tend to be highly subsidized by mission dollars to create or preserve the all-important access.

As long as BAM programs continue to be uncritically subsidized by North American dollars, North American missionary entrepreneurs will remain unmotivated to live at the same socioeconomic level as their competition, remain unmotivated to offer products and services at a competitive price point and standard, and thus remain anomalous in their immediate community.

Imagine a business in your town that is run by foreigners; offers a product at a price point that significantly deviates from the competition; is frequently closed for religious ceremonies, travel, group meetings, or other ambiguous reasons; and whose proprietors enjoy a standard of living significantly above the community in which they interact. In that scenario, it would be hard for your town's residents not to propose allegations of conspiracy, corruption, or worse. In many cases, BAM entrepreneurs intending to legitimize their presence in a foreign community have unfortunately de-legitimated their presence by failing to align to the competitive forces of their market.

Culture

Issue 1 – Desire for Conformity: There is a term used to describe North American missionary-sending organizations that is descriptive and is not meant to be derogatory or inflaming, though some may bristle at its application. The term is "socialistic." Socialism describes North American sending agency culture, where the means of production, distribution, and exchange is valued as being owned or regulated by the community as a whole and not by an individual or subset.

A socialistic system can only work efficiently where commonalities vastly exceed differences. Whether a socialistic system is advantageous to a missions organization that solely sends North American cross-cultural church planters and evangelists is debatable. Whether a socialistic system can efficiently support the operational diversity and specialization necessary to launch, develop, scale, and oversee productive businesses is obvious.

Issue 2 – Pace: Entrepreneurial pace depends upon the sophistication of the entrepreneur's skill set, the flexibility of the environment in which the entrepreneur's decision making occurs, and whether their product or service is being pulled into a market by demand or the entrepreneur is pushing it into a market exhibiting ambivalence. In these three areas that contribute to pace, the BAM entrepreneur is often disadvantaged. Typically, BAMs are first tries (unsophisticated skillset), working in or through a missions organization unprepared to service the BAM (inflexible environment), and pushing a product/service without great demand evidence. Lacking in any one of these three areas can greatly impact entrepreneurial pace. BAM, however, is often attempted in systems lacking all three.

Legal

Issue 1 – Employment: The employees of a U.S. nonprofit have a fiduciary duty to act loyally for the organization's benefit in all matters connected with the agency relationship.[1] This duty includes a restriction on the use of work time to further the employee's own interests.

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Accordingly, structuring compliant job descriptions, duties, and supervision in situations where an employee missionary has some actual or potential equity stake in a foreign corporation is difficult. In that situation the employee is set up to violate the employee's agency duties.

Relatedly, the employee is put in an unwinnable position with regard to conflict of interest. Should the employee recuse him or herself from all field ministry decisions because they have the potential to affect the employee's business interests?

Lastly, in the case of the deputized fundraiser missionary, what ethical issues are at stake when funds that help support the missionary's salary and "project funds" are raised without clearly communicating that these funds may be utilized to further the fundraiser's personal financial interests?[2]

Beyond the fiduciary and ethical duties of the equity holder, the other employees of the organization may have conflict or confusion when tasked with using their work time in supporting ventures in which other individuals potentially benefit. The ethical employee may be hampered by the nagging suspicion that his or her work effort for the charitable organization serves objectives that can't be characterized as exclusively charitable.

Issue 2 – Structure: Of the six highlighted challenges to BAMs operated by missions organizations, the legal structure issue carries some of the greatest risks. The most foundational rule applying to U.S. nonprofits' operations and structure, for example, is the "prohibition on inurement."[3] Nonprofits must be organized and operated exclusively for their charitable purposes, and their federal tax exemption is conditioned upon them being organizations where "no part of the net income of which inures to the benefit of any private shareholder or individual." Inurement is related to another rule, a prohibition against private benefit.[4] Inurement applies just to the flow of money where private benefit applies to benefit more generally. The IRS determination that a nonprofit is providing a substantial private benefit will destroy the tax-exempt status of that organization, regardless of the organization's other charitable purposes and activities.[5]

What happens, therefore, when a nonprofit uses both its financial resources and human resources to support a BAM where an individual (employee or not) has an equity position? Unless that nonprofit has very carefully set up the conditions of this financial and human resources support through experienced legal counsel and under savvy administration, the organization is in serious danger of violating its primary operational rules and risks forfeiting its exempt status.

Nonprofits may have fully owned for-profit subsidiaries, but they must carefully design the legal structure and relationship that exists. Unfortunately, in many cases of missions organization venturing into the BAM arena, the for-profit BAM is not established as a wholly owned subsidiary. In many situations, the BAM exists as an independent for-profit registered under the name of an individual. Where the BAM is a subsidiary, the tax-exempt parent often fails to properly consider the tax, liability, and control issues related to operating for-profit subsidiaries.

Nonprofits may also closely collaborate with for-profits, but generally must do so under a joint venture agreement in which all activities clearly match the organization's exempt purpose and in which the nonprofit maintains operational control over the joint venture space such that it can preserve its charitable direction against the for-profit's assumed counter-weight.

Conclusion

Whether a traditional North American missionary-sending organization has the sophistication and flexibility to develop a BAM program to maturity is a question for the organization and its experienced advisors.

If a missions organization is going to begin or continue a BAM program, however, it would be advantageous for the program to seriously consider and attempt to resolve these six common and serious challenges to BAM. Though these issues have been crippling for many missions organizations' past and current BAM efforts, they are not irresolvable. Indeed, considering and resolving the issues can be justifiable even at incredible effort and expense!

Well-executed BAM holds potential to be an incredible opportunity for skilled entrepreneurs and individuals to use their skills to bring glory to God through their work, gain access to new markets and new missional opportunities, provide redemptive influence in the marketplace, and provide valuable products and services to society.

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Nick is Chief Legal Officer at The Evangelical Alliance Mission/TEAM, Venture Partner at Telos Venture Capital, and Attorney at Nicholas Morgan Law, PLLC. Nick's hope is to continually step out further in faithfulness in order to participate in the building of the Kingdom of God. He previously served as an Executive Director of a small missions organization, served as a pastor, and owned a legal consulting firm specializing in catastrophic injury and wrongful death litigation.

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[1] Restatement (Third) of Agency §8.01.
[2] If the organization is an EFCA member, for example, this is a potential violation of ECFA standard 7.1, "Truthfulness in Communications," and the spirit of 7.5, "Percentage Compensation for Securing Charitable Gifts." http://www.ecfa.org/Content/Standards
[3] 26 U.S. Code §501(c)(3)
[4] See also Canada's Federal Income Tax Act, 149.1(1)
[5] *Better Business Bureau Of Washington, D. C., Inc. v. United States*, 326 U.S. 279 (1945)