

## KINGDOM-BASED INVESTING

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The case studies in this book contain a number of examples of believers who have taken their gifts in entrepreneurship to faraway lands in an effort both to build a successful business and to further the kingdom of God. My story is slightly different. I do not have day-to-day management responsibilities overseas. Rather, I serve as a strategic investor to a company in India, closely advising the local entrepreneur and advancing the church through the company's intentional hiring and training of Christian employees. It is a model we have termed "openness to kingdom-based investing."

### THE LORD'S GROUNDWORK

God started planting the seeds for this new India company at a small Catholic college in California almost forty years ago. While attending Notre Dame College in Belmont, California, my wife, Roberta, became a friend of an Indian female student. They stayed in touch, even when we moved to New Jersey following my 1968 graduation from business school at Stanford University. This friend has a brother named Mr. V., who came to the United States to work in New Jersey. Mr. V. had recently been married, and it was natural for us to invite him over for frequent visits. Those visits continued for decades.

We were not yet committed believers. I left my firm in New York City in the early 1970s to look for a job in California. But during this time, we committed our lives to Christ.

I figured that a decision for Christ meant that I would need to become a pastor. My true desire, however, was to be a businessman. Eventually, I surrendered and agreed to follow him wherever that would lead me—even as a pastor in a poor area. But like Abraham, whom God asked to offer his precious son but then provided another way, I was not required to carry out the sacrifice. The Lord was more concerned with my demonstration of willingness.

As a new believer, I wanted to be a Christian full-time, not just a weekend warrior whose faith had no bearing on his weekday activities. Slowly, I began to understand what that meant. God began teaching me how to bring the two parts of my life together.

God also showed me more clearly the business opportunities before me like ducks in a shooting gallery. Since I struggled to see business opportunities, I asked God either to open my eyes or to remove the veil. He did.

I wanted to start a business. A friend said he had about a dozen ideas, so we went through them one by one. At one point, I felt God saying, “This is it!” We reviewed that particular business concept for ninety days, and with \$5,000 and a grocery bag full of computer connector parts, we founded Inmac. God was teaching me that he could not only be a part of the business, but that he could guide me.

In those days there were no computer superstores stocking every conceivable component on their shelves. You could buy computer peripherals only with complete systems. The novel idea behind Inmac was to offer computer products, supplies, and accessories by direct mail. Through some early struggles, the company survived and then thrived. Inmac went public in 1987, and by the time we sold the company to MicroWarehouse in 1996, it had grown to \$400 million in annual revenues.

After selling Inmac, I felt God telling me to extricate myself from all corporate boards, so I did. John Mumford, a Christian brother and a close friend since our days in business school, was a cofounder of Inmac and the founding director of Crosspoint Venture Partners. Together, we conceived Ariba Technologies, a supply chain management company that would facilitate procurement using the Internet. With the assistance of some folks at Benchmark Capital Partners, we cofounded Ariba in 1996.

#### THE BIRTH OF AN INDIA COMPANY

In March 1999, Mr. V. approached me with a business start-up concept and asked for my help. He wanted to take advantage of the relatively low cost and high quality of labor available in English-speaking India to establish a new company that would serve customers in the United States. I agreed to help my friend, under one condition—that he would give capable young Christians in India the opportunity to work for him. Mr. V. said, “Absolutely!” and a new company was born.

However, I was unsure about my level of involvement with this new company. Mr. V. asked me to serve on the board of the company, but I was extremely hesitant due to God’s earlier leading to drop all board positions. I

prayed about it. In May, the pastor of a local church said he had a word from God for me. He said, “You’re wrestling with a decision regarding a company, and God wants you to know he’s in it and wants you to take the role.” Further, he said, “You are involved with another company that is going to take off like a rocket.”

Our initial hopes were to price the public offering of Ariba at \$8 per share. Two months later, Ariba went public at \$23 per share. On opening day, however, the stock closed at \$90 per share, corresponding to a company valuation of about \$6 billion. (Over the next year, Ariba was valued as high as \$40 billion.) That exceeded our wildest expectations and increased my confidence in the Lord’s leading regarding this India-based company. I agreed to join the board of directors.

I felt that God really wanted me to use my position of influence to advance his kingdom in India. Here was my simple kingdom-based investing model:

- We could be intentional about hiring Christians.
- We could offer attractive wages to this India company’s employees.
- Someone could equip and mentor the Christians in the company.
- Christians from the company could give to the local church.

However, this model for furthering the church in developing nations cannot be divorced from sound investing practices. Several key components were essential to my participation.

#### THE ENTREPRENEUR

First and foremost, I had absolute trust in the integrity and ability of Mr. V. Our twenty-five-year history as friends meant that I had observed him, his family, and his ethical decisions. I had seen him through good and bad times. I knew about the companies he was in and had visited the company he led before.

After graduating from one of the finest Indian universities, Mr. V. completed an MBA in Colorado and took a position with Public Services Electric and Gas in New Jersey. He then returned to India, where he purchased a semiconductor company that had in place a buyback agreement with a U.S. company. However, the president of the U.S. partner corporation swindled his own company, sending it into bankruptcy. Mr. V. eventually managed to sell his company without a serious loss, but it was a tense entrepreneurial learning experience.

For the next twelve years, Mr. V. was the India country manager for a major Western multimedia company. His education and experience in the United States and his management role at a Western company were all highly important to our common understanding of business concerns.

It was during his next post as CEO of a chemical company that I witnessed Mr. V.'s integrity in full force. Mr. V. had built it from a small Indian company to one with about \$50 million in annual revenues. The company had a great year, and Mr. V. was offered a bonus. Mr. V. told the owners that his hard-working employees deserved one as well, but they flatly refused. Mr. V. then suggested distributing his own bonus to the employees, but they still refused. He insisted that the company should share its profits with the hard-working employees, but the message fell on deaf ears, and Mr. V. resigned.

During the last six months of his employment with the chemical company, Mr. V. traveled to Vietnam to negotiate a \$10 million contract. Before settling the deal, he told the Vietnamese partners that he would be leaving the company. They said, "Here's the contract. There's no company name at the top. You put your name in there, and we'll do the deal with you." He said, "No, it's not my business—it's theirs," and he signed the deal for the company. That kind of character and integrity gave me confidence in Mr. V.

Everywhere he went, Mr. V. found success. Just before starting the new India company, he was CEO of one of the largest cellular phone companies in India. Despite the huge sums spent by AT&T and other companies in three second-tier states, Mr. V. acquired more subscribers than any other cell phone company in India, garnering a 67 percent market share. This cellular phone company grew to 3,000 employees.

About that time, some venture capitalists came to India, looking for good managers. They tried to convince Mr. V. to pursue a start-up venture, but he was not interested. However, when the owners of the cellular phone company refused to give him a piece of the business, he resigned and started the new India company.

Mr. V. discovered that the outsourcing of call centers provided a potentially enormous business opportunity. Once strictly proprietary and developed in-house by call center operations, the necessary software had become Web-based and commercially available. And the communication capabilities between India and the rest of the world had been greatly enhanced through fiber-optic telecommunications, enabling calls from the other side of the world to sound local, at very low cost.

Mr. V. developed a business plan that called for an \$8 million investment. These American venture capitalists thought his proposal was too expensive, as they were hearing several other plans that proposed \$1-2 million of fund-

ing. Convinced that the \$8 million estimate was on the mark for the establishment of a world-class business, Mr. V. stuck to his plan. Ultimately, however, he failed to persuade them.

#### EVALUATING THE BUSINESS OPPORTUNITY

At this point Mr. V. asked me to participate financially, and I did. In addition to requiring absolute trust in the integrity and capabilities of the founders, I have a set of attributes that help me evaluate specific business opportunities. The following are mine, and they fit me. They may need to be modified to fit your needs, but there is a germ of an idea in each:

1. The individual at the top and his or her team are “A” players.
2. The business is part of or supporting a fast-growing market (at least 15-20 percent growth per year).
3. The market size is at least \$100 million.
4. It is a new market opportunity as a result of trends and changes in the market.
5. There is an opportunity for technology to play a new role heretofore unavailable in order to improve the business.
6. A national or international market exists. It is not dependent on a local economy.
7. There is a fragmented market ownership with no clear leader or major players.
8. Obvious and natural competitors are committed in another direction.
9. Barriers to entry can be built behind you. It will be difficult for potential competitors to enter later.
10. The business is not dependent on government regulation for success.
11. It fills a need—perceived and actual—and preferably can be measured in economic value.
12. The business is capable of superior profits (at least 10-20 percent per year).
13. The venture does not require large amounts of capital, at least until the idea is proven.
14. The opportunity is capable of returns in excess of twenty times your investment.
15. Your skills and experience fit with the business opportunity.
16. The venture is a place where you can leverage yourself.

17. It is not a labor-intensive business. Labor should be a small component of the total value.
18. It represents an honest business that is morally acceptable before the Lord.

Not only was Mr. V. a long-time friend in whom I could have full confidence, but the business opportunity stacked up well against my evaluation criteria. The company was founded in January 2000.

#### INDIA-BASED NEW COMPANY BEGINNINGS

The search for a suitable location initially focused on New Delhi, the capital of India, and on Bangalore, the Silicon Valley of India. Ultimately, we chose Bombay because the landing point for fiber-optic cables to the United States is at the Prabhadevi Exchange in Bombay. In fact, God provided a building only a hundred yards from the fiber-optic termination point, allowing the best possible telecommunications connection. (Additional space is available all around, vacated by failed software companies, and the India-based company has been able to leverage its equipment by running connections across to other buildings.)

Chosen for its proximity to the fiber-optic network, in God's providence Bombay is one of the few cosmopolitan cities in India with an open religious attitude. As a result, the company started with Hindus, Muslims, and Christians among its twenty-five people.

Mr. V. lost the first order because the company was not adequately staffed. In June 2000, he found another source of funding which assumed a 50 percent ownership stake.

The company's initial focus was on collections. Their clients have found that calling on customers who are 30 to 60 days delinquent in their payment is very effective in their collection efforts. By outsourcing the work to India, these U.S. companies can save more than 50 percent in their costs. Furthermore, Indian call center staff are far more qualified than their American counterparts, and the prospects of retention are much higher. A McKinsey and Company study in February 2000 stating that India would become a destination for such centers added momentum and some legitimacy to the business.

#### THE LORD'S HAND AT WORK

Throughout this venture, we have seen clear examples of God's blessing. Over a forty-eight-hour period in February 2001, Mr. V. assembled a sales proposal

of several hundred pages to a well-known U.S. company. Although this was the first time he had submitted such a document, the officials were so impressed by the completeness of his work that they invited him to their headquarters to discuss it further. They informed Mr. V. that they already had a committed partner valued at nearly \$1 billion at the time. However, taken by Mr. V. personally, the officers signed a contract, even though the India-based company was very small. “Thanks to Jesus, they chose us,” Mr. V. says.

One of my business school classmates, Pat Gross, is the chairman of American Management Systems. He also serves on a number of boards, one of which is a well-known U.S. credit card company. I invited him to have lunch with Mr. V. and me. Realizing that in my years of knowing Pat I had never asked this question, I asked him what his father had done. “He was a professor who taught energy and power management,” was Pat’s reply.

Pat went on to say that one of his father’s students, an Indian, had become a dear friend many years before. Pat had since lost touch with him, but he did have a treasured sculpture of the Taj Mahal the friend had given to his father. It turned out that Mr. V. was the son of this long-lost friend. “Your father was so important to my dad,” said Pat, “tell me what I can do to help you.” He opened doors for us at his company, which has become a major source of business.

We hired an Indian Christian in the Bay Area who happened to be a friend of the founder of Providian, another major company. The founder agreed to take a look at this India-based new company, but backed off after discovering that the company worked for Providian’s competitors. There would be no competitive advantage to the U.S. client. Eventually, God changed his heart, and our company has secured a significant amount of business from them.

What was a very small company in February 2001 quickly grew. The company was adding about 150 agents per month as it grew to 900 people by March 2002.

#### QUALITY EMPLOYEES

Part of this India-based new company’s success stems from its commitment to quality service. That quality starts with its employees. Unlike similar companies in the United States, 99 percent of this company’s employees are college graduates, and more than half have consumer or finance backgrounds. A full 77 percent have had formal computer training.

The company is able to attract some of the best and brightest to this work because it offers a very generous—for India—compensation rate of \$350 per month. (An Indian can probably afford to hire a servant at that salary.) As

Henry Ford did with his assembly line workers, the company is committed to raising the economic level of its employees. We are also passionate about making our employees shareholders in the success of the company by offering bonuses and a stock option plan, both relatively novel concepts in this industry.

This India-based company has been extremely successful in hiring capable Christians from some of the local Christian schools. Their performance level has proven to be so high that Mr. V. no longer needs my encouragement on this score. About 80 percent of the company's employees are Christians. In a society where Christians rank socially below any of the Hindu castes, that is no small feat. They can have a hard time finding jobs in India, but Mr. V. has embraced them.

In times of rapid expansion, a couple of Christian groups that know exactly what we are seeking pre-screen candidates for us. Once hired, they receive rigorous training before they ever start interfacing with customers. They understand we are providing a top-flight service that appears to originate in the United States.

To accomplish this, we teach them to speak American English. Agents spend a lot of time learning the idiosyncrasies of the language spoken in North America, studying the accent and speed at which we speak and the way we say words. They also read American magazines and books, learning our phrases and idioms. Finally, the agents watch CNN for thirty minutes a day to understand the country and its nuances: what the weather is like, who is in the news, and what businesses interest people.

As a result, agents can converse with customers as if they were their neighbors. Our dedicated fiber-optic connections make the conversations seem like local calls, and customers assume the person with whom they are speaking is nearby. They rarely ask for the caller's location. We make intelligent and friendly calls. On a quest for quality, this India-based company has achieved better results than anyone in the industry—including U.S. competitors.

Most customers want this India-based company to have multiple locations to manage the risk. If an earthquake or power outage were to strike in one location, the other sites could pick up the slack. This business need gives us the opportunity to hire Christians from other cities. It will also allow us to build the church throughout other major cities in India.

#### THE CHALLENGE OF DISCIPLESHIP

However, the faith of many of the company's Christian employees is more cultural than personal. While raised in Christian homes, they often do not under-

stand what they believe. They tell about the cultural challenges of being a Christian in India, but they are not well versed in Scripture.

Thus, we have a huge opportunity to provide Christian education and discipling. We want to make all of the Christian employees so aware of their faith and so in love with Jesus that (1) they know they are saved, (2) they share their faith with others, (3) they begin to participate in their communities as middle-class individuals, and (4) they begin to tithe in the church.

I have asked Christian leaders in Bombay to work with our employees, but few have responded. While there may be several reasons for this, perhaps the caste system poses the most serious challenge. Castes are part of the Indian culture and persist informally even in the church. Someone, such as a pastor, who is likely earning considerably less than these recent graduates, has a hard time instructing them. The education and discipleship of the Christian employees at this India-based company remains one of our most pressing challenges. Bringing in a European or American Christian who is considered above the system might be one way around the problem.

#### ANALYZING THE MODEL

Kingdom-based investing allows us to help the church in areas where it is a distinct minority. Employed and upwardly mobile Christians provide more resources to the local church for evangelism and expansion.

The beauty of this model is that we can replicate it over and over. Selling a successful venture at a significant profit results in more money for future ventures. We get multiple bites from the same cherry as we recycle the same assets to build multiple enterprises.

Business success will also likely ensure the continuance of the attitudes and policies that have brought the success, even after you leave. A thriving venture established on Christian values will not be upset. No one wants to mess with success.

Companies such as this India-based company and others described in this book rely on customers and business relationships in the developed world. God has placed many believers in positions of influence to open doors and make introductions. Let me be clear: I am not advocating special breaks for such ventures. Rather, I am asking that Christians be willing to give these companies a chance to demonstrate their capabilities. In the end, the business decision should rightfully be made on the value of the products and services of such companies.

Recently I asked a senior executive at an American credit card company to consider introducing this India-based company to relevant decision mak-

ers. One man, in a position of influence and acting in the interest of his organization, made a simple phone call that could produce business that will affect hundreds of Indian Christians. Many people can assist foreign businesses and further the church without leaving their offices or investing a cent.

God may call others to a deeper involvement. Kingdom-based investing requires people who are willing to use their energy and experience to come alongside entrepreneurs. It does not require relocation to restricted-access countries. It does involve exerting your influence as a trusted advisor and investor for the advancement of the kingdom of God.

Clearly there are the typical risks associated with venture capital, which must be managed by people who have some venture experience. Critical differences have to be overcome. It is not a model for all nations. Some countries are not yet ready for this investing and are more suited to microenterprise development. But where it does make sense, the payoff for the kingdom can be enormous.