Deleveraging
Markets & Missions

BY PAUL MCKAUGHAN

I find my attention riveted to the financial channel on TV, and, along with millions of other Americans, I feel in my very bones the wild gyrations of the current market as it dramatically shrinks my retirement account.

New words have intruded into my vocabulary. One of those words is deleveraging. It is applied to banks, hedge funds, and all manner of corporate entities. The talking heads all say these huge corporate entities are deleveraging, and until the deleveraging process is over, the markets will remain volatile and chaotic.

It seems that in the "go-go" 1980s, 1990s, and right up until a few months ago, all manner of businesses borrowed huge wads of money in the hope that they could, by investing it, increase their profits. When the bubble exploded, when the complicated models for investment banking and real estate blew up because they were fundamentally flawed, corporate leaders had to deleverage. They had to find the money to pay back the people they had borrowed from. Brokerage houses, hedge funds, banks and many other business endeavors could not come up with payback funds and were liquidated or were forced to merge. It wasn't that they didn't have assets; they just didn't have enough money available to cover their leverage. In the financial world deleveraging forces people back to basics.

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Leverage essentially is the byproduct of inflated expectations, assumptions that lead people to take on additional and unwarranted risk. Yet it seemed so reasonable and safe. Everyone assumed real estate was always going to rapidly appreciate. Look at the track record. Return on investments should always be at least 10% to 20%, so it makes sense to borrow on your real assets to engineer an even bigger financial coup. The past few months have demonstrated vividly that even the expectations of very smart people can be unrealistic and quite wrong. Bigger is not always better, and growth at any cost can plunge whole communities into a financially toxic swamp. It is only when the crisis hits, and the bitter bottom is reached, that the deep hidden canker of inflated expectations, and just plain greed, can be lanced. Only then is a painful return to realistic assumptions and corporate health possible.

I have been thinking about deleveraging and missions. "Wait a minute," you say, "we don't owe anyone any money. Our leaders are not paid exorbitant, even indecent salaries. Mission executives don't have golden parachutes in their employment agreements." These, and all the other egregious acts we have read about, were made possible with the complicity of a whole culture that lived on unrealistic expectations and false assumptions. The question that has been bothering me is, what unrealistic cultural assumptions and expectations have we in missions absorbed? Have our expectations and assumptions led us to make unwise decisions? Are they leading us into a situation where we will some day be forced to liquidate or at least deleverage?

We have enjoyed a protracted and unparalleled period of economic and organizational growth. This is true of the whole US evangelical community we are a part of. Our megachurches, schools, the parachurch ministries have in the last 50 years prospered and grown enormously.

We tell ourselves that "Missions" has always gotten the economic leftovers. Yet our mission community is far wealthier, better educated and more comfortably sustained than ever in history. As the US has prospered, so have our missions. But have these boom times somehow warped our frame of reference and engendered within us unrealistic and, perhaps, even unhealthy expectations?

For us in missions, money has usually been tied to the support of individuals. People mean money. This may have influenced us to organizationally embrace an ever-increasing breadth of personal self-supported visions. Because expansion was relatively easy, we accumulated all kinds of ancillary programs. We

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broadened our organizational focus to accommodate greater breadth of purpose and the additional resources that came with it. All this we accumulated because at the time we thought it would make us more productive, and relative abundance allowed us to avoid the hard choices. In trying to get bigger and do a better job, we have, over the years, brought into our ministries all kinds of programs and people (leverage?) that have diluted our focus.

Times have changed. Missional deleveraging may be in order.

An author I was reading the other day called for the "creative destruction" of organizations in the light of the challenges businesses are presently facing.

His contention was that when the context in which one operates changes, then the organization that was designed for the former time must change or die. It is a kind of deleveraging process where all that was aggregated, hoping for increased effectiveness, must be paid for. The author was not talking about capricious corporate anarchy. He was calling for a thoughtful strategic deconstruction that would decisively pare the organization back to its most productive essence. Does not that represent a Biblical view of stewardship?

What are your expectations for the future? What pieces of the ministry do you need to "blow up" because they are not very productive today and will be less so in years to come? In hard times leverage, be it programs, people or money, entails the increased risk of irrelevancy one can't afford.

One final thought: some missions should, as a part of the missional deleveraging process, pursue merger or even go out of business. Missions and other non-profits don't tend to die decisive and honorable deaths; unfortunately they tend to malinger into irrelevancy, costing the church and its mission far too much.

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