Is your workplace focused more on *profit* or *growth*? Right off the bat, I can just hear someone saying, "this doesn't apply to me, because I work at a nonprofit, and we don't focus on profit." Well, if that's you, just stayed tuned—we'll start with *business* first and get to your focus later! Virtually every business should be focused on profit and growth as indicators of stewardship success. But just what balance should a business have between profit and growth, if any? And when?

Let's start with companies that offer "Software as a Service," that's the reason for the label S-a-a-S, "SaaS." We all routinely experience SaaS…how about Netflix, Zoom, and Microsoft 365, where we get great software services from the cloud? When SaaS companies "scale"—that means they get very large—well, then, the typically low cost of *digitally* delivering valuable SaaS services can create a company that is *both* very profitable *and* grows rapidly. That's right, the company can both grow rapidly and make high profits!

So, a Silicon Valley venture capitalist named Brad Feld coined the useful term "Rule of 40." That's all about profit and growth—when the business is big enough to be considered "at scale," specifically successful when its growth rate and profit rate, added together, score 40 or higher. So, here's an example. A business that is growing revenue each year at a 35% rate and earns profit of 10% meets the test. 35% growth + 10% profit = a 45 total, right? And that's good—it exceeds the Rule of 40! So, the goal is a combination of growth rate and profit rate, both of which are highly desirable for SaaS enterprises. And here's the point: a wise strategy for an enterprise may be to deliberately sacrifice profits to focus its resources on growth.

Take Amazon, a sort of "hybrid" digital *and* physical company. Yes, it's strategy largely depends on digital transactions galore, but it delivers countless physical packages to front doors! Because Amazon's need to scale its business was so challenging, Amazon made a huge effort and spent lots of money from the start, going *years* without making a profit! In fact, Amazon started in 1994 and didn't make a profit for about ten years! Surely some early investors were quite angry! But, if they held on to their stock, are they angry now? Hardly—Amazon is one of the most valuable companies ever! Yes, Amazon was focused intensely on the necessary growth to scale its business, then the profits came. And Amazon is *still* getting bigger!

Well, duh, you say—pretty much everybody knows all that! But here's the rub: do you personally have *the patience as an investor* or *the perseverance as an entrepreneur or organizational leader* to apply this principle? Hey, contrary to the standard opinion of many people, profits are *not* the only short-term end-all measure of success for a company. A long-time friend of mine—and savvy businessman!—says this: "You get the best gas mileage coasting to a stop." I love that quote—yes, you can be efficient and use hardly any fuel…and so you get really great gas mileage—but now you're stopped! Now that's witty. But that strategy actually happens a whole lot, often by default—by business managers who are rewarded for delivering profits over the next few years—while *not* investing in the future! But, in doing that, they help bring growth to a stop by not spending the funds that are necessary to grow the business.

That's exactly opposite of the case of Amazon: growth—not profits—was clearly Amazon's strong strategic stewardship approach for the early years, in fact for those ten long years! You got it: Amazon specifically planned to have huge losses for years. And now that Amazon has scaled and has actually changed the giant landscape of retail, some big retailers—whether they realize it or not—are coasting to a stop!

But—but!—every landscape is different. Take Walmart, which is at a mature stage as a company. Walmart is *not* positioned to come close to the Rule of 40, even with its relatively recent, new digital initiatives. Its profits are paper-thin—and that's key to its success! It's a business model started in a time largely pre-digital that allowed Sam Walton to grow Walmart robustly and methodically over a long period of time….and the scale he achieved kept loyal customers coming back for the low prices Walmart is able to offer with its incredible scale, touching the lives of many millions of the working poor every day!

So, leaders like us should work to know our industries really well…what are the industry's profit expectations…and its growth expectations? Mature industries, like those handling groceries and dry goods like Walmart, really are different from pure digital-delivery SaaS companies like Netflix. But be very careful here! Remember, Amazon changed the landscape of that very retail industry that handles millions of inventory items, and giant competitors like Walmart and Target must respond to Amazon—they must think and act wisely to survive and thrive well into the future.

Now, let's talk about nonprofits. Many of us are inclined to think that *our* workplace enterprise and *our* industry should be considered unique. And that is especially true with perceptions of nonprofits…we have already spoken about how many people often consider nonprofits as noble while thinking that many businesses are perhaps even inherently morally compromised—yeah, those simplistic ideas about greed!

OK, first we need to remember that businesses are rightly called to be a great steward for their owners, indeed, that's the very example of Jesus's Parable of the Talents. OK, you might say, "But how should *my* workplace, a nonprofit organization, look at profit? I am sure we are not supposed to focus on profit!"

Well, let's take a look. The purpose of every nonprofit is to fulfill its stated mission. Yes, while a nonprofit is not accountable to provide a financial return to a stockholder, that very nonprofit has an obligation to provide its services efficiently for donors—maximizing the impact of donors as to their donated funds! Duh, does the typical donor want you to serve one needy person well or one million needy people well? That's why outside watchdogs often evaluate and compare the efficiencies of competing nonprofits—the goal is that research allows donors to choose the most efficient nonprofit in order to get the greatest "return" on their donations! And we should identify that as very much a type of *profit* measure! Just like a business works to efficiently serve its customers and *owners*, a nonprofit should work just as efficiently to serve its customers and *donors*! Donor to nonprofits are essentially owners who don't expect to receive a profit or get their donation returned…but they do and should expect effective and efficient stewardship!

For example, let's look at helping the poor with food costs. Many a food bank in America works to provide food at low or no cost to recipients. That's their mission, and a great one at that! But just how efficient is each food bank? One may be very efficient, reducing its costs of collection and handling so well that it is able to *grow* how many people it serves well. But another food bank may be inefficient and wasteful, spending a lot of donors' investment contributions to the outreach on low-productivity labor and inefficient processes. Accordingly, the first, highly-efficient food bank is able to better grow the number of recipients it can serve. That's *growth* in service to the mission!

So, here's the clear point: every nonprofit based on Kingdom principles should think like a stewardship-focused organization, constantly focusing on making their work efficient and very "*profitable*"….that is, beneficial to their donors and true to an honorable mission…and they should work to *grow* their outreach to serve legitimate needs. So. Profit and growth. Both are legit, core issues for nonprofits!

Here is a delicious, positive irony we should serve up in this food story. In my view, for decades, the organization that has been most efficient in providing low-cost food to large numbers of the working poor in America is clear—and this organization helps keep many from actually having to go to nonprofit food banks! Yes, it's Walmart, a business that scaled to serve many millions of people every day each year with low-cost food and necessities! Now, you may be thinking, "You're just bringing in a business bias into the non-profit world!" The reality is, my task—here and everywhere—is to bring *Kingdom thinking about stewardship* into *both* nonprofits and business, including during my time as Board Chair of a nonprofit food bank and generally with nonprofits and businesses for many years. That was my goal during my time as Board Chair of a nonprofit food bank, that's been my goal with nonprofits and businesses for many years, and that's my goal on Whitestone Podcast!

So, remember this: two core measurements for *both* business and nonprofits are always begging for relevant measurement—profit and growth! As stewards, we are *always* called to deliver well!