



“The current shift in labor and capital allocation will present new and different opportunities for us to orient ourselves around Scripture and community counsel. We must remain alert with a “raised antenna” for these new opportunities to reflect God’s love in the midst of an economy that is being rapidly reborn.”

LUKE ROUSH

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Co-Founder and Managing Partner | Sovereign’s Capital
USA



LUKE ROUSH is Co-Founder and Managing Partner with Sovereign’s Capital. Sovereign’s is a venture capital firm, focused on Seed and Series A investments in healthcare, software, and consumer products. Luke manages the firm’s healthcare investments and oversees the firm’s operations in Asia. Prior to Sovereign’s Capital, Luke worked in a number of venture-backed and Fortune 500 companies, including Boston Scientific, Liquidia Technologies, and TransEnterix. In 2012 he co-founded 410 Medical, a medical device company focused on pediatric trauma. Luke served as Vice-Chair of the Board at Ten Thousand Villages for nine years and as a TROSA Board Member for three years.

A topic of particular interest to Luke is the intersection of faith and work. This has been a theme throughout his experience at Sovereign’s Capital, Ten Thousand Villages, and TROSA. In his current work, Sovereign’s Capital looks to make investments where there is a strong faith-orientation on the part of the Founder and/or CEO.

Luke is married to Brooke and they are in the midst of raising three wonderful children: Sam (13), Molly (10), and Annie (7). After four years living in Jakarta, Indonesia, they recently returned to the US and settled in San Jose, California.

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- 3** books that have influenced your life
 - *The Power of One*, Bryce Courtenay
 - *Choosing to Cheat*, Andy Stanley
 - *The Fountainhead*, Ayn Rand
- 2** interests outside of your work
 - Spending time with Brooke and my three kids: Sam, Molly, and Annie
 - Hiking, camping, climbing, and fishing - generally any adventure outdoors!
- 1** goal you are striving for in 2017
 - Climb one of our favorite Tetons with my wife and three children

THE GIG ECONOMY AND IMPLICATIONS ON PERSONAL RELATIONSHIPS

BY LUKE ROUSH

Do nothing out of selfish ambition or vain conceit. Rather, in humility, value others above yourselves, not looking to your own interests but each of you to the interests of the others.
(Philippians 2:3-4)

The following statistics, originally cited by Tom Goodwin, are worthy of mention for purposes of this discussion:

- Uber, the world's largest taxi company, owns no vehicles and has no employees who are drivers.
- Facebook, the world's most popular media owner, creates no content.
- Alibaba, the world's second most valuable retailer, has no inventory.
- Airbnb, the world's largest accommodation provider, owns no real estate and has no direct labor.

As Hamish McRae aptly put, "Something big is going on."¹ These facts illustrate how traditional norms around capital requirements and labor inputs are being disrupted at levels that haven't been seen since the Industrial Revolution of the early 20th century. In fact, a study by Intuit recently posited that by 2020, more than 40% of American workers will be independent contractors.

There are two essential definitions that will help to structure this conversation:

Gig Economy² - This term was recently coined in reference to what is an increasingly task-based labor pool. On the supply side, workers are interested in having more flexibility in their work schedules and are looking for ways to diversify and/or supplement their core income with part-time jobs. On the demand side, companies are realizing that having part-time 1099 contractors is far less expensive and far more flexible than

having full-time W-2 employees. Companies that exhibit this shift in labor model include Uber and Lyft, TaskRabbit, CloudFactory, Fiverr, Zenefits, and a host of other companies in the tech, healthcare, and consumer product categories.

Sharing Economy³ - This term refers to an increasing trend toward sharing of capital rather than outright ownership. Consumers and businesses are re-thinking rent versus buy decisions. They are also moving toward shared ownership as an alternative to internal development or sole ownership on many product categories. Companies that are flourishing in the midst of this shift include Uber and Lyft (again), RentTheRunway, TaskRabbit, Amazon Web Services, and SAAS (software as a service) companies.

While this shift in how labor and capital are procured is still emerging, the drivers for this movement on both the demand and supply side are very real.

- New businesses that are able to begin with a clean slate and leverage new technologies (e.g., automation, artificial intelligence, etc.) are disrupting the status quo and allowing employers and employees to reimagine working relationships and business models in light of current technology. This relates to much of the research Clayton Christensen published on why emerging firms can beat established ones.⁴
- Increasing regulation and an accelerated innovation cycle is pushing companies to value flexibility in their business models, staffing levels, and capital structure ahead of longer-term margin optimization.

- Globalization is allowing companies to expand (and contract) more rapidly than ever before in human history, while private equity exists to fund rapid aggregation/disruption of markets on a global basis. In 1950, the average life expectancy of a Fortune 500 company was 53 years and those companies were focused on products. In 1970, longevity was reduced to 32 years and companies had broadened their focus to products and services. In 2010, life expectancy had fallen to 17 years, while companies were increasingly focused on customer experience. Where do we go from here in terms of longevity and business focus?⁵

Some of the movements in the marketplace today might be characterized by something called Schumpeter's Gale,⁶ which occurs when traditional industries are rapidly redefined through a process called "Creative Destruction." While necessary with periodic frequency, these shifts tend to be temporarily disruptive to all involved in the affected industry. In current times, these industries are sizable ones—automotive, transportation, computer hardware, software, parking, hospitality, and the list goes on.

As a result, two obvious questions arise. First, what are the implications of this shift in capital and labor? Second, how should we as Christians respond to this shift?

What are the implications of this shift in capital and labor?

There are many implications, but here are a few:

- This shift results in less full-time employment, but more opportunities for part-time "gigs" that can supplement income and allow workers to pursue particular passions on a part-time basis.
- This shift creates more flexibility on the part of the worker and employer, but also less stability on the part of the worker and employer.
- This shift can encourage more peer-to-peer interactions between customers and "gig" workers, but it may reduce the number of relationships customers have with professional service providers.
- This shift may drive a distribution of capital into the market (e.g., Uber) or may drive a more centralized production/management approach (e.g., SAAS companies). The net:net is that there will be turbulence in both directions.

My personal view is that the shift toward a gig-based economy is neither good nor bad. The shift may result in a more holistic and direct relationship between service providers and customers (a good thing), or it may result in shallow transactional relationships between companies and their service providers (a bad thing). How these pros and cons shakeout depends on whether individuals seize this opportunity to "love their neighbors" more completely, and whether companies see their relationship with contract workers in the context of a repeating and ongoing relationship that must function well for both parties to succeed. Much like the Internet and smart phones, things that can be incredibly empowering can also be incredibly destructive if handled incorrectly. What is certain is that this shift is happening. It's being driven by a combination of variables that will result in radical shifts in how many businesses function.

How should we, as Christians, respond to this shift?

The Bible actually has a LOT to say on this topic.

- ***For your ways are in full view of the Lord, and he examines all your paths. The evil deeds of the wicked ensnare them; the cords of their sins hold them fast. For lack of discipline they will die, led astray by their own great folly.*** (Prov. 5:21-23)
- ***One who has unreliable friends soon comes to ruin, but there is a friend who sticks closer than a brother.*** (Prov. 18:24)
- ***Do nothing out of selfish ambition or vain conceit. Rather, in humility value others above yourselves, not looking to your own interests but each of you to the interests of the others.*** (Phil. 2:3-4)

- ***You, Lord, hear the desire of the afflicted; you encourage them, and you listen to their cry, defending the fatherless and the oppressed, so that mere earthly mortals will never again strike terror.*** (Ps. 10:17-18)
- Other relevant verses include Mark 10:43-45, Proverbs 13:10, Colossians 3:23, 1 Corinthians 3:7, and Isaiah 5:21.

Our calling is to engage with the world. We are to be in the world but not of it (John 17:14-16). We are called to build meaningful relationships, not for our own sake, but for the sake of Christ and the relationship He wants to have with every person. If we are truly living the gospel in our day-to-day lives, we will actively seek to build relationships and reflect the love of Christ into those relationships. The current shift in labor and capital allocation will present new and different opportunities for us to orient ourselves around Scripture and community counsel. We must remain alert with a “raised antenna” for these new opportunities to reflect God’s love in the midst of an economy that is being rapidly reborn.

We also must seek to understand the situation of others—perhaps “walk a mile” in their shoes. In the spirit of engagement, we must seek to understand before we seek to be understood. Does this mean we will always find common ground with those who see things differently? No. But by seeking to hear before we are heard, we increase the likelihood of developing a relationship with those God calls us to commune with and minister to. Whatever our ministry field (which, in my case is the venture and start-up marketplace), it is important for us to assess the environment, relationship, and timing. We must be bold in sharing our faith; we must also be discerning.

In conclusion, as our economy shifts toward more of a “gig” system in many industries, we must see these workers as our brothers and sisters. We must seek to love them through our words, deeds, and attitudes. As business leaders, we must engage them on key decisions that affect them. We must authentically work together in partnership to build a bright future that includes as many people as possible, who are faithfully carrying out the work God has prepared for them.

¹ <http://www.independent.co.uk/news/business/comment/hamish-mcrae/facebook-airbnb-uber-and-the-unstoppable-rise-of-the-content-non-generators-10227207.html>

² <http://whatis.techtarget.com/definition/gig-economy>

³ <https://www.forbes.com/forbes/welcome/?toURL=https%3A//www.forbes.com/pictures/eeji45emgkh/airbnb-snapgoods-and-12-more-pioneers-of-the-share-economy/&refURL=https%3A//www.google.com/&referrer=https%3A//www.google.com/>

⁴ Clayton Christensen, *The Innovator’s Dilemma: When New Technologies Cause Great Firms to Fail* (Boston: Harvard Business School Publishing, 1997).

⁵ <https://www.inc.com/ilan-mochari/innosight-sp-500-new-companies.html>

⁶ <http://www.econlib.org/library/Enc/CreativeDestruction.html>