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What is Your Business? (China)

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**China Trip
August 2010**

**"What is Your Business?"
C. William Pollard**

It is a special privilege for me to be here today and speak to you on behalf of my good friend, Chairman Shao, Bright China, and the Drucker Academy. Peter Drucker is often referred to as the Father of Modern Day Management. His writings and teachings on this subject cover a period of over 60 years.

It has been Chairman Shao's vision to bring the teachings and wisdom of Drucker to leaders and managers in China as this country becomes one of the leading economies in our global economy.

It was during my leadership years at ServiceMaster that Peter Drucker became a valued advisor, mentor, and friend. The lessons learned were many. He had a profound influence on the growth and development of our company, especially during those rapid growth years when we were doubling in size every 3 to 3 ½ years and extending our scope of services to include a global foot print.

It was over twenty-five years ago when I first met Peter as he was leading a planning session for the Board of Directors of Herman Miller - a leader in the design and

manufacture of office furniture. I had already read most of his books on management but now I had the opportunity to engage him on a personal basis.

He knew about ServiceMaster and was intrigued with our unique mission statement and with what we had done in implementing some of his thoughts and ideas regarding the development and growth of people as they became more productive in their work. Thereafter, there were many personal times together as I sought his advice and as we worked together on matters relating to the Drucker School at Claremont University and, on occasion, taught together.

As I look back on my relationship with Peter, I realize now how deeply he shaped my thinking and contributed to the person I have become. As I learned from him, I grew to understand my strengths and weaknesses and how I could be more effective as I led, served, and worked with others.

One of those special times with Peter was at a seminar celebrating his 80th birthday. My assignment was to speak about what would be required of the “effective executive” as one looked forward to a world of accelerated change and choice and a growing global economy.

My task seemed larger than life, especially in view of the distinguished audience and my respect for the wisdom of my friend and counselor, Peter Drucker.

In my talk, I identified some of the trends that were already upon us and that would result in significant changes for the future. Changes that would affect the doing of business and would require a response from the “effective executive.” These included the demographics of a growing elderly population, the exploding growth in technology, the expanding opportunities for knowledge workers, and the increasing volatility and lack of predictability in markets as we would experience a growing global economy.

As I concluded my talk, I reminded the audience of a constant in business and in a well-functioning society that would not change. It was the importance and value of people. People who, in their work environment, were entitled to be treated with dignity and worth regardless of their title or position in the firm.

People who were searching for meaning and purpose in their work. People who could be productive and excel in what they were doing, regardless of the level of the task.

People who should be given the opportunity to grow and develop in their work not only in what they were doing but also in what they were becoming.

It was the whole person who came to work every day -- not just a pair of hands -- and it was the responsibility of the leaders and the managers of the firm to treat that person as the subject of work, not just the object of work. People were the heart and soul of the firm. The business of the firm was all about people.

As I closed with these words, little did I realize that within a few days and thousands of miles away, I would be confronted with the reality of the importance of this message in my own business.

As I left Peter that evening, I was starting on a long trip that would take me first to Eastern Europe and then on to Moscow and St. Petersburg, with a stop on my way home in London to visit our people and some of our customers.

ServiceMaster had been recently recognized by the Financial Times as one of the most respected companies in the world and I had been asked to speak at several universities in Russia on the free market system and our approach to organizing and operating a service company.

While I was in the city of St. Petersburg, I met Olga. She had a job of mopping the lobby floor in the large hotel where I was staying. I took an interest in her and her task. I engaged her in conversation with the help of an interpreter and noted the tools

she had to work with. Olga had been given a T-frame for a mop, a filthy rag, and a bucket of dirty water to do her job.

She really wasn't cleaning the floor. She was just moving dirt from one section to another. The reality of Olga's task was to do the least amount of motion in the greatest amount of time until the day was over. Olga was not proud of what she was doing. She had no dignity in her work. She was a long way from owning the result.

I knew from her brief conversation that there was a great unlocked potential in Olga. I am sure I could have eaten off the floor of her two room apartment. But work was something different. No one had taken the time to teach or equip Olga. No one had taken the time to care about her as a person. She was lost in a system that did not care. Work was just a job that had to be done. She was the object of work, not the subject of work.

I contrast the time spent with Olga with an experience I had just a few days later while visiting a hospital that ServiceMaster served in London, England. As I was introduced as the Chairman of ServiceMaster, one of our housekeepers, Nisha, put her arms around me, gave me a big hug, and then thanked me for the training and tools she had received to do her job. She then showed me all that she had accomplished in cleaning patients' rooms, providing a detailed before and after ServiceMaster description.

She was proud of her work. She had bought into the result because someone had cared enough to show her the way and recognize her when the task was done. She was looking forward to the next accomplishment. She was thankful.

What was the difference between these two people? Yes, one was born in Moscow, the other in New Dehli. Their race and nationalities were different, but their basic tasks were the same. They both had to work for a living. They both had modest and limited financial resources. One was very proud of what she was doing. Her work had affected her view of herself and others. The other was not and she had a limited view of her potential worth.

The difference, I suggest, has something to do with how they were treated and cared for in the work environment. In one case, the mission of the firm involved the development of the person as a whole person, recognizing their dignity and worth. In the other case, the objective was to provide activity and call it work. In one case, the worker was treated as the subject of work; in the other case, the worker was the object of work or just a pair of hands.

In the teaching or advising on subjects of management, Drucker would often stop in the middle of his consulting session and ask the client: What is your business?

So how would you answer that question today? Most people usually respond by talking about what they do in their business - the products they sell or the markets they serve. But when they responded that way to Drucker, he would always stop them before they could complete the description of what they did and remind them – that the business they were in was first about people.

They could not run their business, produce or sell their product or service without people. He would then say if you want to be about running a successful business, you have to be about the development of People. They are the most important “asset” of your firm. Peter would then advise his clients that the development of people within the work environment started with a proper view of management and understanding of the awesome responsibility of leadership.

For him, the mission of the business firm not only included the production of needed goods and services for a profit, but also involved becoming a moral community for the development of human character. It was people who made markets work, people who could be right or wrong, good or evil, truthful or deceitful, prudent or selfish. People who, in Drucker’s words, were imperfect, weak, sinners, and yet made in God’s image and responsible for their actions.

But Drucker also realized that responsible leadership was needed for the business firm to accomplish this broader social function.

Responsible leadership was not about “leadership qualities” or “charisma.” It was not about title or position. It was not, he would say, in and of itself good or desirable. Leadership was just a means - to what end was the crucial question - and then Drucker would remind us that the end involved the people who follow, the direction they are headed, their growth and development, and the results that were achieved from their combined effort.

To accomplish that end objective, Drucker would emphasize that a leader must recognize that management is not just the science of organizational structures, processes, and procedures, but is also a liberal art. He would suggest that as we lead and manage people, we need to understand the make-up of the human condition and recognize that our humanity cannot be defined solely by its physical or rational nature, but it also has a spiritual dimension.

It is this spiritual side of our humanity that influences our character, our ability to determine right and wrong, to recognize good and evil, and to make moral judgments. It is the driver for developing a philosophy of life and a world view that can provide a moral and ethical standard that is not relative and seeks truth even when there are no prescribed rules.

On questions of a philosophy of life, faith, and the nature of our humanity, Drucker was profoundly influenced by the writings of the philosopher Soren Kierkegaard. For Drucker, faith brought meaning and purpose to life. In his essay entitled "The Unfashionable Kierkegaard," Drucker quoted Kierkegaard as saying:

"Human existence is possible as existence not in despair, as existence not in tragedy, but is possible as existence in faith. Faith is the belief that in God the impossible is possible, that in Him, time and eternity are one, that both life and death are meaningful. Faith is the knowledge that man is a creature – not autonomous, not the master, not the end, not the center – and yet responsible and free."

Drucker also found in Confucian Ethics fundamental guidelines for moral behavior, including the virtues of righteousness, wisdom, and trustworthiness, and the importance of earned authority and respect within structures and organizations of society.

Thus, the learning and understanding of what it means to responsibly lead and manage people should not be divorced from a person's source of moral authority, including questions of spirituality, faith, or the question of God.

People are often reluctant to talk about subjects of faith or spirituality in relation to business, but I suggest the topic cannot be ignored when one seeks to understand

what makes up the human condition and how we as people can improve our working and serving each other.

In his book, *The Fourth Great Awakening*, Robert Fogel, an economist from the University of Chicago and a Nobel Prize winner, agreed as he concluded that a major issue in the U.S. culture today was simply a lack of a distribution of what he referred to as “spiritual assets”. There was, he said, a void in our society in the development of the character of people and a provision for their spiritual needs.

He also went on to say that in order for the business firm of the future to resolve the growing complexities of ethical issues, it will have to acquire more “spiritual capital”.

One of your own prominent economists, Dr. Zhao Xiao, also has raised the question of spirituality and the question of God in considering issues of morality and the functioning of market systems. Zhao is a Christian, a member of the Communist party, and is currently serving as a Professor of Economics at a leading University in Beijing. He has concluded that the essence of a market economy requires the honoring of covenants. He believes that Judeo-Christian values have contributed to the success of the market system in America and should be embraced in China.

For us at ServiceMaster, we decided to be overt about the issue as we raised the question of God and the question of one's source of moral authority in our mission statement.

Our corporate objectives were simply stated: To honor God in all we do; To help people develop; To pursue excellence; and To grow profitably. Those first two objectives were end goals; the second two were means goals.

We did not use that first objective as a basis for exclusion. It was, in fact, the reason for our promotion of diversity as we recognized that different people with different beliefs were all part of God's world.

As a business firm, we wanted to excel at generating profits and creating value for our shareholders. If we didn't want to play by these rules, we didn't belong in the ballgame. But also, we tried to encourage an environment where the work place could be an open community where the question of a person's moral and spiritual development and the existence of God and how one related the claims of his or her faith with their work, were issues of discussion, debate, and yes, even learning and understanding. We considered the people of our firm as, in fact, the soul of the firm.

It did not mean that everything was done right. We experienced our share of mistakes. We sometimes failed and did things wrong. But because of a stated

standard and a reason for that standard, we could not hide our mistakes. Mistakes were regularly flushed out in the open for correction and, in some cases, for forgiveness, and leaders could not protect themselves at the expense of those they were leading.

In a diverse and pluralistic global society, some may question whether our first objective to honor God belongs as part of a purpose statement of any public company or organization. But regardless of your starting point, the principle that may be embraced by all is simply where it led us, and that was to honor and recognize the dignity and worth of every person.

Now for me as a Christian, a follower of Jesus Christ, I not only believe that every person has been created in God's image with dignity and worth, but I also believe that the marketplace provides a wonderful opportunity for me to live my faith in the way I treat and care for others in the work environment. To walk the talk as a leader.

Work can, in fact, become a place where the spirit and soul of a person is enriched by what they do as they learn to serve and contribute to others. And, yes, when it does happen, there is potential for extraordinary results.

The process of seeking understanding and application of our objectives at all levels of the organization was a never-ending task. It involved matters of the heart as

well as the head and it was not susceptible to standard management techniques of implementation or measurement. While at times it was discouraging, it also was energizing as one realized the continuing potential for creativity, innovation, and growth as there was a focus on the development of the whole person.

It required our leaders to be focused and concerned about what was happening to our people as we were growing a business. Those people who were getting jobs done, who were accomplishing the profit and growth goals of the business, were also human. They had cares and concerns, emotions and feelings, beliefs and convictions. They could love or they could hate. They could focus on satisfying self or serving others. As the soul of our firm, they could contribute or detract, motivate or discourage. In their work, they were in the process of becoming as well as doing. The question for us was how we could design and lead a work environment that contributed to a positive result.

Regardless of the task, people can find a sense of purpose and meaning in their work. They can develop a strong ethic that extends to the care for others; a sense of community and a willingness to give back and practice charity.

These are values of people and character development. Responsible leadership is all about crafting a culture of character.

But for this to occur, responsible leadership:

- must reflect truthfulness and transparency
- be willing to lead and serve by example.
- know what they believe and why they believe it;
- know where they are headed and why it is important for people to follow;
- seek to understand who people are and why they work and not just what they do and how they do it;
- be willing to assume responsibility for the development of the whole person;
- be willing to be an example in their private and public life of the reality of their faith and philosophy of life;
- accept responsibility for productive and meaningful results by the combined efforts of the people you are leading.

As I have now retired from my leadership responsibilities at ServiceMaster and look back, I can add up the numbers that show growth in profits, customers served, and a return for our shareholders that on average was 20% per year. While these figures are part of a normal business assessment of performance, the conclusion for me cannot be limited to these money or value-creation measurements. The real and lasting measurement is whether the results of my leadership can be seen in the changed and improved lives of people I have led.

One of the best ways that I found to share and lead in the development of our firm as a moral community was to seek to serve as I led and to reflect the principle that the author of my faith, Jesus Christ, taught His disciples as He washed their feet – namely that no leader was greater or had a self-interest more important than those being led. In seeking to so serve, the truth of what I said could be measured by what I did.

Servant leadership has been a learning experience for me. It has not come naturally. The first thing I had to understand was what it meant to walk in the shoes of those I would lead. This was a lesson that I would learn as I first joined the ServiceMaster senior management team and spent the first two months of my ServiceMaster career out cleaning floors and doing the maintenance and other work which was part of our service business. In so doing, I was beginning to understand what would be my dependence upon and responsibility to the people I would lead.

Later on in my career, as I became CEO of the firm, the faces of our service workers would flash across my mind as I was faced with those inevitable judgment calls between the rights and the wrongs of running a business. The integrity of my actions had to pass their scrutiny. When all the numbers and figures were added up and reported as the results of the firm, they had to do more than just follow the rules or satisfy the changing standards of the accounting profession. They also had to accurately reflect the reality of our combined performance – a result that was real – a result that our customers could depend upon. A result that would reflect the true value of the firm. Otherwise I was deceiving myself and those that I was committed to serve.

Unfortunately, there are often many trappings around a position of leadership – the perks or prestige of the office and the arrogance of success can tempt leaders to focus on self and think they have all the answers rather than focusing on their responsibility to others. It is the evil of hubris. It is often subtle and can have a cumulative effect on judgment unless it is nipped in the bud.

Let me share an example about learning a lesson from Peter Drucker that occurred in my leadership responsibilities at ServiceMaster and reflects the continuing need to be aware of the subtle effect of hubris.

One of the benefits of my friendship with Peter was that he never hesitated to point out those areas where I could improve my leadership. One of those important moments of learning occurred when we were traveling together to conduct a management seminar in Tokyo for Japanese business leaders.

After the seminar, Peter and I had dinner together. I shared with him my disappointment, and yes, even anger, over the fact that no one from the leadership team of our Japanese business partner had come to the seminar. They had been invited and had promised to attend. Since some of our current and prospective customers were in attendance, it would have provided an opportunity for them to learn and also to make important business connections.

I explained to Peter that we had recently decided to delay bringing one of our new service lines to Japan and that the leadership of our partner was no doubt upset with that decision. I explained that this was probably the reason they did not come.

I told Peter that I intended to cancel my trip to their headquarters in Osaka and take an earlier flight back to the States. Peter encouraged me to rethink my position and gave some advice, including his thoughts and understanding of Japanese culture. Although I listened to him, I made up my mind that I was not going to accept his advice and I would reschedule my flight the next morning.

When dinner was over, we returned to our respective hotel rooms. At about 10:30 that evening, I received a call from Peter asking me if I would come to his room. He was still concerned about my reactions and wanted a further discussion with me.

As Peter opened the door to his hotel room, I could tell by the look on his face that he was troubled. He told me to sit on the chair near his bed. He then sat down on the edge of his bed and looked me straight in the eye. "Bill," he said, "you are suffering from hubris. It's time for you to eat some humble pie."

He went on to explain how quickly leaders can lose touch with the reality of their responsibility when they think their pride is at risk. He pointed out that my job as leader was to go to Osaka, meet with our business partners, resolve our differences, and rebuild a relationship of trust. This result was needed for the continued growth of our business in Japan and for the opportunities it would provide the people in our business. It was my job to do this as a leader, and it was something that I could not delegate.

It was great advice. The next morning I was on the train to Osaka, and my meeting there accomplished the right result for our business and for our people. I did have to eat some humble pie. The leadership lesson was clear. My leadership responsibility was not about me or my feelings. It was about what should be done for our business and our people.

(Story of President Komai funeral)

As we invest ourselves in the lives of people, they will respond. They will grow and develop and reflect upon where they are going and who they are becoming.

Fifteen years ago, when we were considering the possibility of expanding our business to China, I was asked to give a lecture to a group of business leaders and members of government in the Great Hall of the People, using the ServiceMaster model as my subject.

Several weeks after the event, I received a note from one of our Chinese employees who had been traveling with me as an interpreter. Here is what Shu Zhang said, "When I grew up in China, religions were forbidden and Mao's book became our Bible. When I was five or six years old I could recite Mao quotations and even use them to judge and lecture the kids in the neighborhood.

Mao said, "Serve the people. Leaders should be public servants." This coincides with some of ServiceMaster's moral standards. When I think deeply, I see a difference and it is the starting point of ServiceMaster to honor God, and that every individual has been created in His image with dignity and worth.

ServiceMaster is designed to be a big, tall tree with strong roots which penetrates extensively to almost every corner of a person's daily life. It is still growing in mine. And I am still learning".

Shu is a thinking person. She felt accepted and respected in her work environment. She was confronted with life choices that went beyond doing a job and earning a living; choices about who she was becoming. She was growing and developing an understanding of herself and the purpose and meaning for her life.

But investments in people also can be risky. Mistakes are often painful. Implicit in leadership is the power to make decisions that affect others. You can be right in your intent and decision, but wrong in how you use power to implement that decision. The mistakes I have made as a leader, that hurt the most, are those that have resulted in breached relationships with others. In seeking to achieve specific performance goals, I have at times pressed too hard for results without understanding the subjective factors of fear, insecurity, or risk of failure that were influencing substandard performance of the individuals involved. The pain of honestly facing your mistakes and seeking forgiveness is part of the learning process of investing in others, and yes, sometimes recouping your investment for a greater return. It is part of learning that awesome responsibility of leadership.

The growth and development of people was our life blood at ServiceMaster. As I retired from the leadership of the firm, we were involved in managing or employing over 200,000 people delivering one or more of our services to over 12 million customers in the U.S. and 45 countries.

But the growth of our business and our growing investment in people would not have been possible without the profit of a growing positive bottom line. This profit provided the source of our financial capital for future growth, and a return to our shareholders. It was for us a measure of the effectiveness of our combined efforts – a virtue of accountability. As we learned to measure profit at the margin, it became an indicator of the sustainability of our business or the lack thereof.

Entropy is a fact of life for the business firm. Success is rarely sustainable without introducing a transforming change, an innovative service, or new methods of production.

Drucker defined innovation as a change that results in a new dimension of performance. He encouraged organized abandonment of those things that will not contribute to the future. He called them yesterday's breadwinners.

The need for constant reinvention is sometimes described in management literature as the sigmoid curve. For a business to continue to grow, a second curve

represented by a new business or innovation must be introduced before the first curve peaks. These curves represent the pattern of profit growth over the life of a business, a product, or a service line.

If a business is successful, there will come a point at which it reaches maximum profitability, the “sweet spot.” Thereafter profit margins will decline, reflecting the law of diminishing returns. You seldom know when you are at the sweet spot, but a good marginal revenue and marginal cost curve will tell you the direction you are headed. To keep the overall business growing profitably, new curves have to be continually introduced. Some will fail, others will succeed. The larger the business, the greater the need for new profit curves with faster growth potential.

Noel Tichy, a professor at the University of Michigan Business School describes ServiceMaster in his book *The Leadership Engine*, as follows:

“For many people who don’t know the folks at ServiceMaster, the stated value to honor God in all we do is troubling. Before we went to visit with them, one of my colleagues suggested that their religious orientation might make them unsuitable as models for more ‘normal’ organizations. But the truth is that...when you get to know the people who work at ServiceMaster, you quickly see that there are no traces of the ethereal, [other-worldliness] about them.

They are serious business people firmly focused on winning. Profit [to them] is a means in God's world to be used and invested, not an end to be worshipped."

The distinction he makes is important. Profit – a positive bottom line that is when revenue exceeds expenses – is an essential means for doing business. This essential function of profit, or a surplus, however, is not limited to business.

It is applicable for every family unit. If a family spends more than it takes in as income, a day of reckoning is just around the corner. I would suggest that this principal also applies to government, as reflected in the current debt crisis in Europe.

But profit as an end goal in business or in life results in the poverty of the soul – enough is never enough – greed becomes a consuming and destructive force of self-interest. Some of our current economic problems in America are the result of unrestrained greed.

So can a business firm make money and be a moral community for the shaping of human character and behavior? This was the grand experiment of ServiceMaster. It was also Drucker's vision for the role of the business firm in an orderly and functioning society. It is, I suggest, the greatest challenge we have before us as leaders in an environment of change. Leadership is both an art and a science. The results of a responsible servant leader will be measured beyond the workplace. The story will be

told in the changed lives of people. People have a spiritual side and are not just economic animals.

It was C. S. Lewis, the famous Oxford scholar, who said “There are no ordinary people. You have never talked to a mere mortal. Nations, cultures, arts, civilizations - these are mortal and their life is to ours as the life of a gnat, but it is immortals whom we joke with, work with, marry, snub and exploit.” What is life without people? What is business without people? Do we know what we believe and why we believe it? Have we thought about who is our source for moral authority or where we find our hope and confidence for the future? Is there a destination beyond this life? Have we examined who we are and where we are going?

As we lead and manage people, we must recognize that we have assumed an awesome responsibility – an obligation or debt to the people we lead and to know ourselves as we do so.

(Here tell story of ServiceMaster manager)

As Drucker would say: As a leader, we have only one choice to make – “to lead or mislead”. Your economy here in China and yes, your growing position and importance in the global economy, is pregnant with opportunity.

So I ask you one more time: What is Your Business?

* * * *

Revised 8/3/10