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**NORTHWOOD UNIVERSITY
CENTER FOR ETHICS IN BUSINESS
WEST PALM BEACH FL
OCTOBER 24, 1997**

“PROFIT & ETHICS”

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THE SERVICEMASTER COMPANY
DOWNERS GROVE, ILLINOIS**

Today, it is popular to talk about ethics. It is the subject of sermons in our places of worship. It is taught in the classrooms of colleges and universities. It is questioned in the operating theaters of our hospitals and research laboratories of our medical schools. It is debated in the halls of Congress, in the market place, and some have attempted to codify certain ethical standards. Others want to ignore the issue of right and wrong, advocating that the freedom to choose is an end in itself - with tolerance being their ultimate ethic.

There have been numerous studies confirming that the majority of Americans think ethics are important. In a recent survey done of readers of *The Wall Street Journal*, 93 percent agreed that lying is wrong. Yet of that same group, 46 percent said lying is sometimes justified in business to protect company secrets. 41 percent felt lying was justified at home to keep family matters private. 34 percent felt that it was all right for the government to lie to avoid helping our enemies. And at the close of the survey, 48 percent said lying is not always a bad thing.

How do we determine an ethic or an ethos in the way we conduct our lives or the way we run a business? Are there universal rules of fair play? Standards, if

you will, of right and wrong? And if so, where do they come from? When do you limit the freedom of one for the sake of another?

The freedoms we have as citizens of this country are truly remarkable. Never before have citizens of any one country been given the liberty that we have today. Yet laws and regulations continue to multiply in complexity, and we are bombarded on every side by news of variant human behavior patterns, some of which we are encouraged to accept although we have been taught since our youth that they are wrong, and others, by the sheer volume of publicity given them seem to be more prevalent today than they were in the past. We live in a society of pluralism and diversity so can there really be any absolutes?

It is a world of accelerated change and choice. The only thing certain about tomorrow is that it will be different from today. Peter Drucker refers to this time as the Post-Capitalist Society where knowledge and information are the key resources for future economic development. Charles Handy refers to it as an Age of Unreason and says we need more upside-down thinking. He concludes that we must prepare for a future where less than half of the work force will be in full-time jobs. The educated knowledge worker will work harder, make more money and have less time to enjoy it, and the uneducated will have more time for leisure and less money to enjoy it. Some discuss our period of time in terms of Post-Modernism and Deconstructionism where everything is relative, even the meaning of words.

Arthur Schlesinger describes it as a time of the disuniting of America where group rights have overtaken individual liberties and the idea of a melting pot *e pluribus unum* is fading fast. Hunter, the sociologist from the University of Virginia, in his recent book on conflicts in our society calls it a time of cultural

wars, where the most fundamental ideas about who we are and how to order our lives individually and together are now at odds. His conclusion is that the nub of the disagreement can be traced to a matter of ultimate moral authority. How are we to determine whether something is good or bad, right or wrong, acceptable or unacceptable? The division or gap in our society, he concludes, is growing. People, living and working in the same community, are in fact worlds apart.

Several years ago, my wife Judy and I spent two weeks in Eastern Europe and Russia. I had the opportunity to work with young business people from Bulgaria, Hungary, Slovakia, Romania, and Poland who were entrepreneurs in the true sense of the word and who were learning the joys and pains of growing their business, selling their products, and developing their markets. I was able to review the progress of our ServiceMaster businesses in the city of Prague, where in twelve short months we had established a beach-head and now are providing management services to seven hospitals, with an excited team of Czech managers. I also spent time lecturing and listening to students in three major universities in Moscow and saw their excitement and desire to learn but was frankly depressed with the conditions of runaway inflation, confiscatory taxation, crime and deceit, which is much of their daily environment. It was as close to anarchy as I want to come, and a society that seemed void of responsibility or any standard of right and wrong. In response to a question regarding a hope for the future, one student responded with a simple request: to live in a society where truth and disclosure was more common than lies, deceit, and cover-ups - and what would the average American student say?

There has never been a greater opportunity for the free market system to work. There should be little doubt in anyone's mind that this system which has been at the heart of the growth and development of our nation is the most effective

way for the production of goods and services and the allocation of resources. It provides the opportunity and the freedom for people to make a choice, participate in satisfying their needs and wants, with a potential for reward commensurate with the task.

It is based upon a fundamental truth -- that people are born to be free. It is free people who innovate, create, and produce, all of which are essential to a growing economy. This free market system as we know it, however, is morally neutral. It is indifferent to moral choices. It is blind to good and evil. It is materialistic, impersonal, and non-human. It can produce great human misery as well as great blessing. It needs a moral reference point beyond the system itself within which to operate. Otherwise, I suggest, it has the potential to bankrupt the human soul. History has taught us that not even government can exercise judgment in the absence of a moral authority without eventually reverting to coercion, discrimination, and persecution of the powerless. The market place is no different.

A discussion about ethics without a reference point reminds me of the comments of Dr. Hirsh in his book, Validity of Interpretation. He concludes that attempts at communicating without a reference or a standard of interpretation is like going to a picnic where the author brings the words and the readers bring the meaning.

We may have far too many picnics in the area of ethics, with intellectual anarchy resulting in confusion of what is being said and taught; and even more disturbing in the resulting behavior and action of people. [Give example of CEO Search].

It was Aristotle who reminded us that the ultimate was not what we knew, but how we acted upon what we knew.

So the ethical issue I present to you today is simply - can the business firm excel in generating profits and also be a moral community for the development of human character and behavior? At a time when the mediating structures of our society, like the family, church and community are under siege? Can the business firm serve as a stabilizing force? A community focused on the worth of the person as well as on the production of goods and services? A community with a soul.

We all know that the objective of a business firm is to maximize profits. This is often called the theory of the firm and provides an explanation of how decisions made by many different and independent firms, to collectively satisfy the needs and wants of consumers. One economist has described this free market process as the equivalent of floating on a sea of market relations like lumps in buttermilk.

You may have never thought of your business firm as a lump or the markets you serve as mushy buttermilk. But it is a fact that your markets and the needs and wants of your customers do change and are changing all the time. There are varied and different currents, and your firm must go with the flow if you are to float and survive.

But what makes up these floating lumps? It is not just some legal entity that we call a corporation or a business organization. It is people--people who are making conscious decisions about how and where they will work and who they will serve. People who are bombarded every day by these same forces of change and who are yearning for a sense of direction--and stability.

Although the theory of the firm suggests that maximizing profits provides a sufficient objective--yes, even motivation--for people to make the best decisions. Is this right? Is profit an end goal or a means goal? Are the demands upon the firm to produce profits or results consistent with the development of the person? Are people a resource or just a cost of doing business?

Can we expect the firm of the future to have a consistent and positive influence upon who people are becoming, not only as managers and producers but as wives and husbands, mothers and fathers, friends and contributors to the community?

As I ask these questions, I do so not as a philosopher or educator - but simply as a business person seeking to participate in the leadership of a large public company that we call ServiceMaster.

We are a firm that has experienced rapid growth, doubling in size every three-and-a-half years for over 20 years with our customer level revenue exceeding \$5 billion. We are a public company listed on the New York Stock Exchange.

Yes, I live in one of those pressure cooker environments where revenue and profits must be reported quarter by quarter and where revenue and profits have always been up every quarter for the past 26 years. The shareholders that my partner Carlos Cantu and I are responsible to as leaders vote every day on our leadership. They have the choice to buy, hold, or sell.

But what I am suggesting here tonight is that the measure of my success as a business leader should not be limited to the calculation of a total return on the

value of our shares or the profit we produce. The answer must come from the more than 250,000 people who are making it happen every day as they serve others.

Much of our business may be classified as routine and mundane. We do such things as clean toilets and floors, maintain boilers and air handling units, serve food, kill bugs, care for lawns and landscapes, clean carpets, provide maid service, and repair home appliances. The task before us is to train and motivate people to serve so that they will do a more effective job, be more productive in their work, and **yes** even be better people. For us, this is both a management and a leadership challenge. It is more than a job or a means to earn a living. It is in fact our way of life or our mission.

If you would visit the headquarters of our firm, you would find a low, long, tan-colored building located just west of the city of Chicago. When you walk into the large, two-story lobby, on your right is a curving marble wall, 90 feet long and 18 feet tall. Carved in the stone of that wall in letters 8 feet high are four statements that constitute our objectives:

To Honor God In All We Do
To Help People Develop
To Pursue Excellence
and
To Grow Profitably.

If you were to tour the rest of the building, you would notice that nearly all of the work spaces are moveable. Most of the walls do not reach to the ceiling. Practically everything in the building is changeable and adaptable. Just like the market we serve with their changing demands and opportunities.

But the marble wall conveys a permanency that does not change. The principles carved in this stone are lasting. The first two objectives are end goals. The second two are means goals. As we seek to implement these objectives in the operations of our business, they provide for us a reference point for seeking to do that which is right and avoiding that which is wrong. They remind us that every person has been created in the image of God with dignity, worth, and great potential. They become the basis for our single-minded focus on people as individuals, not just as a protected group or classification.

It does not mean that everything will be done right. We experience our share of mistakes. But because of a stated standard and reason for that standard, we cannot hide our mistakes. They are flushed out in the open for correction and in some cases for forgiveness.

Nor is it a standard that can be used as a simplistic reason for our financial success. It cannot be applied like some mathematical formula.

In a diverse and pluralistic society, some may question whether our first objective belongs as part of a public company's purpose statement. But regardless of where you are with respect to this objective, the principle that can be embraced by all is where it leads us and that is the dignity, worth and potential of every person. For us this is fundamental to understanding the purpose of our firm. For me as a Christian and one who has put his faith and trust in Jesus Christ, it provides a wonderful opportunity to not only talk about my faith, but to live my faith.

So, for us, business is not just a game of manipulation that accomplishes a series of tasks for a profit with the gain going to a few and with the atrophy of the soul of the person producing the results. People are not just economic animals or non-personal production units. Every person has their own fingerprint of personality and potential.

Frankly, when you view the person as only a production unit, or something that can be defined solely in economic terms, motivational or even incentive schemes have a tendency to be mechanical and manipulative. In so doing, there is a drive to define a system that will idiot-proof the process which can in turn make people feel like idiots. *Fortune* magazine recently described the soulless company as suffering from an enemy within and cited Henry Ford's quote as descriptive, "Why is it that I always get the whole person when what I really want is just a pair of hands?"

How then do we unlock the potential of people and in the process find the soul of the firm?

It begins, as I have already suggested, with a clearly stated mission that extends beyond the means goal of making money and focuses on the dignity and worth of people. It includes the notion of celebrating work, productivity, and profit; encourages empowerment, ownership and accountability; and recognizing that learning as a lifelong experience. However it becomes effective in its implementation only as leadership demands of itself **service by example**.

Will the leader please stand up? Not the president, but the role model. Not the highest paid person in the firm, but the risk-taker. Not the person with the most perks, but the servant. Not the person who promotes himself, but the

promoter of others. Not the administrator, but the initiator. Not the taker, but the giver. Not the talker, but the listener. People want effective leadership, leadership they can trust, leadership that will serve - leadership that will nurture their soul.

It was Socrates who stated that a person should first understand oneself as a means of making contributions to others. "**Know thyself**" was his advice. Aristotle counseled his followers that to use one's talents to the utmost, one must have discretion and direction. His advice was to "**control thyself.**" But another great thinker changed history and the hearts of people with His unique approach to a meaningful life. "**Give thyself**" were the words spoken by Jesus. As an example to all of His disciples, He took a towel and a basin of water and washed the feet of His disciples. In so doing He taught that no leader is greater than the people he leads, and that even the humblest of tasks is worthy for a leader to do.

Does this example fit in today's world, 2000 years later? There is certainly no scarcity of feet to wash, and towels are always available. I suggest that the only limitation, if there is one, involves the ability of each of us as leaders to be on our hands and knees, to compromise our pride, and to be involved, and to have compassion for those we lead and those we serve.

A servant leader believes in the people he or she leads and is always ready to be surprised by their potential.

A colleague of mine tells of an experience that has been a great reminder to me of this point. It is often the custom for firms to hand out service pins in recognition of years of service. As my friend was involved in such an event, he was surprised by the response of one of the recipients. The young man opened the

box, took out the beautiful sterling silver tie tack, said thanks, and with a wide grin proudly put the service pin in his ear lobe, not on his lapel.

People are different, and we should never be too quick to judge potential by appearance or lifestyle. The firm at work is a place where diversity should be promoted. It is a leader's responsibility to set the tone; to learn to accept the differences of people and seek to provide an environment where different people can contribute as part of the whole and strengthen the group, achieve unity in diversity.

Servant leaders make themselves available. Their door is open. They are out and about talking and listening to people at all levels of the organization. They should always be willing to do whatever they ask of others. At our headquarters building in Downers Grove we have designed our executive offices as a reminder of this principle of listening, learning, and serving. Nobody works behind closed doors. Glass is everywhere confirming our desire to have an open office and open mind. No executive office captures an outside window. The view to the outside is available to all working in the office.

The servant leader must be committed. Not a bystander or simply a holder of position. She is there for the long term. No enterprise can function to its capacity, nor can its people expect a healthy organizational culture unless they can rely upon the covenants and commitments of their leaders. This goes beyond the covenants usually contained in a legal document. It extends to the people who day to day are relying upon the leader for their future. It is fulfilling the leader's campaign promises. It is the leader's obligation. Or, as some have described it, their posture of indebtedness.

One of the best ways I have found to communicate the extent of this obligation is to picture it as a debt, a liability if you will, on the balance sheet of every leader.

Three years ago I was visiting with one of our officers about a new leadership position he had received and the opportunity for him to acquire some ownership in ServiceMaster. It would mean that he would have to borrow a significant amount of money to purchase the stock. He was delighted with the promotion, but he was concerned and questioned the risk of the indebtedness for the purchase of the stock. I asked him to make up a simple T account balance sheet and reviewed with him his assets and liabilities.

The only indebtedness listed was the mortgage on his house. I then asked him about the indebtedness he ensued when he took the responsibility of leading this important unit of ServiceMaster which involved over 500 people. How did he list that on his personal balance sheet? How were the opportunities, job, families of these 500 people going to be affected by his leadership? Would there be more or fewer opportunities a year from now, two years from now? And would his leadership make the difference? How did he quantify this obligation? It was a responsibility and obligation of leadership as real as any indebtedness he had ever incurred. In fact, it was larger than what he would have had to borrow to purchase the ServiceMaster shares.

Servant leaders have a love and care for the people they lead. In so doing they nurture the soul of the firm.

Several years ago I was traveling in what was then the Soviet Union. I had been asked to give several talks on the service business and our company

objectives. While I was in the city then called Leningrad, now renamed St. Petersburg, I met Olga. She had the job of mopping the lobby floor in a large hotel which, at that time, was occupied mostly by people from the West. I took an interest in her and her task. I engaged her in conversation through the help of an interpreter and noted the tools she had to do her work. 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 motions 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 our brief conversation that there was a great unlocked potential in Olga. I am sure you could have eaten off the floor in 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.

I contrast the time spent with Olga with an experience I had just a few days later while visiting a hospital we serve here in London. As I was introduced to one of the housekeepers, Kamala, as the chairman of ServiceMaster, she put her arms around me, gave me a big hug, and 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 and the other in New Delhi, and their race, language, 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 had a limited view of her potential and worth.

The difference, I suggest, has something to do with how they were treated, loved, and cared for in the work environment. In one case, the mission of the firm involved the development of the person, recognizing their dignity and worth. In the other case, the objective was to provide activity and call it work.

Servant leadership combined with a mission and purpose for the firm that extend beyond the bottom line does not mean that you have to be soft on profits. Our track record speaks for itself.

Can the business firm be a moral community for shaping human character and behavior and also excel at making money? This continues to be the grand experiment of ServiceMaster.

By no means have we arrived. There continues to be an audience of skeptics with questions raised with the appropriateness of mixing God and profit.

The following letter received from one of our shareholders is an example:

“While I firmly support the right of an individual to his religious convictions and pursuits, I totally fail to appreciate the concept that ServiceMaster is in fact a

vehicle for the work of God. The multiple references to this effect, in my opinion, do not belong in an Annual Business Report. To interpret a service for profit, which is what ServiceMaster does, as a work of God is an incredible presumption. Furthermore, to make a profit is not a sin. I urge that next year's business report be confined to just that: business."

How would you answer this shareholder? For me the common link between God and profit is people. People created in God's image. People who have a spiritual side and are not just economic animals. It was C. S. Lewis 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 a business without people? What is a business without a moral reference point? Both are essential to have a viable community.

I conclude my remarks tonight with some lines from T. S. Eliot's Choruses from the "Rock."

What life have you if you have not life together?
There is no life that is not in community,
And no community not lived in praise of God.
And now you live dispersed on ribbon roads.
And no man knows or cares who is his neighbor,
Unless his neighbor makes too much disturbance.
And the wind shall say, here were decent Godless people:
Their only monument the asphalt road,
And a thousand lost golf balls.
Can you keep the city that the Lord keeps not with you?

A thousand policemen directing the traffic,
And not tell you why you come, or where you go.
When the stranger says: "What is the meaning of this city?"
Do you huddle close together because you love each other?
What will you answer? We all dwell together,
To make money from each other? This is a community?
And the stranger will depart and return to the desert. Oh my soul be prepared
for the coming of the stranger.
Be prepared for him who knows how to ask questions.

Are there universal rules of fair play - a standard for what is right or wrong.
Where is your beginning point - and where does it lead you in how you treat
others?

As Socrates reminded us - "An unexamined life is not worth living!" Profits
and ethics do mix provided the leader knows where he or she is going.

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Revised 11/14/97