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**JUDSON COLLEGE
ELGIN, ILLINOIS
MAY 11, 1999**

“DO ETHICS & PROFIT MIX?”

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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 our colleges and universities. It is debated in the operating theaters of our hospitals and the research laboratories of our medical schools. Our law makers think it can be legislated. In the market place, companies are attempting to codify certain ethical standards.

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.

Last week the Journal published the results of another survey on the ethical practices of business leaders. 80% of the business leaders responding thought business was doing a good job, but only 30% of

those from the media thought that leaders in business were doing a good job.

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 in 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 violent and variant human behavior patterns. How do we control or limit such conduct? Do we pass laws restricting the promoting of violence by the entertainment industry? Do we pass more laws limiting the use of guns? Does freedom become an end in itself with a call for tolerance being the ultimate ethic?

Arthur Schlesinger, the professor from Harvard, describes this period of time as the disuniting of America where group rights have overtaken individual liberties and the idea of a melting pot or *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.

So what does all this mean for those of us seeking to run a business? Most of us are beneficiaries of a robust free market system. 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.

So where does the business firm fit in response to a source for an ethic? Do ethics and profit mix?

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 searching for answers and meaning in their life and their work.

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 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.

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 25 years with our customer level revenue exceeding \$6 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 28 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 240,000 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.

When you visit the headquarters of our firm and walk into a large, two-story lobby, on your right carved in the stone are our four company 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 its 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, an ethic, 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 great potential. They provide 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 also to live my faith.

So, business is not just a vehicle 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 a 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?"

Frankly, we have found that people want to work for a cause, not just a living and when there is an alignment between the mission of the firm and the cause of its people, a creative power is unleashed that results in quality service to the customer and the growth and development of the people serving. People find meaning in their work. They learn how to do things right and to do the right thing. There is an ethic in their work place.

So is what I have said about the past and the present relevant for the future?

As we come to the close of the 20th century and prepare for the future, we are all aware of the importance of an added ingredient in the economic equation - information technology. The person, the firm, the country that is able to collect, manipulate and use information productively will be the one with a competitive advantage in the future. But such information can only be made productive by well-qualified and trained people. Thus, the winning combination for the future will once again involve people.

People that need to be loved, nurtured and trained in their work environment. Yes, even those people who do what some would describe as the most menial of jobs.

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.

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. Both will be essential for the future.

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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