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"THE SOUL OF THE FIRM"
MESSIAH COLLEGE
OCTOBER 9, 1996

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THE SERVICEMASTER COMPANY
DOWNERS GROVE, ILLINOIS

What will the business firm of the 21st century look like? Will it be the shamrock organization described by Charles Handy in his book *The Age of Unreason*, where there is a focus on core functions by a few, and with outsourcing of all other activities? Will it be the reengineered corporation described by Jack Welch of GE with a constant drive for restructuring, changing of jobs and functions, and eliminating "unnecessary" or "redundant" jobs? Or will it be the information-based organization with an orchestra of knowledge workers performing in a post-capitalist market as described by Peter Drucker?

No one has the definitive answer to this question. But we all know that we live in a time of accelerated change. People are insecure in their work -- they don't know if the job today will be there tomorrow. The old social contract between employer and employee that encouraged loyalty, tenure and retirement benefits is fading fast. The new version may be best described as simply a day's pay for a day's work. What is the purpose of the business firm and what should it be?

Economics 101 tells us that the objective of the 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 collectively satisfy the needs and wants of many independent and different 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--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 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 the forces of change and who are yearning for a sense of direction--and stability.

The theory of the firm suggests that maximizing profits provides a sufficient objective--yes, even motivation--for people to make the best decisions to work together to serve the customer. But 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?

In a world of downsizing, restructuring, and outsourcing, where does the person fit? 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?

Or is the work environment only a place where people earn money to survive and try to enjoy the little bit of life that is left over? Are the feelings and emotions of the person important as part of achieving the success of the firm? And by the way, where does leadership of the firm fit in? Is a leader responsible for the development of people as well as making money? Should the business firm do more than maximize profits and provide paychecks? Does it have a soul that can be nurtured?

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

We are the firm that has experienced rapid growth, doubling in size every three-and-a-half years for over 25 years. Our customer level revenues are now in excess of \$4.5 billion, and our services are provided in the United States, Canada and 27 foreign countries.

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 25 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 today is that the measure of our success cannot 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 230,000 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 marketplace 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 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 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. It does, however, provide a foundation and a reference point for action. It is a living set of principles that allows us to confront the difficulties and failures that are all part of running a business with the assurance that our common starting point never changes.

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 the 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, business does not have to be 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.

Only people--not machines--can respond to the unexpected and surprise the customer with extraordinary performance. Only people can serve. Only people can lead,

only people can innovate and create. Only people can improve. Only people are in the process of becoming.

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 can 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?" A soulless, adversarial, cut throat work environment should not be the model of the future.

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 allows the firm to value each person as an individual with unique skills and talents and so to recognize the benefit and reality of diversity within the firm. It continues to include the notion of celebrating work, productivity, and profit; encouraging empowerment, ownership and accountability; and recognizing learning as a lifelong experience. 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 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. When we lead by serving, we are committed to be an example for others to follow, an initiator for change and growth, and an activist for the future.

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 also be responsible for a fair distribution of the results. How the firm compensates those who serve is an important part of the equation. In ServiceMaster, we pay based upon performance and promote based upon potential. We believe that those responsible for producing the profits should share in the profits and those who produce more should share more. It is an aggressive plan that supports our goal of making and beating budgets with a low tolerance if we miss our plan. For the past 20 years the incentives and profit sharing paid by ServiceMaster to its people have averaged 45 to 50 percent of our incremental growth in earnings. Our people have also shared in the ownership of the firm, another important ingredient in motivation. Over 20 percent of ServiceMaster today is owned by our employees.

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.

Several 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. And so it is with a servant leader. A responsibility and obligation to people being served.

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 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. We all begin with people in our work. The job now and in the 21st century is one of leadership and direction.

As we have implemented the mission of our firm, people have learned to build upon the individual strengths and cover individual weaknesses, like shingles on a roof. Just as the shingles on the roof of my house overlap and provide coverage and strength, so also can the shingles of people working together, with their individual gifts and talents, provide coverage and strength for the firm. In the process we keep redefining service and value to our customers.

The objectives of our firm are not just carved in stone on the lobby wall. You can see them working every day in the lives of our people. We do not worship the objectives, but use and apply them so that there is evidence of a vital, living soul at work as each person joining together with others become The Soul of the Firm. The reality of our soul is in fact being tested and proved in an environment, in the market place, that thrives on results. This is the grand experiment of ServiceMaster.

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