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**PathNorth June Gathering
Washington DC
June 10, 2008**

"The Virtue of Profit"

C. William Pollard

So how should one think about profit? Is it a virtue or a vice? Is it essential to our way of life? Or is it something we put up with as part of our free market system allowing the self interest of some to earn a profit as part of producing needed goods and services for the whole?

Profit is usually defined in economic terms. It is that surplus or positive bottom line that results when revenue exceeds expenses. For the investor or shareholder, it occurs when returns exceed the cost of capital.

And so profit is often used as a measure of the effectiveness of the business firm. Profit is the engine that generates capital; the source for the creation of wealth. But its function is not limited to business. Without contributions and other sources of revenue exceeding expenses, the non-profit soon realizes that it is in the process of going financially bankrupt.

The same is true for every family unit in our society. If expenses continue to exceed income, a day of reckoning is only just around the corner. I would suggest that this principal also applies to government. There is an ultimate limit to what you can borrow to cover deficits.

So can we say that profit is good?

Those who assume a zero sum world, argue that profit benefits a few at the expense of many. We know that the making of money can become consuming, an

addiction where enough is never enough. We are told that money or its pursuit is the root of all evil.

Jesus asked His followers "What will it profit a man if he gain the whole world, but lose his own soul?" He instructed his disciples not to lay up their treasures here on earth but in Heaven. "For where your treasure is there will your heart be also". He went on to say that "no one can serve two masters. For you cannot serve God and money".

These words of Jesus remind us that profit as an end goal of life and measured in dollars and sense is an empty vessel and can result in the poverty of the soul. You can't take it with you. At the end of life how much money, or as Tolstoy put it, "land" does a man need – just enough for a six foot grave.

So is profit a vice? As a business person who seeks to follow God's ways, am I caught in that dilemma of trying to serve two masters?

What is there in common between God and profit?

ServiceMaster, the business I led over a twenty-five year period, was an attempt to answer these questions. As I have now retired from my leadership responsibilities at the Company and look back, I can add up the numbers that show growth in profits, customers served, and a return for our shareholders that averaged 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 of profit. The real and lasting measurement is whether the investment and result of my leadership can be seen in the changed and improved lives of the people I led.

As a business leader, I wanted to excel at generating profits and creating value for shareholders. If I didn't want to play by the rules, I didn't belong in the ball game.

But I also tried to encourage an environment where the workplace 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 to claims of his or her faith with the demands of their work were issues of discussion, debate and yes, even learning and understanding. I considered the people of our firm as in fact, the soul of the firm.

Our corporate objectives at ServiceMaster 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 our first objective as a basis of exclusion. It was in fact, the reason of our promotion of diversity as we recognized that different people, with different beliefs were all part of God's mix.

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 into the open for corrections and in some cases for forgiveness. And leaders could not hide behind or protect themselves at the expense of those they were leading.

The process of seeking understanding and application of these 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 and innovation as there was a focus on the development of the whole person.

In a diverse and pluralistic society some may question whether the first objective To honor God belongs as part of a purpose statement of a business; or for that matter, in our case, of a public company. But regardless of your starting point, the principal 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 and our responsibility to be involved in not only what that person was doing in their work but also who they becoming.

The challenges and opportunities of running a business with these objectives have been the subject of several case studies at the Harvard Business School and are discussed in my first book, *The Soul of the Firm* and my more recent book *Serving Two Masters? Reflections on God and Profit*, copies of these books will be available to you today.

Fortune Magazine has described the “soul less” company as suffering from an enemy within and cites a quote from Henry Ford as being descriptive of too many business leaders when he said, “Why is it that I always get a whole person, when all I really wanted was a pair of hands?”

As businesses grow, and layers of management increase, we can find ourselves as executives, managing by reports; in looking at the people in our firms as just a pair of hands, part of the line on a P&L that we call “cost of labor”, or simply an economic animal who can motivated by a compensation package, a new incentive plan or a stock option program. But it is not just a pair of hands that comes to work every day, it is a whole person.

Drucker's classic definition of management is getting the right things done through others. But he doesn't stop there, he also suggests in his concept of management as a liberal art, that a leader/manager also must be concerned about what is happening to the person in the process.

Those people who are producing profits, who are accomplishing the mission of the firm are also human. They have cares and concerns, emotions and feelings, beliefs and convictions. They have potential to do good or evil, love or hate, contribute or deduct, motivate or discourage.

An investment by leadership in the development of people can make a difference.

It requires, says Drucker, the understanding of the human condition including the recognition that there is a spiritual dimension to our humanity. It is all about the process of developing human capital or as Robert Fogel, an economist from the University of Chicago, and a 1993 Nobel Prize Winner put it in his book *The Fourth Great Awakening*, the growing of spiritual resources.

After tracing the history of religious faith in America, from pre-revolutionary war times to the present, and its effect on our society and economy, Fogel concluded that the major issue in our culture today was simply a lack of the 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".

The profit or return from investing in people has the potential to go beyond the temporal. It can have an eternal significance. It was C. S. Lewis, the famous author and Oxford Dom who said, "There are no ordinary people, you've never talked to a mere mortal, nations, cultures, arts, civilizations, they are mortal and their life is to ours

as the life of a gnat. But it is immortals who we joke with, work with, marry, snub and exploit”.

There are many examples of returns from investing in people that have come from my ServiceMaster experiences. Let me share one with you.

As part 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. Overall, there was a positive response and as a result we found a very good partner for our business in China.

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 the difference that makes one work so successfully and the other collapse fatally. It must be the starting point of ServiceMaster to honor God, and that every individual has been created in His image with dignity and worth.

ServiceMaster 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 searching”.

Shu is a thinking person. She has been confronted with life choices that go beyond doing a job and earning a living; choices about who she is becoming and how she can relate to God.

She felt accepted and loved in her work environment. She was learning and growing.

Investments in people can be risky. You can learn from a painful mistake or a failure. 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, recuping your investment for greater returns.

Profit from the investment of oneself in others has the potential for returns that far exceed what money can buy. And often you have that special joy of seeing the growth and development of the people you have touched as they multiply your investment in their lives with their investment in the lives of others. The result is the real growth of human capital. This was our life blood at ServiceMaster. As I retired we were involved with over 250,000 people delivering one or more of our services to over 12 million customers in the U.S. and 45 countries.

All of this growth, however, would not have been possible without the profit of a positive bottom line. This more traditional way of looking at profit provided the source of our financial capital for the growth of our business and the return to our shareholders. It was for us, an essential means goal, a measure of the effectiveness of our combined efforts – a virtue of accountability.

Understanding the use and purpose of profit in these terms leads one to the conclusion that profit can be a virtue – In fact, I believe it is part of God’s economy of surplus. Psalm 24 reminds us that God owns everything; our life, our skills, our talents, our financial and other resources.

We hold these “assets” in trust to be invested for His purposes. The Parable of the Talents reminds us that God doesn’t want us to return what He has given us. He wants more, a return, a profit, not measured in a tithe of what is already His or limited to a value in monetary terms, but the potential of an ever greater value with the multiplication of our lives in the changed and improved lives of others.

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