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The Virtue of Profit
December 18, 2012

Over the past five year period, we have seen collapses in domestic and global financial markets resulting in economic meltdowns, foreclosures, and unemployment in many countries at record levels. It has been a reminder to all of us that despite our country of citizenship, we are all part of a global economy with a growing interdependence among and between our national economies.

What were the causes for such a pervasive financial collapse? Was it the self-interest of profit seekers compounded by forces of unrestrained greed? Does it reflect a lack of a moral compass and duty of care in the underwriting, packaging, and selling of innovative securities? Or are we to conclude that up and down cycles of market-driven economies are inevitable? There is profit to be made by some and loss to be incurred by others.

So how should one think about profit? Is it a virtue or a vice? Is it something essential to our way of life? Or is it something we put up with as part of a free-market system allowing the self-interest of some to earn a profit to produce the 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 only occurs when the return exceeds the cost of capital.

And so profit is often used as a measure of the effectiveness of a 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 charitable contributions and other sources of revenue consistently exceeding expenses, the non-profit does not have the needed capital to do its mission and soon realizes that it is in the process of going financially bankrupt.

The same is true for every family unit in a 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 the amount you can borrow to cover deficits. Witness the dilemma facing some of the governments in Europe as well as what could be a future problem for the United States.

So can we say that profit is good?

Those who assume a zero sum world argue that profit only benefits a few at the expense of many. While such an argument fails to recognize the role of innovation or improved productivity, we also know that the making of money can become consuming, an addiction where enough is never enough. Its pursuit can be the root of a growing tree of a self-centered life.

I am a person of faith. I am a Christian, a follower of Jesus Christ. My faith, by its very nature, is a defined faith. Definition brings clarity and allows for order and a systematic way of thinking. It can however, also set boundary lines, determine limits of what should be and what should not be.

It was Jesus who asked His followers "What will it profit a man if he gain the whole world, but lost 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 only in dollars and cents 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 in his essay, *How Much Land Does a Man Need?* " just enough for a six-foot grave."

So is profit a virtue or a vice? Is a business person who also seeks to follow God's ways or a philosophy of life that is other-oriented caught in the dilemma of trying to serve two masters?

Is there anything in common between God and profit?

At ServiceMaster, the business I led over a twenty-five year period, we attempted 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 premium return for our shareholders.

While these figures are part of a normal business assessment of performance, the conclusion for me could not be limited to these monetary value-creation measurements of profit.

How then do I relate the claims of my faith with the demands of my work in a diverse and pluralistic marketplace? A marketplace focused on making profits and creating wealth. As a leader in business, how do I view the people who are working to produce the profits of the firm? Are they more than just a line on the P & L entitled "cost of labor?"

Can a person's faith or belief system be lived and shared in such a way that it can be examined and tested by the people we work with, and yes, even be embraced by some? Can the profit of the firm be measured beyond the bottom line and include the growth and development of the people producing the results of the firm? Can the profitable return from ones leadership in business be measured in the changed lives of people? In the person people are becoming not just what they are doing or producing?

As a business leader, I wanted to excel at generating a profitable bottom line 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, the existence of God, and how one related the claims of their 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 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 principle that can 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 were becoming.

As a business, or for that matter any organization, grows and layers of management increase, leaders can find themselves managing by reports and looking at

the people of the firm as just a pair of hands, simply driven by the economics of a compensation package, 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.

Peter 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 the potential to do good or evil, love or hate, contribute or detract, motivate or discourage.

An investment by leadership in the development of people does 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 not just the financial capital of the firm but also its 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 the U.S. 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".

There were many examples of profitable returns from investing in people that occurred during my ServiceMaster career. Let me share just 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 Chairman Shao and Bright China as 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 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 was 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 and how she could relate to God.

Investments in people 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.

The return from the investment of oneself in others has a potential that far exceeds what money can buy. And often you have that special joy of seeing your investment in a person multiplied in the lives of others.

Profit measured in the changed lives 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.

The growth of our business and the growing investment in people, however, would not have been possible without the profit of a growing positive bottom line. This more traditional way of looking at profit provided the source of our financial capital, and 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.

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 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. [It] is a standard for determining the effectiveness of [their] combined efforts.”

Tichy goes on to say,

“ServiceMaster has achieved such adherence to its values...because everyone from the [top] down works at making them an everyday reality. One of [their]

twenty-one principles of leadership says, if you don't live it, you don't believe it. And they really mean it. Service permeates all the way to the highest level of the company and no matter how senior they become, each spends at least one day a year performing front-line service work."

The Bible provides a source of authority for my faith. Psalm 24 of the Bible reminds me that God is the owner of everything I have, my life, my skills, my talents, my financial or other resources. I am to hold these "assets" in trust to be invested for His purposes. I am to be a steward and it is required that I be found faithful.

Jesus referred to this principle when he shared with His disciples the parable or story of the talents.

This passage was about a man who was going on a long journey and entrusted his property to three of his servants. To one he gave five "talents", to another he gave two "talents" and to a third he gave one "talent." When he returned he asked for an accounting. The one who had received five talents invested them and returned ten talents to his master; the one who had received two talents also invested them and returned four talents; the third who had received one talent buried his talent instead of investing it because he wanted to be sure he could give back to his master what he had received from him.

The first two servants were praised for their wise investments and their stewardship of the master's money. The third was condemned because he failed to produce a return for his master – “You didn't even put it in the bank for interest” said the master.

The point that Jesus was making to His disciples was that they must be stewards of the assets God has given them in time, talent, and treasure. He didn't want them to just return the asset to Him. He wanted them to be good stewards and invest and multiply them for a productive and profitable return. It is what I often refer to as God's economy of surplus.

As I have already mentioned – profitable returns are not limited to a measurement in monetary terms, but instead there is the potential of an even greater return as we are willing to invest ourselves in the lives of others with a multiplication factor as a result of the additional investment by those people in the lives of still others.

Nor is the principal of stewardship limited to those who embrace the Christian faith. There are many examples of others who are good stewards of the resources they possess. My friend, Chairman Shao, and his many initiatives through Bright China and the Drucker Academies, represent his significant investments in the growth and development of people.

As you consider investing your resources and life in people, the road may be bumpy and at times there may seem to be more downside than upside with little or no way for you to measure the results from such an investment. It's important, however, to remember that every person we work with or invest in is unique with their own dignity and worth and fingerprint of potential. There is a value in your investment even though you may not realize it. It is all part of the "virtue" of living a profitable life.

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