



December 1st, 2006

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Recommended Citation

Pollard, C. William, "Leading with Timeless Values in Turbulent Times (Oak Brook, IL)" (2006). *C. William Pollard Papers*. 141.
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Executives Breakfast Club of Oak Brook

Oak Brook, IL

December 1, 2006

C. William Pollard

“Leading With Timeless Values in Turbulent Times”

I am delighted to be with you today and share some thoughts about the opportunity we have to lead with Timeless Values in Turbulent Times.

We live in a world of accelerated change and choice. We are just beginning to understand what may be the impact of the recent change in our government as a result of the elections. The continuing forces of globalization are changing the supply and demand factors in our markets, resulting in more volatility and less predictability. In business, change has been a way of life for many of us.

For those of you who follow ServiceMaster, you know that after 60 years of having our corporate headquarters here in the Chicago area, the Company recently announced that it was moving to Memphis. This will be a change for many of our people and some will make the choice not to move. In addition, during the last several weeks, there was an article in the Wall Street Journal speculating that ServiceMaster may be in

play and early this week, the Company announced that it was seeking strategic alternatives including the possible sale of the Company. There is one thing certain about the future: tomorrow will be different from today.

It was Dickens who said “It is the best of times and the worst of times”. Although he wrote this years ago about the struggle between two cities, one in England and one in France, he may well have been writing it about the world we live in today.

There is much about what is occurring around us that is exciting and pregnant with opportunity. As Americans, we have been blessed. We live in the most sophisticated and advanced culture that history has ever known. We have all the modern conveniences at our fingertips. We live very well in comparison to most of the rest of the world.

I was reminded of this reality as I traveled in Kenya, northern Uganda and southern Sudan with my friends from Opportunity International, a leading international micro-financing agency headquartered here in Oak Brook. We listened and shared with people who were not only less fortunate than we were, but were without some of the basics of life; like food in their stomachs, clothes on their backs, a roof over their heads, and safety for their children.

As we look at all of what we have as Americans, we also realize that our economic well-being has not done much to resolve issues of uncertainty, fear, conflict,

confusion and despair in our society. Nor do we have many answers or solutions for the epidemic of terrorism.

While we have made great gains over the last 100 years in areas like life expectancy, health, education, and growth in the real income of our citizens, we have failed to develop anything comparable in the area of growth in moral behavior or the reduction of violence.

Robert Fogel, an economist from the University of Chicago and 1993 Nobel Prize winner, recently authored a book titled *The Fourth Great Awakening*, in which he traced the history of religious faith in America from pre-Revolutionary War times to the present.

As he analyzed the effect of religious faith upon the development of our society and economy, he concluded that the biggest issue today in our culture was not the lack of employment opportunities or even the distribution of economic resources. Nor, in his judgment, was it a lack of diversity or equal opportunity.

In his opinion, the major issue was simply a lack of the distribution of what he referred to as spiritual resources or spiritual assets. There was, he concluded, a void in our society in the development of the character of people and a provision for their spiritual needs.

The lesson from his study is simple and yet profound. The health and welfare of people cannot be understood or measured solely in terms of their economic or physical needs. Nor can it be measured solely by their intellectual or educational accomplishments. There also is a spiritual dimension to the human condition. It is this spiritual dimension that influences moral behavior and the development of character and is the genesis of love, not hate; good, not evil.

Alexander Solzhenitsyn, in his classic work, *Gulag Archipelago*, recognized that a line between good and evil passes through every human heart. He suggested that even within hearts overwhelmed by evil there was one small bridgehead of good, and even in the best of hearts, there remained a small corner of evil. His conclusion was that it was impossible to expel evil from the world in its entirety, but it was possible to recognize it and constrain it. For Solzhenitsyn, that source of truth and constraint came from God, an authority beyond himself.

So where does the development of character and integrity, or the exercise of self-restraint of impulses of evil and greed, come from in our pluralistic society, especially in a business environment? Are there timeless values that will survive the forces of change?

Can the business firm of the 21st century make money, serve customers, create value for its shareholders and become a moral community to help develop human

character? A community that is focused on the dignity and worth of every person? A community with a soul?

Can people find a sense of purpose or meaning in their work, a sense of discipline and commitment to truth? Develop a strong ethic that extends to the care for others; and a sense of community and a willingness to give back and practice of charity?

As we mix the skills and talents of people at work, and work becomes a place where we attempt to accomplish certain social goals as we seek to correct the imbalances in the mix of opportunity, culture, race, and gender, can't we also be about the process of developing the whole person and nurture their character and spiritual development? Why is this not also part of the social responsibility of the firm?

For this to occur, I suggest there must be moral leadership from those of us who have been called to run and lead a business. Leadership that is transparent; that is willing to serve and lead by example. Leadership that has a moral compass and knows what is their source for truth and moral authority.

Books and articles about leadership and the qualities of a good leader abound. They often describe leadership as something that is glamorous and elevated. But you know, I have found it to be hard work and sometimes unromantic.

Peter Drucker, who was a friend and mentor of mine, has reminded us that the essence of leadership is performance. He then went on to say that, leadership, in and of itself, was not necessarily good or desirable. Leadership, he said, was only a means. To what end was the real question.

What he was telling us in this statement is that leadership is not so much about you or me or what we want, it's more about the people who follow and the direction we are leading them. It is about the responsibility we assume for the growth and development of those people.

As we look at leadership this way, it is imperative for us as leaders to know what we believe and why we believe it. To know where we are headed and why it is important for people to follow. To understand who people are and why they work and not just what they do and how they do it. To be an example in our private and public life of the practice of right behavior.

I retired from my leadership and CEO responsibilities at ServiceMaster a little over five years ago, as I look back at the 25 years that I had that responsibility, 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. The real and lasting measurement is whether the results of my leadership can be seen in the changed and improved lives of 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 these rules, I didn't belong in the ballgame. But I also tried to encourage an environment where the work place could be an open community, a community where in the process of serving customers and making money, it was ok to raise the question of God as a source of moral authority, a community where truth was not an option, but a mandate and where we focused on our people as 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 for 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 in the open for correction and, in some cases, for forgiveness and leaders could not protect themselves at the expense of those they were leading.

In our diverse and pluralistic society, some may question whether our 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 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. The challenges and opportunities of running a business with these objectives are discussed in my recent book entitled *Serving Two Masters? Reflections on God and Profit*.

Frankly, when you view people as only production units or something that can be defined solely in economic terms, you lose sight of their real value and worth. Fortune Magazine described the soulless company as suffering from an enemy within and cited Henry Ford's quote as descriptive: "Why is it, I always get the whole person, when all I really wanted was just a pair of hands?"

It's the whole person who comes to work every day. Someone who deserves to be treated as the subject of work, not just the object of work. Someone who, as part of being human, has a spiritual dimension as well as an economic and physical dimension.

Now for me, as a Christian, and one who seeks to be a follower of Jesus, one of the best ways that I found to share and lead in the development of a firm as a moral community was to seek to serve as I led and to reflect the principle that Jesus taught His disciples as He washed their feet – namely that no leader was greater or had a self-interest more important than those being led. In seeking to so serve, the truth of what I said and

believed could be measured by what I did. My ethic and faith become a reality as I was able to serve those I led.

Servant leadership has been a learning experience for me. It has not come naturally. The first thing I had to understand was what it meant to walk in the shoes of those I would lead. This was a lesson that I would learn as I first joined ServiceMaster team now almost 30 years ago, and I will close my remarks today with a story of that early learning experience.

My predecessors in the business, Ken Hansen, who was then chairman of the company, and Ken Wessner, who was then President and CEO of the company, were both involved in recruiting me to join the firm. They wanted me to come and initially head up the legal and financial affairs of the company, reporting directly to Ken Wessner. Prior to my joining ServiceMaster, I had practiced law for ten years and had served as a Vice President and faculty member at Wheaton College.

The interviewing process took several months, and as we were coming to what I thought of as the final interview to confirm compensation and starting date, I decided that I needed to know more about what it would take to be CEO of ServiceMaster. I was in my late 30's and knew that this would be an important career decision. I wanted a chance to get to the top and understand what it would take to get there. As I pressed the point and tried to get some assurance of how I could become CEO, Ken Hansen stood up and told

me the interview was over. Ken Wessner then ushered me to the front door. As I left ServiceMaster that morning, I concluded that it was over. I had blown the opportunity.

A few days later, Ken Hansen called me on the phone and asked me if I wanted to have breakfast with him to discuss what had happened in his office. When we sat down for breakfast, he simply said: Bill, if you want to come to ServiceMaster to contribute and serve, you will have a great future. But if your coming is dependent on a title or position or ultimately the CEO's position, then you will be disappointed. To be successful at ServiceMaster, you will have to learn to put the interest of others ahead of your own.

His point was very simple. Never give a job or a title to a person who can't live without it. Determine at the front end whether the leader's self-interest or the interest of others will come first. Know whether he or she can define reality by being willing to do what they ask of others.

I took the job and Ken in his own way tested my commitment and understanding of what he had told me. I spent the first eight weeks of my ServiceMaster career out cleaning floors and doing the maintenance and other work which was part of our service business. There were lessons for me to learn, the most important of which was my dependence upon and responsibility to the people I would lead.

Later on in my career the faces of our service workers would flash across my mind as I was faced with those inevitable judgment calls between the rights and the wrongs of running a business. The integrity of my actions had to pass their scrutiny. When all the numbers and figures were added up and reported as the results of the firm, they had to do more than just follow the rules or satisfy the changing standards of the accounting profession. They also had to accurately reflect the reality of our combined performance – a result that was real – a result that you could depend upon. A result that would reflect the true value of the firm. Otherwise I was deceiving myself and those that I was committed to serve.

Drucker has referred to this type of leadership as reflecting the ethic of prudence. Prudence that demands of leaders to be an example of what they say and by the way they live. In Drucker's judgment, a leader has only one choice – to lead or mislead. In my judgement, responsible leadership requires the choice of an ethic of service and the example of right behavior.

Leadership is both an art and a science and as I said earlier, the results of a responsible leader will be measured beyond the workplace and the financials of the firm. The story will be told in the changed lives of people.

In seeking to lead an organization as a moral community, one should recognize that it is not always comfortable. At times it feels like you are in a rowboat rowing

upstream. There will always be an abundance of skeptics with questions raised regarding a goal which mixes the principles of faith and work, God and profit.

The values and moral standards that I have referred to in these remarks are not new. They are timeless and have survived centuries of change. They represent an ethic that can be applied to the leadership of any organization or institution of society.

Character and integrity can be developed and learned. Leadership must set the example. People's minds and hearts need to be touched and, in some cases, transformed. The true value of a firm is dependent upon the values and commitments of its people.

As I say this, and then reflect upon where ServiceMaster and its people are today, there is one thing I know for certain. The value of our firm will not be determined just by the price a buyer may be willing to pay, but instead by whether a buyer has the values and can implement the leadership that is able to capture the hearts and minds of the people who have been and are making it happen every day. In the absence thereof, a buyer may discover that he has bought a wasting asset.

It was C. S. Lewis who reminded us: "There are no ordinary people. You have 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 whom we joke with, work with, marry, snub and exploit." What is a business without people? What is leadership without an example of service and a moral compass that drives a compassion and caring

for the welfare of those people who have produced results and who often have little or no voice in the decisions affecting their future?

For me, seeking to serve and care for those I have led has been the salt and light of what I believe, the reality of my faith and the heart of my business ethic.

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December 1, 2006