

“The Virtue of Profit”

Transcript of Lecture given by C. William Pollard on April 23, 2009

Thank you Javier and I'm delighted to be with you tonight and share some thoughts with you on a subject that, first of all, for some of you may have a somewhat controversial heading – “The Virtue of Profit”.

Now if I ask the students here when was the last time they heard a sermon on the virtue of profit I would assume that there wouldn't be many hands that would be raised. One of these days I am hopeful to hear such a sermon. Tonight is not a sermon and as I raise some issue hopefully I will trigger some questions, and I want to make sure that we have time for questions so please feel free to note the questions that I might raise as we go along here.

So how should we think about profit? That's a relevant question in these times, isn't it? Every place I'm going, at least in the business world, there isn't enough of it. There's people laid off because there's not enough profit. Firms are wondering whether they can make the next quarter because there's not enough profit. And banks, I was even visiting with a bank this afternoon, and they are reluctant to loan because there's not enough profit. The only person or entity that seems to be not worried about profit is our government. But that's another subject which I won't get into tonight.

Is profit a virtue or a vice? Is it something essential to the way we live or is it something we just put up with as part of this free market system - allowing the self-interest of those who earn profit to produce those 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. Now for an investor or a shareholder, profit only occurs not just when revenue exceeds expenses, but when there's also a factor for the cost of capital. And so profit is often used as a measure of the effectiveness of a business firm. It is the engine that generates capital, a source for the creation of wealth.

Its function is not limited to business, however. Without charitable contributions and other sources of revenue exceeding expenses, the not-for-profit organization does not have enough capital to do its mission and would soon realize if it wasn't consistently exceeding expenses with contributions or other sources of revenue that it was going financially bankrupt. Profit, as so defined, and financial capital, is essential to the operation of this institution. We're sitting today in a building that was built by profit. You're watching a new building go up on this campus and every brick represents profit. Without capital those things would not happen. So profit is something that is essential, yes, even for our family units. If expenses continue to exceed income, if a family spends more out the back door than comes in the front door, so to speak, a day of reckoning is only just around the corner. And I'd suggest that this principle also applies to government. There is an ultimate limit on the amount you can borrow to cover deficits.

So can we say, after all of that, that profit is good? Those who assume a zero-sum world argue that profit benefits a few at the expense of many. While we don't have to accept

that argument, we do know that the making of money can become consuming, enough is never enough, its pursuit can be the root of all evil. Jesus asked his followers “What will it profit a man if he gains the whole world but loses 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 your heart will be also.” He went on to say that no one can serve two masters. You cannot serve God and money. These words of Jesus remind us that profit as an end goal in life, measured only by 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, how much land does a man need? Six feet to get buried in.

So is profit a virtue or a vice? Is a businessperson, who seeks to follow God’s ways, caught in a dilemma of trying to serve two masters? What is there in common between God and profit? At ServiceMaster, the business I led over a 25-year period, we attempted to answer these questions. As I’ve now retired and look back at my leadership responsibilities with the company and can add up the numbers that show growth and profits and customers served and premium return for our shareholders and while these figures are part of a normal business assessment of performance, for me the conclusion cannot be limited to these money or value-creation measurements. I’m a person of faith. I’m a Christian, a follower of Jesus Christ. My faith by its very nature is a defined faith. Now definition brings clarity and allows for order and a systematic way of thinking. It can, however, also set boundary lines; determine limits for what is and what is not. It can become exclusive, shutting out those who do not believe the same way I do or fit my definition.

How then do I take my faith, that I so define, and relate it to the demands of my work in a diverse and pluralistic marketplace, a marketplace focused on making profits, creating wealth. As a leader in business, how do I touch the spiritual side of the people within the firm? Can a business career be a ministry, a calling of God? Can I live and share my faith in a way that it can be examined, tested by my colleagues and fellow workers, and yes, even be embraced by some? Can the profit of a firm be measured beyond the bottom line and include the growth and development of the people producing the results of the firm?

As a business leader I wanted to excel at generating profitable bottom line growth and creating value for our shareholders. If I didn’t want to play by these 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 persons’ 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 as the soul of our firm. Our corporate objectives at ServiceMaster were 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 that first objective as a basis of exclusion. It was, in fact, the reason for us to promote 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 typically could not hide our mistakes. Mistakes were regularly flushed out into the open for correction 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 applications of those 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 I can tell you it was discouraging, it was also energizing as one realized the continual potential for creativity and innovation as there was a focus on the development of the whole person.

Now in a diverse and pluralistic society, some may question, and they did, whether that first objective belongs in the 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 could be embraced by all was 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 people were doing in the work but also who they were becoming. As a business, or for that matter may I say any organization, including Wheaton College, grows and becomes more complex and layers of management increase, leaders can find themselves sometimes managing primarily by reports and looking at people of the firm as just a pair of hands, a part of the line on the P and L that we call the cost of labor, or simply driven in a business environment by the economics of a compensation package or new incentive for stock option plan.

But people are not just a pair of hands, we know. They come to work every day as a whole person. Fortune wrote an article on the soulless company several years ago and cited that famous quote from Henry Ford when he said, "Why is it I always get the whole person when all I wanted was a pair of hands?" It is easy to revert to that thinking sometimes in a work environment. 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 and manager 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, concerns, emotions, feelings, beliefs and convictions, they have the potential to do good or evil, love or hate, contribute or detract, motivate or discourage. And investment, he says, 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 the human condition. It is all about the process of developing not just financial capital in the firm, but also human capital.

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 days to the present and its effect on our society and economy Fogel concluded that

the major issue in our culture today was simply the lack of what he referred to, now here's an economist talking, the distribution of 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 complexity of ethical issues it will have to acquire more spiritual capital – almost a profit to discussing the present day.

There were many examples of profitable returns for 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 ServiceMaster 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's what Sue Xiang said: "When I grew up in China, religions were forbidden. 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. But 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 penetrating extensively to almost every corner of a person's daily life. It is still growing in mine. I'm still learning".

Sue was thinking person. She was different, but felt accepted and respected in her work environment. She was confronted with the 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. 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 in a decision, but wrong in how you use power to implement that decision. The mistakes I've made as a leader that hurt the most are those that have resulted in breached relationships with others. In seeking sometimes to achieve performance goals I have at times pressed too hard for results without understanding the subjective factors of fear, insecurity, and a fear of failure that were influencing sub-standard 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 even greater returns. The return from the investment of oneself in others has a potential that far exceeds anything money can buy, and often you have that special joy of seeing your investment in a person multiplied in the lives of others, and yes there are times when you see a positive response to the redemptive work of our Lord Jesus Christ.

Profit measured in the changed lives of people was our life blood at ServiceMaster. As I retired from my leadership of the firm we were involved in managing or employing over

250,000 people, delivering one or more of our services to over 12 million customers in the US and 45 foreign 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 line, bottom line. This more traditional way of looking at profit provided the source of our financial capital returned to our shareholders. It was for us an essential means goal; a measure of effectiveness of our combined efforts, a virtue of accountability. Noel Tichy, professor at the University of Michigan Business School describes ServiceMaster in his best selling 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 businesspeople firmly focused on winning. Profit to them is a means goal and God’s world to be used and invested, not an end to be worshiped. It is a standard for determining the effectiveness of their combined efforts.” Tichy goes on to say “ServiceMaster has achieved such an adherence to its values because everyone from the top down works at making them an everyday reality. One of their 21 principles of leadership says that “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.”

Now I want to share with you another example of the importance of a means goal in relationship to an ends goal as we talk about profit, an example that is on a much smaller scale than ServiceMaster, but may have even yet a greater meaning and purpose. Several years ago I was travelling in Africa visiting a number of microfinance banks that our family’s involved in investing in. This particular time I was in northern Uganda in a little hamlet. Now microfinance banks loan money to the poor. The average size of the loan is probably about \$150 to \$200. In most microfinance banks 80% of the borrowers are women, because typically in underdeveloped areas of the world if there’s a job, a man gets it. And if the man is out of work, he’s often consumed with alcohol and the woman is responsible for maintaining the family and has to work, has to develop a job for herself. Well this was a little hamlet and there were 5 women and they wanted to meet with us and describe to us what was happening to them as part of their ability to borrow. Each of these women had borrowed \$200 to grow their little businesses. One was in a trading business, one had little agricultural business, one had a cow that was selling milk, different little businesses. They had to earn money, they had to earn more money, they knew it, not to just put food on their table but to increase their profits. These women had already taken in 15 orphans in their community, orphans because of AIDS. There were another 20 orphans in the community without a home. The only way to take care of those orphans was to earn more money, to earn a profit so they could feed and care for those children.

Profit. An essential means goal for life. Now Psalm 24 reminds us that God owns everything. He owns our life. He owns our time. He owns our resources. The fact that

you and I possess anything is simply a possession. The reality of Psalm 24 is that we don't own anything. We hold it as stewards. Everything we have, including the talents, the education God has given us, the opportunities that He's given us is only possessed by us as a steward. Now take that principle and apply it to the Parable of the Talents. You all remember that parable. But I want you to focus on what was said to the steward who buried his talent. The master wasn't upset with him because he didn't double it. Remember the other guys doubled what they got. One was five to ten, the other was two to four. He didn't say, "Why didn't you double this?" What did he say? "Why didn't you even put it in the bank for interest?" Tell me what that interest is – profit. The principle here is God doesn't want us to give back what he's given us, he wants more. Don't talk to me about tithing what is already his. He wants us to produce more out of all these things that he's given us. That is God's economy of surplus.

I'll close with this story. I had a vivid reminder of that coming back from a business trip to the Mid-East and Eastern Europe. Judy was with me this time and we started out at our office in Amman, Jordan, visiting our people there and customers there and because she was with me I said we're going to take a nice little trip to Egypt and go to Petra, a beautiful city with much ancient story to it. So we were driving with our ServiceMaster people from Amman down to Petra and its pretty barren country. You don't see many hills. Every once in awhile you'll see a tent - almost looks like the way Abraham used to live. But it's where the Bedouins are. And we came to a curve in the road and there were little children playing close to the road and then about maybe 200 yards away was a tent and my wife wanted to stop and talk to the children. And so we stopped and talked to the children. And sure enough a man came out of the tent, and I thought "Man, we're going to bring trouble now". And he came over and talked to us and was very friendly, in fact, invited us back to his tent. And we came back and of course there was two sections to the tent, one in the back where the women went and the larger section where the men went and I sat down with him and two of his older sons and Judy went to the back of the tent with the women and we had a cup of tea. Now the cup was as dirty a cup as you've ever seen in your life when he was pouring the tea in it. But anyway we drank the tea and we talked about his problems. He wasn't going to be able to live his life as a nomad much longer because the country of Jordan was trying to eliminate the Bedouins and it was getting harder and harder and he was looking for a job so we talked about maybe he could work for us at ServiceMaster in Amman and he had some great stories. So we finished our cup of tea and he showed me his camel and so forth and then he invited us to stay for dinner, and of course, typical Americans we had a place to go, we had to get our next appointment and we had to see Petra and we had to get on here, and I had to get to Egypt because we were going to sign a contract with a new customer and so forth and we couldn't stay. And we said thank you and left. Saw Petra, got to Egypt, had a wonderful time there with our new partner. But I had some really, I had some difficult emotional times as I asked to see something that I had heard about, and that was to visit the city dump in the middle of Cairo, Egypt, where over 30,000 people live in a garbage hill. Some interesting work being done by Christians there. But it was a sobering sight, a very sobering sight. And then on the way home we were stopping at Emmanuel Christian College in Oradea, Romania, a school we had been involved in, and I had an opportunity to speak with the students there and then we came home. And on the way home, it was a

long plane ride home, I kept thinking about the question “What is it all about? Why was I born in America? Why wasn’t I born in Jordan? Why wasn’t I born in Egypt? Did those kids that I talked to at Emmanuel, did they have anywhere near the opportunity of the kids that I talk to at Wheaton College?” That was just after Ceausescu had been overthrown and freedom was coming, but the economy was in shambles in Romania at the time. Why? What makes sense? And not only was I asking myself that question but all of us who have the freedoms, the privileges and opportunities in America can ask that question with almost any other place in the world. Why? There’s got to be a reason for it.

The reason is that God wants to us to invest what we have. Not to put our head down, not to moan, not to become depressed, but to make it work for Him. That’s the only thing that makes sense, at least in my rationale of God’s economy of surplus. So I hope that after tonight you will maybe reflect on profit a little differently than you might have before. And I remind you of a quote from C.S. Lewis, when he said “There are no ordinary people. You’ve never met a mere mortal. Nations, cultures, arts, civilization is to ours as the life of a gnat, but it is the immortals whom we joke with, work with, marry, snub and exploit.” Every person we work with has been created in the image and likeness of God with their own fingerprint of potential. The investment is there for us to make as we integrate the claims of our faith with the demands of our work. And understand that there is a virtue in living a profitable life for our Lord Jesus Christ.