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**The Governance Institute
Chairman & CEO Conference
Palm Beach FL
November 3, 2001**

“Leadership in Changing and Turbulent Times”

**C. William Pollard
The ServiceMaster Company**

I count it a special privilege to be with you today and share some thoughts on leadership. Many of you are customers of ServiceMaster and we appreciate the privilege of serving you. The healthcare institutions you represent are islands of hope and stability in our society.

We live in changing and turbulent times. The events of the last several months have been a reminder to all of us that there are many things occurring in our society and in our world that are really out of our control. War can now be waged by an enemy other than a nation state, an enemy that is difficult to identify and find and that is committed to fanatical suicidal sacrifice of life in implementing their objectives.

While terrorism is not new, the reality of current events brings a certain fluidity and uncertainty to life. It has affected how we are living, the decisions we are making and, yes, even some of the functions and operations of the organizations and institutions we lead. People are increasingly looking for purpose and meaning in their work and in their life.

Despite all the confusion, fear and uncertainty of recent days, our healthcare delivery system has been there ready and able to serve. As we face a

new threat of biological terrorism, there may be questions among some about whether our public health authorities acted quickly enough, but not about the availability of our doctors and hospitals to serve and respond. The news media may not have talked much about you or given you much credit, but for those of us who know something about your capabilities and have traveled enough overseas to have some comparison, you provide a resource for care and cure unparalleled anywhere else in the world.

We all know, however, that during the past 20 years, the healthcare delivery system in this country has gone through major changes, including a series of “cost control” and “compliance” programs designed to make it more efficient if not more effective, and in some cases it may have resulted in it being more bureaucratic if not more responsive.

These forces of change have been driven not by the patient or the customer, if you will, but by the people paying the patients’ bill - third party payors, whether government or private. The process of “managing care” has had as one of its primary objectives to control costs. Regulation and compliance standards have been designed to squeeze the turnip, with the hospital being the primary target because it is often the easiest to grab and squeeze. Thank you for the way you have governed and led during this period as you have worked at steering the ship through this labyrinth of regulations and controls.

Your theme for this conference is Moving Toward Excellence in Quality. I am delighted that so much time has been devoted to this important subject and that those of you in leadership and governance are involved in seeking to understand and learn systems and programs that might be of help in improving quality. As you consider and reflect upon this subject of quality, especially in a service

environment, it is well to remember that excellence in quality is rarely achieved through compliance standards. I suggest that it must begin with what's in the mind and soul of your people. It is this human side of the quality equation that I want to speak to you about today.

The business of your organizations is essential to the communities you serve. It very much matters to me and I know it matters to you.

So what is your business?

As I ask you that question, I am reminded of an experience I had several years ago with my good friend, Peter Drucker, as he led our Board of Directors in a planning session for the future. He started out the session with that simple yet profound question: "What is your business?"

Now the initial response given by our Board members related to the things we did. We clean floors, we kill bugs, we serve food, we repair and maintain appliances, we install air conditioning units, we care for lawns. After listening to our Board for about 5 minutes, Peter told them something I have never been able to tell our Board. He simply said: You are all wrong. He then went on to point out that our real business was not in what we did, but instead focused on the people who did it. We were in the business of training and developing people. We couldn't deliver a service without people. We couldn't deliver a quality service on a consistent basis without trained and motivated people.

So, what is your business today? How would you answer Peter's follow-up questions? Who is your customer and what does your customer see as the value of your service?

As we begin to think more deeply about these questions, we realize that they all end up at the same point. They all end up with people. It is the common ingredient in all of our organizations. We cannot operate without people. We cannot deliver health care without people. We cannot deliver quality health care without motivated and committed people and, yes, our patients are people – real live people, not just definitions of an illness or subjects of a certain reimbursement classification.

To be effective in leading and governing in such an environment, I suggest that as leaders we need to focus on who people are and why they work – not just what they do and how they do it. We need to understand the importance and role of mission and purpose as an organizing principle of our firms and that management is not only the science of organizing people to produce results but also is the art of developing and growing people in who they are becoming; yes, even in developing their human character and affecting their moral behavior.

As we reflect upon what makes up our humanity, we soon recognize there is not only a physical and rational dimension, but also a moral and spiritual dimension. It is this spiritual side of our humanity that influences our character, our ability to make moral judgments, to care and have the desire to serve others and to develop a philosophy of life – a world view, if you will – that can provide stability, even during turbulent times.

How do people find a sense of purpose or meaning in their work? Develop a strong ethic and standard for right and wrong? A sense of community and willingness to serve with compassion, to give back, to practice charity? A willingness to engage in diversity? A sense of discipline and commitment to

truth? A desire to continue learning and acquiring more knowledge? A respect for the dignity and worth of every person and a love for their fellow workers? A willingness to serve as part of leading?

These are timeless values that we all wish would characterize the people of our organizations.

So how do we achieve this result? Do we expect people to come to our organizations with these values? Do we spend time teaching them or nurturing and developing them? Does the mission of our organizations clearly reflect them? If so, is it understood and embraced by our people? Is there an alignment of values and purpose between our organization and our people? Do the leaders of our organizations own these values? More importantly, do they practice them? What about the Board? When was the last time they talked about or reviewed the values, the character and the moral behavior of the institution and its people? What is the role of our organizations in the development of human character – and does this have anything to do with quality?

Robert Fogel, an economics professor from the University of Chicago and a 1993 Nobel Prize winner, has recently published a book entitled *The Fourth Great Awakening*, in which he traces the history of religious faith in America from pre-Revolutionary War times to the present. He analyzes the effect of religion and moral values upon issues in our society, in the institutions of our society, in the businesses of our society and in our economy. He concludes that the biggest issue today in the United States culture is not a lack of employment opportunities or distribution of economic resources, nor is it the lack of economic opportunity.

In his opinion, the main issue involves a lack of what he refers to as the distribution of spiritual resources and spiritual assets. There is, he concludes, a void in our society in the development of the character and the spiritual dimension of people.

In his recent book *The Death of Character*, James Hunter, a noted sociologist from the University of Virginia, concluded that while Americans are as capable of developing character as they ever were in the past, there are now few cultural or institutional guidelines in our society that call for its cultivation or maintenance. The reason, he suggests, is because there is no consensus that character development is important.

As we talk about programs and methods for the management and delivery of quality health care, what is our responsibility as leaders for the development of the whole person?

Frankly, when you view the person as only a production unit or a technician or a cog in the wheel of process or something that can be defined solely in technical, scientific or economic terms, motivational, training and, yes, even quality programs and incentives can become mechanical and, in some cases, manipulative. In so doing, there may be a drive to define a system that will idiot proof the process which in turn can make people feel like idiots. Fortune Magazine described this type of activity as without heart and soul and cited Henry Ford's quote of the 1920's as descriptive of some of the issues in current programs and processes designed to achieve uniform results: "Why is it I always get the whole person, when all I really want is a pair of hands?"

As we strive for excellence and quality in our organizations, we must never lose sight of this human side of the equation. Will the process include room for helping people find meaning and purpose in their work and in their life? What matters to them? Have we taken the time to listen?

Now as I ask these questions, I do so not as a philosopher, educator, political or religious leader, but simply as a business person. Someone who during the past 25 years has participated in the leadership of a growing, changing and dynamic service company that we call ServiceMaster. Today we serve more than 12 million customers with one or more of our services and we are located in the United States and in 44 foreign countries. We employ more than 50,000 people and teach and train many more as part of our extended service network.

And yes, during this 25 year period I have seen a lot of changes in our Company and in the markets we serve. Over 85% of what we are doing today we were not doing just 12 short years ago. And within the last few weeks we announced that we have decided to sell the business unit that made up that remaining 15%. It was one of the original businesses of ServiceMaster. As some of you know, this unit involved our services to health institutions. It was a difficult and emotional decision for many of us, especially those of us who grew up in this business. It reflected, however, the reality that in this market customers continue to consolidate and so do suppliers. It is a decision that looks to the future for ways to better serve you. It is one of those changes that tests the character of the firm and its people.

As a business firm and as a public company, we have the task of creating value for our shareholders. If we don't want to play by these rules, we don't belong in the ballgame. But that isn't our only objective. With all of the change

in our business and the demands of the marketplace, we also are seeking to be a community, to help shape human character and moral behavior, an open community where the questions of a person's spiritual development, the existence of God and how one relates his or her faith with their work, are issues of discussion, debate and, yes, even learning and understanding.

The objectives of our Company have not changed and they are simply stated: To honor God in all we do; to help people develop; to pursue excellence; and to grow profitably. Those first two objectives are end goals; the second two are means goals. They are precise enough to be remembered, profound enough to be lasting and controversial enough to be instructional.

As we seek to implement these objectives in the operation 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, regardless of faith, choice, label, gender or race, has been created in the image of God with dignity and worth. Every person has their own fingerprint of potential and their work and service to others can become part of a positive process in who they are becoming. The development of their character is part of our business of business.

We do not use our first objective as a basis for exclusion. It is, in fact, the reason for our promotion of diversity as we recognize that different people are all part of God's mix. 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 into the open for correction and, in some cases, for forgiveness.

Peter Drucker's classic definition of management is getting the right things done through others. But what I am suggesting today is that as leaders we should not stop there. We must be concerned about what is happening to the person in the process. In a society, where there appears to be growing voids and vacuums in the development of the moral and spiritual side of people, we should be involved in character development and if we want our people to serve and serve with excellence, we must nurture the side of their humanity that is the source of their love, their compassion and their care and concern for others.

One of the best ways that I have found to so lead is to seek to integrate my faith and beliefs with my work, to recognize that as a leader I am in the process of continuous improvement and development of my own character and that my conduct is often more important than my words, so I should seek to serve as I lead, reflecting the principle that Jesus taught His disciples as He washed their feet – that no leader is greater than the people he or she leads and that even the humblest of tasks is worthy of a leader to do.

Servant leadership has been a learning experience for me. It has not come naturally. It has not always been comfortable. It has required an openness and candor about who I am, what I believe and how it relates to the way I treat others. In this process, my life and my beliefs have become an open book for my colleagues and fellow workers to examine, test, reject or follow as they not only seek to do things right but to do the right thing. They know what matters to me. It's them, it's us, it's who we are. It's why we are here, it's what we believe, it's where we're going.

But first I had to understand what it meant to walk in the shoes of those I would lead. This was a lesson that I would learn as part of joining the team at ServiceMaster over 25 years ago.

My predecessors Ken Hansen, who was then Chairman of the Company, and Ken Wessner, who was President and CEO of the Company, were both involved in recruiting me to join the firm. They wanted me to come and head up the legal and financial affairs of the Company, reporting directly to Ken Wessner.

In the selling of the job, they suggested that I, along with others, would be considered in the future for the CEO position of the Company.

The interviewing process took several months and as we were coming to what I thought was 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. As I pressed the point and tried to get some assurance of how I could become CEO, Ken Hansen stood up and said the interview was over. Ken Wessner led me to the front door. As I left ServiceMaster, 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 the interview. I accepted the offer and at breakfast he made clear to me his teachable point of view. 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 upon a title, position or ultimately the CEO position, then you will be disappointed. It is up to you.

The point was simple. Never give a job or a title to a person who can't live without it. Leaders in ServiceMaster, to be successful, must have or develop a true servant's heart. I took the job and Ken, in his own way, tested me at the front end. I spent the first six weeks in ServiceMaster out cleaning floors and doing maintenance work, which are all part of our service business. There were lessons for me to learn, the most important of which was – as a leader I needed to be a servant, and that I should never ask someone to do something I was not first willing to do myself.

Second: A leader who is focused on developing the whole person must learn to trust the people they lead and to always be 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 of 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 and said thanks, and with a wide grin proudly put the service pin in his earlobe 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 the leader's responsibility to set the tone, to learn to accept the differences of people, and to seek to provide an environment where different people contribute as part of the whole and so to strengthen the group, and achieve unity in diversity.

Third: We should make ourselves available. Our doors should always be open. We should be out and about talking and listening to people at all levels of the organization. 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.

Fourth: We should be committed, not a bystander or simply a holder of a position. 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 an employment agreement or in a legal document. It extends to the people who day-by-day are relying upon the leader for their future. It is fulfilling a leader's campaign promises. It is the leader's obligation or, as some have described it, "their posture of indebtedness".

And fifth, if we are about the process of developing character, then as leaders we must have and show a love and care for the people we lead. We must learn to treat people as the subject of work – not just the object of work.

Several years ago, I was traveling in what was then the Soviet Union. I had been asked to give several lectures at major universities 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 tasks. With the help of an interpreter, I engaged her in conversation and noted the tools she had to work with.

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 the other. The reality of Olga's job 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 results.

I knew from our brief conversation that there was a great unlocked potential in Olga. I'm sure you could have eaten off the floor of 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 its subject.**

I contrast the time spent with Olga with an experience I had just a few days later while visiting a hospital we serve in London. As I was introduced to one of the housekeepers, Kamula, as 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 work. She then showed me all that she had accomplished in cleaning patient rooms, providing a detailed before and after description. She was proud of her work. She owned the result. Why? Because someone had cared enough to show her the way and recognize her for her accomplishments. She had dignity in her work. She was looking forward to her next accomplishment. She was thankful.

What was the difference between these two people? Yes, one was born in Moscow, the other New Dehli, and their race and 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 she had a limited view of her potential and worth.

The difference, I suggest, has something to do with how they were treated, loved and cared for in their work environment. In one case, the mission of the organization involved the development of the person. In the other case the objective was to provide activity and call it work.

So will the real leader please stand up? Not the president or the chairman or the person with the most distinguished title or the longest tenure, but the role model. Not the highest paid person in the group, but the risk taker. Not the person with the largest car or the biggest home, but the servant. Not the person who promotes himself or herself, but the promoter of others. Not the administrator, but the initiator. Not the taker, but the giver. Not the talker, but the listener.

Leadership is both an art and a science. I hope these thoughts and a few examples from my own life have been helpful to you as you seek to govern and to lead your organizations. I trust you are encouraged to be involved in the process of developing the human character of your people as they care for others. We should recognize that it is not always comfortable. At times it feels like you are in a rowboat in the middle of an ocean. There will always be an audience of skeptics with questions raised regarding the appropriateness of mixing character and morality with work.

But the reality is that the people we work with every day are in the process of becoming somebody and these are timeless and, yes, cross-cultural values that can become the channel markers for navigating and leading during these turbulent times.

It was C. S. Lewis who said: “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 healthcare without people? What is business without people? What is a world without God? Listen to these lines from T. S. Eliot’s *Choruses from a Rock* and ask yourself how would you describe – not your organization or hospital - but your community?

“What life have you if you not have life together?
There is no life that is not in community.
And no community not lived in praise of God.
And now you live dispersed on ribbon roads.
And no man knows or cares who is his neighbor,
Unless his neighbor makes too much disturbance.
And the wind shall say, here were decent Godless people.
Their only monument the asphalt road,
And a thousand lost golf balls.
Can you keep the city that the Lord keeps not with you?
A thousand policemen directing the traffic,
And not tell you why you come, or where you go.
When the stranger says: “What is the meaning of this city?”
Do you huddle close together because you love each other?
What will you answer? We all dwell together,
To make money from each other? Is this a community?
And the stranger will depart and return to the desert.
Oh my soul be prepared for the coming of the stranger.
Be prepared for him who knows how to ask questions.

We must take the time to ask questions and to listen to our people – to know what matters to them, to know what matters to us and to know what matters for the success of our communities. When we find alignment or what matters to our people, to our leadership and to the people we serve, we have a winning formula for achieving excellence in the quality of our service and care for others.

Have we thought enough about what matters?

(Here end with video: What Matters?)

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Revised 11/08/01