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Six hats of Ray Baumhart, S J

David Dworsky

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THE SIX HATS OF RAY BAUMHART, S. J.

Relatively few people are university presidents, as well as directors of major corporations. Few of these hold advanced degrees in philosophy, theology, and business administration. Fewer still are also nationally recognized commentators on business ethics. Of those, only a handful are civic leaders. And almost none are ordained priests.

Raymond C. Baumhart, S.J., is all six. He is:

- President of Loyola University of Chicago. Loyola's four campuses, 10 schools, and 15,000 students make it one of the largest Catholic universities in the world.
- A director, and chairman of the audit committee, of Jewel Companies, Inc., a \$3.7 billion food retailer, and a director of the Continental Illinois National Bank and Trust Company, the largest bank in Chicago.
- A member of the executive committee of the Commercial Club of Chicago, a 103-year-old institution whose 400 members constitute a who's who of Chicago industry, commerce, and finance.
- A scholar, author, and commentator who has received widespread recognition for his views on ethical behavior in the modern corporation.

On this sunny spring day, Father Baumhart has a schedule which will require him to wear most of his many hats. His work day begins as it will end, with a meeting.

For the first two hours, the stocky, silver-haired priest presides over a meeting of the President's Coordinating Council, which embraces Loyola's top academic and administrative officers. Comprised of academicians, business-types, and Jesuit priests, the council mixes boardroom jargon with an easy informality.

Detailed reports cover the trend in student enrollments ("gratifyingly up"), plans for receiving a visiting delegation of Jesuits ("I think we need to show them a broader profile of ourselves"), and student job placements ("Did I hear you say that he got an entry level spot at \$23,000 on the strength of a bachelor's in computer sciences?").

Through it all, Father Baumhart spreads the conversational load and

THE SIX HATS OF RAY BAUMHART, S.J.

encourages all points of view to float to the surface. His leadership strategy is disarmingly simple: irrespective of the subject under discussion, he makes himself the best-informed person in the room.

"I tend to soak up details," he says. "When you have enough details, you have a pattern, and that means you are halfway to your answer."

A youthful 57 years old, Father Baumhart bounces out of the meeting a short time later and heads for Chicago's venerable Drake Hotel, where more than 600 Loyola alumni and benefactors are to celebrate the dedication of Maguire Hall, the new law school building. Ordering ginger ale—straight—Father Baumhart moves into the reception, working the fence and pressing the flesh as expertly as any politician.

He chortles when he talks about the law school. Clearly, it is one of his special joys. Indeed, he recently instructed that a confidential study of the school be included in Loyola's annual report after a pirated copy was published in *The Chicago Sun-Times*.

The study showed that Loyola, along with the University of Chicago, led all Illinois law schools in the percentage of graduates who passed the state bar exams on their first try. Loyola beat out such larger and better-known schools as the University of Illinois and Northwestern.

The luncheon which follows finds Father Baumhart seated with James R. Thompson, governor of Illinois, and Jane Byrne, mayor of Chicago. Father Baumhart and Governor Thompson know each other well from prior functions, and the two chat amiably through a typical fare of chicken, rice, and ice cream. Mayor Byrne, arriving late, contents herself with coffee and cigarettes.

The formal remarks—invocation, welcome, recognition, dedication—are running over schedule. Father Baumhart is stealing frequent glances at his watch, for at three o'clock he must be elsewhere. Although eloquence is not one of his major skills, in less than two minutes his few homey remarks fully satisfy his audience.

Since rising that morning at the Jesuit residence, Father Baumhart has functioned as educator, administrator, and cleric. At his last appointment of the afternoon, a meeting of the executive committee of the Commercial Club of Chicago, Father Baumhart will be called upon to function as a civic leader. The club meets in a handsomely appointed conference room in the Continental Illinois Bank building. The samovars of coffee and dishes of petit fours represent corporate privilege at its best.

Father Baumhart, who is often close to wealth, but not to cash, is as comfortable in this richly appointed room as in the spartan rectory where he lives, studies, and prays with 65 fellow Jesuits. And he is as comfortable in the presence of Chicago's business leaders as they are with him. He converses casually with a group of executives he calls Jim, Bud, and Stan. And to James F. Bere, chairman of Borg-Warner, E. Norman Staub, CEO of Northern Trust, and publisher Stanton R. Cook of *The Chicago Tribune*, Father Baumhart is known as Ray.

"Being a corporate CEO or senior partner in a major law firm isn't an automatic road to membership," Father Baumhart says. "What the club looks for is a commitment to the growth of the city through participation in civic and cultural activities."

Shortly before five, Father Baumhart reclaims his black Chevrolet from a nearby parking lot and heads toward Loyola's Lake Shore campus and home. Thirty minutes later, he is in his small, two-room suite, changing from his habitual clerical garb to a comfortable knit sportshirt.

He is ready to talk about each of his six hats. His favorite is ethics. Particularly business ethics.

This interest began in the waning days of World War II, when Father Baumhart was a naval lieutenant serving as a supply officer aboard a troop transport. "My role aboard ship was basically that of a businessman," he says. "I was responsible for purchasing food and naval stores and operating the commissaries and barber shops. It was a lot of responsibility for a 22-year-old."

Sandwiched around his military service, Father Baumhart earned a BS degree in business administration from Northwestern University; a BA, a licentiate in philosophy, cum laude, and a licentiate in theology from Loyola; and an MBA and a doctor of business administration from Harvard University. During this period, he also served as an instructor at a Cincinnati high school, a visiting lecturer at Boston College, an assistant professor at Loyola, and a research associate at the Cambridge Center for Social Studies. It was in 1946 that he began to pursue his interests in teaching and religion. He joined the Society of Jesus and finally was ordained as a priest in 1957.

"My naval experience led me to put a high value on ethical behavior in what was basically a business environment," Father Baumhart explains. "Later on, when I was selecting a subject for my doctoral dissertation at Harvard Business School, I said to myself, 'I have studied moral theology, I have studied ethics, and I have studied business. The place where they intersect is business ethics.'"

To strengthen his doctoral thesis, Father Baumhart undertook a survey of businessmen's attitudes toward business ethics. The study, "Ethics in Business," published in book form by Holt, Rinehart & Winston, is still regarded as a definitive work on the subject.

The study was undertaken, Father Baumhart explains, "because it

TOP LEFT: Conducting services in the Loyola chapel. LEFT: Presiding over the weekly meeting of the President's Coordinating Council, comprised of Loyola's top academic and administrative officers. ABOVE: Mingling with guests at a hotel reception marking the dedication of Loyola's law school building.

THE SIX HATS OF RAY BAUMHART, S.J.

ABOVE: *Speaking to Illinois Governor James Thompson and other guests at the dedication of Loyola's law school building.* TOP RIGHT: *Meeting with fellow board members of the Commercial Club of Chicago. From L., Father Baumhart; Stanton R. Cook, Chicago Tribune Co.; George A. Ranney, former vice chairman, Inland Steel Co.; Gordon H. Smith, Gardner, Carton & Douglas; Phillip N. Jones, MD, Rush-Presbyterian-St. Luke's Medical Center; James F. Bere, Borg-Warner Corp.; Justin A. Stanley, Mayer, Brown & Platt; E. Norman Staub, Northern Trust Co.; and (not shown) Roger E. Anderson, Continental Illinois Bank.* RIGHT: *Chatting with (from L.) Stanton Cook, Roger Anderson, and Phillip Jones.*

seemed to me that the behavior of the business people I knew was quite different from the image held by many Americans."

Among the key findings of the 1,800-respondent survey were these:

- Businessmen believe that good ethics is good business in the long run, especially in employee and customer relations.
- Competition is the factor of greatest influence on ethical behavior in business. Unethical practices result from both too little and too much competition in industry.
- Managers typically become more ethical as they grow older, partly because of financial security.
- It is easier to be ethical in jobs involving fiduciary relationships, such as accounting and engineering, than in those jobs involving competitive relationships, such as sales or purchasing.
- In many cases, a company is the "lengthened shadow of one man," the chief executive, whose values most subordinates eventually accept.
- Managers of multinational companies disagree about what constitutes ethical behavior abroad.
- Though most businessmen oppose increased governmental involvement in business, many acknowledge that governmental regulations have improved U.S. business practices.

Father Baumhart believes that business ethics have improved since his exhaustive study. However, he is "appalled by the lack of knowledge on this subject by otherwise well educated and successful managers."

"Many managers," Father Baumhart adds, "don't have either a vocabulary or working definitions for dealing with the ethical dimensions of their problems. Their problem-solving models include no mention of ethics. Some managers seem to regard ethics as the frosting on the cake; I suggest that it is more like the flour."

The Jesuit priest maintains that socially responsible corporate behavior goes far beyond charitable donations or sponsorship of civic activities.

"It means manufacturing safe products and having safe working conditions, with minimal or no polluting of the environment. I would say that a company must behave ethically before it deserves a profit."

Father Baumhart is equally quick to deplore excessive competition as a prime deterrent to corporate ethics. He believes that competition is badly overemphasized and that the blame for this can be widely shared.

"It is a major source of distress for me," he says, "that just about everybody involved in business enterprises is unwilling to undergo inconvenience, let alone sacrifice, for the common good."

Father Baumhart's indictment includes shareholders who clamor for ever-higher dividends, labor unions that automatically seek fatter contracts, managers who push through price increases at every opportunity, and retailers "who claim that the customer is king, but treat him like a bum. Given these pressures, it's not hard to understand why social responsibility gets short shrift."

As a director of Continental Illinois and Jewel Companies, Father Baumhart has been able to observe boardroom ethics at close range. He perceives his role on the board at times as that of an "ethical lightning rod," such as in the lettuce boycott and in loans to South Africa. He is mainly concerned with rights—most often those of the individual. "The questions I tend to ask are, 'What are we doing for the neighborhood? What are we doing for Chicago? But also, what are we doing for the people of El Salvador? South Africa? Chile?'"

When Jewel was closing its Turn Style division, Father Baumhart explains, his attention was focused on how the company could help dislocated employees find new jobs or be trained for other positions. "Jewel did a really beautiful job," he says. "They showed great sensitivity and acted in a completely ethical way."

Father Baumhart's directoral responsibilities embrace financial as well as ethical issues. As a Harvard DBA and the head of a university with an annual operating budget in excess of \$140 million, Father Baumhart is no stranger even to the most sophisticated forms of finance.

He estimates, for example, that while earning his various degrees he has completed ten accounting courses on the undergraduate and graduate level. This background, in part, led to his selection as chairman of Jewel's audit committee and a member of Continental Illinois's trust and investment services committee. He was invited to become a director, he says, because "Loyola, Jewel, and Continental Illinois are all Chicago institutions, and the two companies wanted to expand the range of backgrounds represented on their boards."

In fact, Father Baumhart contends that "corporate boards would better fulfill their purpose if a broader range of professionals than business-

THE SIX HATS OF RAY BAUMHART, S.J.

men, bankers, lawyers, and brokers was represented." There are people, he adds, "who are just as intelligent and objective, and who have had analogous business experience."

As a director of Jewel and Continental Illinois, Father Baumhart receives annual fees in excess of \$30,000 for his board and committee service. To honor the vow of poverty taken by all Jesuit priests, Father Baumhart donates this income to the Society of Jesus. But, he says, with a wry smile, "I have to pay state and federal income taxes on the fees."

Father Baumhart categorizes the executives he has met in business as "a very good group of human beings. They are well above average in their aspirations to be ethical. If disagreements occasionally occur, it is because men and women of goodwill have blind spots brought on by their culture, their heritage, and their upbringing."

He adds: "I think every business decision has both an ethical and a financial dimension. If people are quicker to see the financial aspects than the ethical aspects, it may very well be because, as students, they were exposed to 20 courses stressing the financial implications, but none dealing with the ethical. It's like exercising one arm but not the other. Things get out of balance."

Despite strongly held views on corporate ethics, Father Baumhart is quick to reject the notion that his is a uniquely religious point of view. "I think of myself simply as Ray Baumhart," he says. "My boardroom instincts are those of a person with a certain set of standards. Being a Jesuit, I have no wife, no children, no personal property. All I have is my integrity, my self-respect, and my values. I think those values are important enough to share with other people."

Any temptation toward a show of boardroom piety, Father Baumhart says, has long since been tempered by his first-hand exposure to the burdens of leadership. "As far back as the Navy," he states, "I experienced the pressures and temptations of trying to operate from an ethical point of view. I have great compassion for those on the firing line who must reach decisions which are ethical and socially responsible."

These words of compassion are tinged with steel, for Father Baumhart fears that "our country's moral standards are slipping, and that 'whistle-blowing' is what it may take if each of us is to meet our obligation to stop the slippage. Reporting the white-collar crooks is a way to start."

As an educator with a special interest in business, Father Baumhart can observe morality in college students at close range. What he notes is an alarming double standard. That is, he has seen college students bitterly criticize the excesses of business—bribes, price fixing, and influence peddling. But he also has seen college students steal examinations, plagiarize term papers, and sneak cribbing materials into exams.

"They don't see the connection that if you act unethically as a student, you are going to do the same thing as a business manager," he says. "And yet, the best young men and women today are the best ever. They are far more aware of the ethical implications of their actions."

The evening has grown late, and for Father Baumhart another busy, demanding day is just hours away. The coming day would tax the energies, the abilities, and the faith of any one man. But a chat with his brother Jesuits over a beer, evening devotions, and a night's sleep will rejuvenate Father Raymond Baumhart, who is not one man, but six. ▽

—David Dworsky

Relaxing in the study of his two-room residence at Loyola's Lake Shore campus.