IV
Servant Leadership in Business

Perhaps I reflect the influence of my own vocational choice when I say that, in the next few years, more will be learned in business than in any other field about how to bring servant leadership into being as a major social force. In my view, businesses not only do as well with their obligations now, under the conditions imposed on them, as other kinds of institutions do with theirs, but businesses are more questioning of their own adequacy, they are more open to innovation, and they are disposed to take greater risks to find a better way.

The three statements that comprise this chapter, one given to a general audience and two addressed to specific businesses—one large and one small—give a fair sample of what contemporary business people are willing to think about. What these three quite different pieces have in common, and they were written between 1958 and 1974, is a call to a new business ethic—a striving for excellence. Businesses are asked not only to produce better goods and services, but to become greater social assets as institutions.

It is important for the non-business reader to note that government attitudes, reflecting, no doubt, the prevailing popular view toward privately owned businesses, are different from those taken toward other types of institutions. By law, with criminal sanctions, profit-making businesses are required to compete as the principal means for compelling them to serve. This is a crude and cumbersome approach. By implication, public policy is saying that if profit is an aim, the institution will not serve unless it is compelled to. The practical consequence of this decision has been to impose, and surround with an aura of sanctity, the law of the jungle. Necessarily, I believe, business schools teach more about how to survive and prosper in the jungle than how, through excellence, to help build a better society. This is a questionable mission for a university.

It is not the purpose here to argue the merits of this approach, or to suggest that there is not a problem of some businesses not serving well. But, in my view, the problem of not serving well is no greater in business than with schools, churches, hospitals, philanthropies, and government itself.

In addressing businesses, therefore, with the intent of encouraging a greater voluntary striving for excellence as servant, I am mindful of the special conditions under which businesses operate, as distinguished from other institutions. A principle is suggested: When any action is regulated by law, the incentive for individual conscience to govern is diminished—unless the law coincides with almost universally held moral standards. We should have learned this out of our experience with alcoholic prohibition. The U.S. Constitution was amended, after World War I, in order to suppress the acknowledged (by the majority) evil of alcohol. In 1933 the amendment was repealed, not because of a change in view about the evil, but because so many disregarded the law that the nation would be destroyed in trying to enforce it. We are repeating this error now with marijuana (although we have recently begun a retreat from it), and the logic which says that marijuana is evil seems less persuasive than with alcohol.

I cite the examples of prohibition on alcohol and marijuana because they suggest that, before we pass a law, we should weigh the possible consequences of diminishing voluntary ethical striving toward the same end, unless, as I have said, the ethical norm is already almost universally accepted. Before the prohibition on alcohol was enacted into law, substantial progress was being made (in the United States) toward containing the evil of alcohol with a voluntary ethic. We seem to have lost much of that ethic by the passage of the law. We cannot have it both ways.

In making this point I am not arguing for anarchy, for no law. My point is that we in the United States are more naive than most about what can be done with law, especially with the laby-
rinth of law with which business is surrounded. It comes out better if one persuades rather than compels.

Let me suggest to the reader that the assumptions be examined—both about the making of profit and about undertaking to compel service by law. Is all that we want from profit-making business the lowest price we can exact? In my own efforts to help business to become more serving I feel that I am contending with a popular view that price is all. Personally, I would prefer to pay a considerably higher price if, thereby, the institution could become substantially more serving to all who are touched by its actions.

Having said all of this, I recognize the problem of so much of business not serving well. But the core of the problem, as I see it, is not in business institutions; rather it is in the attitudes, concepts, and expectations regarding business held by the rest of society. People in churches, universities, government, and social agencies do not love business institutions. As a consequence, many inside business do not love them either. Businesses, despite their crassness, occasional corruption, and unloveliness, must be loved if they are to serve us better. They are much too large a presence in the lives of all of us to have them in our midst and not serve us better.

But how, one may ask, can one love this abstraction called the corporation? One doesn't! One loves only the people who are gathered to render the service for which the corporation is enfranchised. The people are the institution!

ETHICS AND MANIPULATION


Part of the problem of dealing with our subject, "Ethics and Manipulation," is that the words manipulation and management have a common root in manus, hand, and both words imply shaping other people's destinies. Whereas manipulation of people has long been taken as bad because it implies moving them without their knowing fully what is going on, until recently management has been accepted as legitimate. Now, as I read the signs, we are in a period of radical transition regarding power, authority, and decision everywhere, and a cloud has settled over all leadership and management in any form. All institutions are affected by these trends, and institutional leadership is now quite different from what it was a few years ago. I expect these trends to continue.

There has emerged from this ferment the expectation, held by many, that a manipulation-free society is a possibility—a "leaderless" society that is governed by a continuing consensus with full participation and with every motive behind every action fully exposed. I respect the motives of those who advocate this ideal state and admit to occasional utopian dreams of life in an influence-free society. But, realistically, I do not see such a society in prospect, and I will deal here with the institution of American business as I know it in my own experience—a state of affairs in which strong, able people must lead, and therefore manipulate, if the goods and services expected are to emerge. Some of us would do better with less goods, though we need more services—health care, for instance. But whatever the level of goods and services, institutions will be required to deliver them. These institutions, if they are to rise above mediocrity, will have their ablest people as leaders, and those leaders will manipulate.

The issue then, as I see it, is not whether all manipulation can be banished as evil, but rather: Can some manipulation be made legitimate? By what standards, and how? What ethic should govern for these times? Before I conclude, I will speculate on what one new business ethic might be.

I cannot visualize a world without leaders, without those who better see the path ahead taking the risks to lead and show the way. What reason is there for accepting the constraints of a society except that therein the more able serve the less able? One way that some people serve is to lead. And anyone who does this
manipulates others because one literally helps shape their destinies without fully revealing either one's motives or the direction in which one is leading them. Leaders may be completely honest about their conscious intent. But the essential artistry in their leadership, that which makes them more dependable and trustworthy than most, is their intuitive insight which cannot be fully explained. We have it from the great French jurist, Saleilles, that a judge makes decisions intuitively, and then devises the fine legal reasoning to justify them—after the fact. So it is with the scientist on the growing edge of discovery. And so it is with the leader—whether one be a business person, administrator, politician, clergyman, or teacher. I cannot conceive of a duller, less creative world than one in which everything can be fully and rationally explained.

My search, therefore, day by day, is for a path through the maze along which people are accepted as they are and which leads to a world that is more benign. As I look out through my particular window on the world I realize that I do not see all. Rather I see only what the filter of my biases and attitudes of the moment permits me to see. Therefore if, in the course of this discussion, I make a declaration without appending "it seems to me," please assume such a qualification on everything I say.

Traveling this path, I see the field of American business as almost without professional standards. It is not much supported by sentiment, there is no aura of professional sanctity to mask its shortcomings, and, because it is one of the least restrained—by a professional ethic—of all fields of practice, at the low end of the scale there is much that is corrupt and very bad, while at the high end there is much at a level of excellence that is truly distinguished. The spread between the two extremes is wide.

Performance in any field or calling should be judged in reference to the obligations assumed for society, which differ from field to field. I know something of what goes on in the fields of education, government, religion, philanthropy, and health services. In my judgment, businessmen do as well by their obligations as do the others. None does very well.

The world of practice in all fields, as I see it through my particular window, is, on the average, mediocre. No field does very well when judged by what is reasonable and possible with available resources. This is what makes the subject of manipulation, or almost any other dimension of modern Western society, so interesting. How can we do better? We have the resources to do so much better, far better than the mediocre level that now prevails because so much leadership is poor.

The problem of doing better in the modern world, as I see it, is: How can people perform better in, and be better served by, institutions—especially large ones?

In my country at least, where business practice is shaped more by the influence of large institutions, and where there is a wide range of choice as to what a business may be like, as a subculture, there is much to be found that is relevant to our theme, "The Manipulation of Men," by exploring briefly how our big businesses came to be what they are—and how they may be different in the future.

Let me use the three largest American businesses in their fields as examples. Each of them is what it is today because each, at a critical period in its history, was headed by a building genius (not the founding owner) who gave the institution the stamp of his personal values. Each of these building geniuses was an adequate leader and manager for his day, but each brought unusual conceptual powers—in defining the institution and establishing his values as its values.

In General Motors, our largest manufacturing concern, the genius was Alfred Sloan whose unique gift was remarkable organizational insight and the growing of managers; in Sears Roebuck, our largest merchandising company, the genius was Julius Rosenwald who brought unusual humanness and trust; in American Telephone and Telegraph Company, our largest public utility (and my old company), the genius was Theodore N. Vail who gave it dedication to service supported by relentless technical innovation. Although Vail has been gone fifty years (he was the earliest of the three), A.T.&T. is still his business—his personal
values still dominate it. There has been an erosion, of course, but fifty years is a long time for one man’s recognizable influence to last in something as transient as a business or in an institution as large as this one. It is the same with Sloan and Rosenwald who came later. General Motors and Sears are still “their” companies. These three companies rose above the level of mediocrity because three great leader-builders brought them there.

I do not cite these companies as paragons or models for the future. They have the same faults and frailties common to all human institutions at this stage of their development. But each of these, at a critical period in its growth, made a lunge forward and contributed something to the art of institution building. Whether it can be done again depends on the quality of the people who emerge, inside, to serve and lead.

The test of leadership has not changed: What does the scorekeeper (or the several scorekeepers) say? The scorekeeper’s rules have changed a bit, and they will change even more. There are more “publics” demanding satisfaction, and the intensity of their scrutiny has increased. Business institutions have grown larger and much more complex and the pace of innovation is sometimes breathtaking. Dealing with these conditions, large business leadership has become a sophisticated calling, and the leaders are much more concerned with building strength and bringing sharpness of focus to many people and building a dependable staff rather than with deciding everything themselves. Contemporary business leaders are just as much determined institution builders as their predecessors, but they work differently and their role is more difficult to understand—from the outside.

The role of top leadership in large American business is shifting away from that of the dominant decision-maker to that of manager of the information system. Leadership depends more on the pull of the overarching goals plus building the competence and sustaining the autonomy of many decision-makers. This, in turn, is supported by wide access to reliable and comprehensive information. The sanctions pressing on individuals for good performance are, first, their own pride and conscience framed within adequate information that guides them and tells them how they are doing; second, the social pressure of peers whose own performance is interlinked with theirs and who have access to the common pool of information so that they know how their colleagues are doing; and, finally, the last-resort authority of the superior officer, which, in a good institution, is rarely used. The value of coercive power is inverse to its use.

This is a hopeful and encouraging trend. It is made possible by a wide scope of freedom for quite autonomous institutions under the shelter of political democracy. But, in my country, the model for it has not been set by the government, nor is it the product of democratization within the firm. Rather it is the result of the growth of knowledge, relentless market pressures, and the emergence of some unusual business builders. Political democracy is a necessary condition, but it does not guarantee anything. The only assurance of a good result is the encouragement of the culture for incremental thrusts by large numbers of strong, free, able people as they serve and lead. Individual people doing the right things give a society its moral stature. This does not make a perfect society, but this is how such goodness as it has is built.

Earlier I said that I believed that the decisive creative response to the challenge of the contemporary ferment, the response that is more likely to turn things around than any other I know about, will come from the business firm. I see the tentative first steps already being made.

How then will businesses respond to the new conditions? How can they perform their expected functions in a way that the charge of manipulation recedes as a serious issue?

I have confidence that, after a bit of confusion, a new business ethic will emerge. And the best I can do at this point is to speculate on what that ethic might be. I will confine my speculation to only one facet of the total problem of business ethics—those who work within business. There are many parts of the total business ethic that need attention, but the one I will deal with seems the more basic.

What might the new ethic be? (Not a new idea but new as a firmly held business ethic.)

Looking at the two major elements, the work and the per-
son, the new ethic, simply but quite completely stated, will be: the work exists for the person as much as the person exists for the work. Put another way, the business exists as much to provide meaningful work to the person as it exists to provide a product or service to the customer.

The business then becomes a serving institution—serving those who produce and those who use. At first, the new ethic may put these two on a par. But as the economy becomes even more productive and people get more sensible and settle for fewer "things," in the new ethic service to those who produce may rise in priority above service to those who use, and the significance of work will be more the joy of the doing rather than the goods and services produced. There must, of course, be goods and services at some level, but in an era of abundance they need not be the top priority. This view of it not only will make a better society, but, in the future, this may be the only way the consumer can be well served—by accepting that serving is more important than being served, and that the mere possession of money does not give one an unqualified right to command the service of another. (We are partly there already.) Furthermore, users will be better served if they find a way to communicate this belief to those who serve. A new consumer ethic will need to evolve alongside the new business ethic. I am close enough to this restless generation of young people in my country to believe that the more able and discerning among them will not settle for less than this as the prevailing ethic for the future. And they will enforce their view simply by too many of the abler ones refusing to work on any other terms.

I have said that the idea is not new but that its adoption as a firmly held business ethic will be new in our time. In fact, as an idea, it is very old—at least twenty-five hundred years. Its first formulation, to my knowledge, is in the Buddhist ethic, as one step in the noble eightfold path—right vocation, or right livelihood—as given in the famous sermon at Benares.

Speaking to those in business who presume to manage, it is important that this principle be embraced as an ethic and not simply as a "device" to achieve harmony or increase productivity or reduce turnover. Some popular procedures, such as participation or work enlargement or profit sharing, may be manipulative devices if they do not flow naturally out of a comprehensive ethic. "Participative democracy" in industry as it is now advocated in Europe may, in practice, be another such device, especially in a large industry. I do not think it will flourish in my country. Our unions are too astute to permit it, and involvement with it will divert attention from more basic matters.

Manipulative devices, and manipulation as a concept, are attacked because they are visible targets. However, just removing the evidences of manipulation (assuming it can be done) will not produce meaning and significance in individual lives. In an overcrowded industrial society this can only be done by the institutions we now have, where most people spend their working lives, adopting an ethic in which meaning and significance are the goal—at least on a parity with other goals. And to bring it to parity, it must, for a while at least, be the primary goal. This means that business institutions must adopt this goal, and its accomplishment rests on the ability of builders, leaders, to move these institutions (while keeping them intact and functioning), from where they are, with the heavy emphasis on production, to where they need to be, with the heavy emphasis on growing people. And they will do this while meeting all of the other performance criteria that society imposes for institutional survival.

When George Fox gave the seventeenth-century English Quaker businessmen a new business ethic (truthfulness, dependability, fixed prices—no haggling), he did it because his view of right conduct demanded it, not because it would be more profitable. It did, in fact, become more profitable because those early Quaker businessmen quickly emerged out of the seamy morass of that day as people who could be trusted. But the new ethic was a radical demand on those people and they must have had apprehensions about it when it was urged upon them.

The ethic suggested here is a radical one too, and businessmen will probably be apprehensive about it. Those who are moved to act on it are not likely to move so much in response to
the moral imperative simply because the moral leader with sufficient stature to persuade them (as George Fox did with his followers) doesn’t seem to be around. The new ethic will come, if it comes, as an acknowledgment (or in anticipation) of the relentless pressure of the revolution in values.

Very soon, across the whole gamut of our institutions, we may know how many determined builders there are who can move creatively with these times in which powerful new forces for integrity are operating. I wager that in American business we have a few leaders who will rise to the challenge. But they will not choose to announce, with great fanfare, a new ethic to deal with the new conditions. If they are wise they will not announce anything. There is an ancient moral injunction which tells us to “practice what we preach.” A few businessmen have learned the hard way to follow the modern version of that advice which says: “Don’t practice what you preach; just practice!” Consequently the wise businessmen will simply start the slow process of converting the large numbers of people within the institution who must share this view if it is to be viable. It will be noticed only in practice, and that gradually.

It will take some courage for a large business to make this ethical shift, but only one of them need make the shift initially. When Henry Ford set up his assembly line to manufacture automobiles, ultimately everybody in that kind of business had to convert. So it may be with the new business ethic.

The process has already started in some businesses with the effort to accommodate the very able young people who have a clear individualistic style that they are determined to preserve and who need the excitement of a dynamic purpose. Such very able individuals are quickly given a track of their own to run on so that they can have the satisfaction of personal achievement. This is easier to do in a small business, but larger firms are learning to decentralize in a way that creates a variety of environments in which different styles of able people will flourish and be themselves. The corporate leader and his staff provide a context for all of this so that individuals can have a clear focus of purpose, so that they can be supported when they need it and feel a part of a larger purpose without losing their individuality, and so that all the parts can contribute to the total strength of the enterprise. (If some people want to make their career with a large business and keep their individuality, then they should choose a strong business.) This is the first step—to accommodate the wide differences and needs of the very able. A few strong businesses are well along with this step. The test? They have many able young people but it is difficult to “raid” them and lure them away.

The second step, and the more difficult, is to exert a strong pull for growth on all in the enterprise who have unrealized potential and who want to grow. More people will want to grow when the climate is encouraging. Most large businesses have the staff resources to redesign the work so as to capitalize on individual strengths. Sometimes it means talking on a product or service that is not particularly profitable just because someone needs it. The specific imperative that brings this about will probably be the pressure from the able young people within the firm who are recruited under arrangements mentioned in the preceding paragraph.

Motivation then becomes what people generate for themselves when they experience growth. Whereas the usual assumption about the firm is that it is in business to make a profit and serve its customers and that it does things for and to employees to get them to be productive, the new ethic requires that growth of those who do the work is the primary aim, and the workers then see to it that the customer is served and that the ink on the bottom line is black. It is their game. The art, of course, is how to do this in a firm that employs many thousands.

It won’t be easy. But neither will it be any harder than other difficult things that large businesses have to do. And this one, ultimately, they will accept that they have to do. With that acceptance will come the belief that it is right, which makes it an ethic.
If done well, the change will come slowly, and those who demand instant perfection will probably say that nothing at all is happening. To stay alive and meet all of the other criteria that must be met, a business will probably continue to operate the old way while moving toward the new. There will be inevitable confusion. But this is what makes business leadership interesting.

In my country we are well on the way to accepting that the world owes every person a living. The next step may be to acknowledge that every person is entitled to work that is meaningful in individual terms, and that it is the obligation of employers, in toto, to provide it. Whereas “a living” can be dispensed via money through a relief agency, “meaningful work” is likely to be delivered only within an employing institution that is living by a new ethic. And the practice of this ethic is a positive move toward a holistic society.

Except for a few esoteric scholars, the case for the university as a place set apart from the world of work rests on tenuous grounds. Perhaps, experimentally at least, we should move toward a new institution that embraces both work and learning—learning in a deep and formal sense and all of the school influence most people need. This requires a new type of leader, one who can conceptualize such an institution, generate enthusiasm so that many good and able people want to be a part of it, and provide the strong focus of purpose that builds dynamic strength in many. Great things happen when able leaders create these conditions. There are some able leaders in American business who can rise to the challenge to create these conditions. All that is needed is enough incentive to make them want to do it. Our young people are busy building that incentive.

To those who do not know intimately the inner workings of large American businesses it may be difficult to appreciate what a profound effect on the business culture a new ethic like this will have. When the business manager who is fully committed to this ethic is asked, “What are you in business for?” the answer may be: “I am in the business of growing people—people who are stronger, healthier, more autonomous, more self-reliant, more competent. Incidentally, we also make and sell at a profit things that people want to buy so we can pay for all this. We play that game hard and well and we are successful by the usual standards, but that is really incidental. I recall a time when there was a complaint about manipulation. We don’t hear it anymore. We manage the business about the same way we always did. We simply changed our aim. Strong, healthy, autonomous, self-reliant, and competent people don’t mind being manipulated. In fact they take it as a game and do a little of it themselves. Consequently, as an institution, we are terribly strong. In fact, we are distinguished. How do I know we are distinguished? Because the best young people want to work for us. We select the best of the best and, once inside, they never want to leave. Any business that can do that is a winner.”

Utopian?

No, I don’t think so. Most of our large American businesses have the capability and the resources to embrace a new ethic like this and act resolutely on its implications. And I believe that among them there are several that have sufficient foresight and creative drive that they will prefer to run ahead of the changing ethic rather than be run over by it. Such is the way that new ethics are made.

In the long perspective of history, this period of the 1970’s may be seen as one in which, in the course of coming to grips with the moral issues of power, authority, and manipulation, a new view of how people are best served by institutions may emerge. Institutions are not necessarily more benign when they protest their idealistic motives, nor are they necessarily less benign when they admit to crass commercialism. One should not be surprised that a Ralph Waldo Emerson who could see “the good of evil born” would observe, when he was weighing his words carefully, that “the greatest meliorator of the world is selfish, huckstering trade.”

I predict that, under the pressures of the times, the typical
American business, because it is more flexible, more adaptive, more human, more openly responsive to market forces, and because, in business, integrity of service (or lack of it) is more vividly and concretely demonstrated than in other types of institutions, will more quickly resolve the issues of manipulation—in all of their manifestations. And it will accomplish this not by banishing manipulation but by sublimating it, and, out of the alchemy, it may contribute something significantly new to the evolving knowledge of how people can better live and work together in societies.

If this proves in practice to be generally recognized, then there may be a radical realignment of expectations from institutions, and what society has traditionally expected from businesses, churches, schools, governments, and philanthropic foundations may be considerably scrambled. If this happens, I wager that, out of this scrambling, the business type of institution will emerge with a considerably larger role than heretofore. Witness the agitation in my country to take the Post Office out of the Civil Service and into a public corporation, and the vigorous entry of a few of our aggressive private business firms into the "learning" field. This is happening not because of any inherent virtue in business, but simply because, the way institutions have evolved, businesses are more adaptive and more responsive to opportunity.

Despite the ideological tensions in the world today, when any society really wants to accomplish something, it tends to draw on whatever works best. The builders find the useful pieces wherever they are, and they invent new ones when needed, all without regard to ideological coloration. "How do you get the right things done?" comes to be the watchword of the day—every day.

I admit a bias. If I were young again, I would again cast my lot with a large American business. I would do it because my country is a business-dominated society (not in a formal power sense but simply by the sheer mass of the business presence) and any social advance will move, in part, from forces generated inside business. From my own experience there is enough integrity in the typical business that I would be more useful and my personal growth would be better nourished by working inside rather than by trying to influence it from the outside. I would choose to join a large business firm because there would be more satisfaction in being where the action is (the action, not just the excitement)—at the point where some of the critical issues of society must be resolved if the work of the world is to be done. And I would do it because I believe that if I accept the challenge to cope with the inevitable manipulation within an institution that is responding sensibly and creatively to issues and situations that require new ethics, I will emerge at the end of my career with a better personal value system than I would have if I had chosen a work where I was more on my own and, therefore, freer from being manipulated.

This is the ultimate test: What values govern one's life—at the end of it?

Manipulation, as I see it, is one of the imperfections of an imperfect world. It is a social problem, but it is not first priority, and the reformer's zeal will blunt its point by attacking it as primary. Mediocrity (including self-serving) in positions of influence is primary, and it cannot be dealt with by eliminating influence, as in the "leaderless society." Mediocrity will still be there.

Reducing mediocrity is a slow, difficult, person-by-person process in which the less able learn to identify and trust the more able who will diligently and honestly serve them. It is also a process in which able, honest, serving people prepare themselves to lead and accept the opportunity to lead when offered.

Reducing mediocrity in positions of influence by replacing the less qualified with more able, honest serving people is a manageable task with our available resources. It can be done. And I am confident that it will be done on a substantial scale when the people and institutions that have the good of society at heart bring a clearer focus to their efforts and concentrate on the one thing that will turn us about the quickest: excellence in place of mediocrity.
MEMO ON GROWING FROM SMALL TO LARGE

(The following memorandum was written for the chief executive and principal owner of a small company that has achieved the reputation for unusual quality of product and service. It has grown rapidly to its present size and has the potential for becoming a distinguished large institution if it can maintain its present quality as it continues to grow. That could be done, it seemed to me, if the head of it, to whom this memo was addressed, could (1) change his role from sole manager of a small enterprise to leader of a collective of many able people who would administer a large enterprise, and (2) see to it that each work group in the company becomes a positive social force.)

The line that separates a large business from a small one might be drawn at that point where the business can no longer function well under the direct oversight of one individual. If the business has been built largely on one person's drive, imagination, taste, and judgment, as yours seems to have been, it may be difficult to recognize when that point has been reached. The signals that would tell you may not be unmistakably clear. The most immediate risk in your present way of operating may be that you could not be replaced, if there should be a need of that. Another risk is that the day-to-day demands on your leadership may become more taxing at a time when you may wish that they become less so. But the greatest risk may be that the company cannot grow and keep its present quality. I assume that you would like to minimize all of these risks.

I would guess, from our conversation, that your business is on the verge of becoming large in the sense that these risks loom as real possibilities, and it may be timely to consider an alternative that would permit the company to continue to grow while reducing these risks. The alternative I suggest is that you begin to shift your personal effort toward building an institution in which you become more the manager of a process that gets the job done and less the administrator of day-to-day operations. This might be the first step toward the ultimate optimal long-term performance as a large business that is managed by a board of directors who act as trustees and is administered by a team of equals who are led by a primus inter pares. The result would be an institution that would have the best chance of attracting and holding in its service the large number of able people who will be required to give it strength, quality, and continuity. This would require a shift in goals for you, a move from a preoccupation with building and operating the business day to day, to one of building an institution that has an autonomy of its own, that will do as well on a large scale what you have been able to do so well on a smaller scale, and that will have a life span, as a large and exceptional business, that is far beyond what it is likely to have if you continue in your present role.

I do not underestimate the difficulty of doing this. As I told you, I have watched another who has built a unique business as you have, and who accepted, intellectually, the need to transform it into an institution, but who faltered when faced with the practical steps this required. It is not realistic to expect people like you to hand over the control of a business you have built to others who are not as experienced, perhaps not basically as able, as yourself. Yet, if you stay as you are, that is precisely what you will be forced to do—sometime.

If you accept the goal named above as desirable, what then do you do? It seems to me that you take one initial step now, within your present way of operating, that will be the first of a series of steps that move you gradually toward the role of institution builder. Each step should give you a base for a prudent next step so that you can move steadily toward a new role without ever contemplating a move that presents an unwarranted risk to what you have already built.

A possible first step, as I see it, emerged in our conversation. You have a problem which you put to me as a consultant who...
The right person assigned to this, after a little work, can tell you whether you are asking the right question.

- When you get the question settled, then you may want to provide some consulting help to the person you assign to get the answer. There may be many useful inputs from consulting sources, but probably none that will provide the complete answer—one that is best for your company at this time. Your own staff person will have to work that out.

- Probably the main reason you should assign this problem to one of your best people rather than seek an answer from a consultant is that, in an area like this, getting the right answer into practice in your company is likely to be much more difficult than finding the right answer in the first place. It is possible, on some legal, technical, or financial questions, to get dependable expert advice that may be readily put to use. But anything that cuts deep into the culture, like a new procedure for the future staffing of your executive group, is much more difficult to install than it is to discover. The outside consultant, even if lucky enough to recommend the right answer, would not be able to get it installed.

- The safest way I know for changing the character of any institution is through building a staff of very able people who will get their greatest creative fulfillment in finding and installing good solutions to critical problems. They may be happier doing that than they would be if they were administering part of the business, and they may be more valuable to the business in these roles. Such a group of effective staff people would probably become the core of the administration of the business—its most valuable asset. You can always find capable operating administrators for a business, provided that you have a strong staff that can find and install good solutions for its problems. Furthermore, the building and directing of such a staff may be one of the best preparations for a person to move from the one-person management of a small business to board chairman of a large business.

- By taking such issues one at a time you can gradually shift your role from that of the finder and installer of answers to that of the administrator of the process by which this takes place.

presumably has ideas on such things. You want to know what you should do to keep at least eighty percent of the able, high potential young people you have hired recently. I responded that I did not think any consultant could give you an answer to that question. The search for an answer is something you should assign to one of your best people as a staff problem.

As I have reflected on our discussion of this idea, I concluded that this may be as good an issue as any on which to make your first move toward building an institution. As long as you see your role in terms of the person who wants a consultant to give you an answer to a question like that, you are standing in your old role of the one-person builder and operator of the business, whereas, if you move on this as a problem for one of your best people to solve as an explicit, and perhaps as an exclusive staff assignment, then you have taken a big step toward building an institution out of a successful small business. Instead of being the seeker of solutions, directly from a consultant to you (which is all that the manager of a small business can do), you will be moving toward being the manager of the process by which the best solution can be found. And by continuing to take such steps you will be shifting your role from one-person manager of a small business to builder of a large institution in which (as I think is evolving) directors (under a strong chairman) manage and the operating executives administer. Let me supply some reasoning that may help to qualify this suggestion as a sound first step:

Such an assignment to one of your most able people will enable you to get the right question in focus. Maybe you should not keep eighty percent of the people you have hired recently who are presumed to have high potential. Maybe you should lose eighty percent of them. I am not suggesting that this is the case, but I have a suspicion that the necessary staff work has not been done to establish that these are the people you should have hired. And there are too many of them for you to know them well enough personally to make that judgment. So you need to get the question framed in a way that I suspect has not yet been done.
When you have accomplished this, you can then be replaced by a competent professional administrator and move into the board chairman position, keeping (as you say you want to keep) the research function under your wing. I suspect, though, that if you take this route you may find institution building (including vitalizing the trustee function) to be such an interesting creative challenge that you may choose to leave research, as you now conceive it, as a part of the operating administration of the business.

In Chapters II and III, "The Institution as Servant" and "Trustees as Servants," I have summarized my best thinking about the structure of both the operating administration and the board of trustees of large institutions. But I know of no single model where all that I have suggested above is to be seen in operation. If there were such, there would be no need for me to write this memo; it would be available in manual form. But everything noted here has its roots somewhere in my experience and I urge it with confidence that if all of it is put into practice, it will make a superior model.

However, what I have suggested above deals only with the top structure of the business. If you want to make your present distinguished small business into a distinguished large one, you will need also to attend to the bottom structure of the business, the work group, and make of it something that is as congenial to the times in which it will be judged as I believe the top structure I have recommended will prove to be. And on this, the nature of the optimal work group of the future, I can only speculate.

I am reasonably familiar with current experiments with work and the work group in this country and in Europe, and I do not believe that an adequate philosophy of work has yet been stated, one that you can accept as a guide for the design of the optimal work group for the years ahead. Therefore I suggest that all those in a spot like yours, people who are actively building the model for the viable future business, will need to state the philosophy, based upon their own experience in following their own reliable intuitive judgment. The intuition of the institution build-
er will originate the experiment; the philosophy will emerge as the experiment is studied. What follows, then, is not a recommendation. Rather it is food to nourish your own intuitive process as you plot your course into virgin territory—with confidence.

Twenty-five years ago the late Professor Fritz Roethlisberger of Harvard Business School wrote a provocative article entitled "The Foreman, Master and Victim of Double Talk." This article describes the impossible situation of the typical foreman: impossible as a vocation for a person and impossible for the company because of the unrealistic expectations of what the person in that role should do. The foreman is the one at the end of the chain of command, the one who has to get the work done—somehow—according to someone else's design. The foreman must deal with the union steward who is sometimes a member of the work group and is viewed as a hostile adversary. The foreman is often responsible for only part of an integrated process, and must deal, first hand, with the growing disenchantment with the demands of work. Professor Roethlisberger's article evoked wide comment in industrial circles but not much was done about the problem that was identified at that time. Now, I believe, if one is to build the distinguished business of the future, especially a large business, one will need to do something about work and the work group and the leadership of that group. Let me suggest something.

First there will be, and should be, a labor union. Several large American industries still manage to operate without a union and they tend to consider it as a notable achievement. Others who have unions sometimes dream of the ideal situation in which they do not have one. In sharp contrast with this attitude, the builder of the distinguished business of the future will accept the union as indispensable to the optimal work group, and, as the leader of a big company, will learn to deal with a big union so as to make of the work group a constructive force for the individual worker, for the company, and for society at large.

In saying this I am not approving of unions as they now
stand, any more than I approve of corporations as they now stand. Both have much to do to become the servants of society that their roles make possible, and that influential critics will demand with greater insistence. I simply say that if you want to lead your present distinguished small business to become a distinguished large one, then you should do this in a way that helps a union to evolve as a responsible part of the enterprise.

I believe that you need to assume that work, all work, exists as much for the enrichment of the life of the worker as it does for the service of the one who pays for it. This does not mean that work will not be hard, demanding, and sometimes frustrating. It is just that the workers' life goals (quite apart from the money they earn) will be served by doing the work, and that is at least half the reason the work is there to be done. The implications of this assumption, if you choose to make it, are enormous and I will not try to trace all of them.

Movement guided by this assumption will begin, I believe, by taking the foreman out of management and arranging the work so that, as far as possible, it will be done by cohesive work groups or teams that are small enough that the group members become a community. The design of the work groups might be done jointly between the administration of the company and the union, with the exception that neither the work leader (who replaces the foreman) nor the union steward will be regarded as an agent of the parent group in contentions that may arise between the union and the company. This is essential if they are not to be regarded as adversaries within the work group. If there is contention between the union and the company (as there is likely to be at times), neither the work leader nor the union steward will be involved.

The essential concept is that the task belongs to the group. Both the work leader and the union steward are designated as persons who are acceptable to the group and who further its growth as a human community. If the product (goods or services) or the arrangements that affect people are not satisfactory, the problem becomes a matter for joint concern of the administration and the union. The administration assumes the primary concern to see that those who pay for the product or service are well served. The union assumes the primary obligation to see that those who do the work are adequately rewarded, psychically and materially. But each has a minor share of the other's primary obligation. If these two parties cannot resolve an issue, then it may be given to an arbitrator to decide, as is sometimes done now, or the ultimate sanction of a strike or a lockout may be resorted to. But whatever happens, the work group remains a cohesive community which includes the work leader and the union steward as full participating members, and all are insulated from the larger controversy.

This kind of thinking conceives of administration as the agent of the owners—whether they be shareholders, government, or trustees—and of beneficiaries of the effort: clients, patrons, or customers. The union is then seen as guardian of the workers' personal stake in the enterprise, psychic and material, and their channel into the political process. Both are made legitimate by the integrity of the work group. Work groups are the foundation stones of the whole structure of institutions.

The above thoughts on work groups, as I stated earlier, are not given as a plan of action. Rather they are offered to suggest that you set aside conventional wisdom and begin to think of a wholly new design for a business. If you can build a new structure of administrative leadership, as outlined earlier in this memo, and if you can arrange the work so that strong communities evolve to do it, you may find that you do not need much of the elaborate intermediate structure that has become so burdensome (and sometimes obstructive) in large institutions.

In summary, I am suggesting that a person like you who has been so successful in building a distinguished small business might, at your age, find an even more exciting challenge in transforming this one-person business into an institution that has autonomy and creative drive as a collective of many able people, and
that has the capacity for expansion into a large business without losing, and perhaps even enhancing, the claim to distinction it has achieved as a small one.

**BUSINESS DIRECTORS**

**INITIATE SOCIAL POLICY**

For years I made the strongest pleas I could for our major institutions to become affirmative (as opposed to passive or reactive) servants of society. Surely there was a trustee of a university, business, or church who was ready to move in this direction.

In 1974 the first unequivocal response came to me, saying: "We would like to know how to be that kind of institution."

This response did not come from where the casual observer might guess—a church, a university, a hospital, a social agency. It came from where I expected it: from a business, a large multinational business. I expected this not because I impute any special virtue to business as such, but because, as I know institutions, businesses are least lulled to complacency by idealistic pretensions and the support of sentiment, and they have fewer professional hang-ups than the others. When the heads of ecclesiastical institutions are confronted with evidence of a deficiency they cannot deny, they sometimes seem to put on sackcloth and ashes and go in for self-flagellation, but they do not do anything about it. Businesses, when similarly confronted, sometimes stoutly assert their innocence and proclaim their virtue, but then they quietly take some remedial action.

The directors of this company had read my pamphlet version of the earlier chapter on "The Institution as Servant" and decided that they wanted to explore how they could move toward being a more socially responsible company. The chairman got in touch with me and arranged for me to have separate conversations with each of the directors. At the conclusion of these conversations, I wrote the following proposal for the directors. With minor changes, it was given to the operating administrators of the company.

**Note to Directors**

The attached memorandum is suggested as a first communication from the directors concerning the establishment of a new social policy for the company, with accountability, in detail, to the directors.

As a first such policy statement, it contains a minimum of prescriptive direction. Most of it deals with the start of a new information flow to the directors concerning the social performance of the company. This will provide the directors with the data to guide later and more explicit statements of social policy.

The customary outline of items for a social audit are omitted at this time. This can better be constructed for the several divisions of the company after the directors have had the opportunity to study the opinions and attitudes of the major constituencies who normally judge the behavior of the company. The directors will then have a sound basis for establishing reasonable social performance standards for the company.

The aim is that within one year sufficient data will be assembled and analyzed so that agreement can be reached among directors on what social performance it is reasonable to expect from the company in the foreseeable future.

**Social Policy for the Company**

As a general policy, the company is to be economically successful (both long term and short term) and it is to be regarded as socially responsible by all interested parties: employees (including administrators), vendors, owners, customers, suppliers, church, university, and appropriate agencies of government. Social performance is to be separately judged in each country where the company operates.
The criteria for economic success are well established and the economic performance of the company as a whole is currently good. This is to be maintained.

The criteria for judging social performance, heretofore, have not been made explicit. This first policy statement is a step toward making these criteria more explicit in the company and its subsidiaries, together with procedures for assessing performance.

1. The company will be concerned to develop a leading role in social matters, and hence will take care not only to follow the spirit of existing legal requirements, but even to keep ahead of them, by elaborating and applying original measures ahead of legal requirements.

In this respect, each major division of the company will present to the directors, for the first time in July 1975, an annual report for the past twelve months giving: (1) a description of all new laws or regulations governing social performance that became effective in that period; and (2) the position of the company as far as these new laws or regulations are concerned, indicating also the new measures taken voluntarily in this field by the company.

2. The central office of the company will devise a general system for assessing the attitudes toward, and opinions about, the social performance of the company by all eight of the constituencies named above. These will be adapted as appropriate in each of the countries where the company has a substantial operation, but the central office of the company will maintain a sufficient knowledge of variations so that a company-wide assessment can be made. After a review of these findings by the top administrators of the company, they will be reported to the directors not later than July 1, 1975. The directors, with the aid of professional consultants responsible to them, will analyze these reports and will determine whether the data from these surveys give a sufficient basis for the design of a procedure for a social audit. Further detailed policy determinations will emerge from these deliberations.

3. Coincident with the above, each major division of the company will establish a task force study team of five workers and five administrators who will be relieved of their regular duties for three months to conduct a study of opportunities for greater participation of workers in decisions that affect them. The purpose of these studies will be to provide the data that will give the basis for prudent arrangements for effective worker participation that will be appropriate for each location. After reviewing their findings with the top administrators of the company, all study teams will report in person to the directors not later than January 1, 1976. The directors, with the aid of professional consultants responsible to them, will analyze these reports and will formulate explicit policies, appropriate to each subsidiary company, for worker participation.

4. A study team of ten key administrators from as many divisions of the company will be established. These administrators will be relieved of their regular duties for three months to study the structure of power and authority at all levels of the company. Particularly, the team will study the practical functioning of the top executive groups in the company and its subsidiaries with reference to the proposals set forth in the essay on "The Institution as Servant," and it will reach conclusions about the feasibility of top administrative groups composed of governing councils of equals that are led by a primus inter pares. After having reviewed its findings with the top administrators of the company, this study team will report its findings in person to the directors not later than January 1, 1976. The directors, with the aid of professional consultants responsible to them, will analyze the reports and will formulate explicit policies regarding the structure of power and authority in the company.

5. The central office of the company will provide staff help to the study teams described in the previous two paragraphs to assist both in the organization of the studies and in the writing of their reports and recommendations. But such support will not be used to influence the substance of the reports and recommendations, which will be reviewed by the top administrators of the company, but which will be reported in person to the directors for their use in formulating policy. The directors will, of course, take into account the views of top administrators in making their policy decisions.
6. Each major division of the company is expected (1) to be aware of trends and developments in other businesses and other institutions in matters covered by the foregoing paragraphs, (2) to participate in associations and consultations concerning these matters in the countries where they have substantial operations, and (3) to report to the directors on each July 1 on such involvements during the previous year, plus any conclusions reached regarding the application of what is learned to the company.

Concluding Note to Directors

These recommendations are made, as I said at the outset, primarily to start a new and regular flow of information to the directors. The procedures suggested here will establish that the interpretation of these data which the directors need for their policy decisions is different from what administrators need for their operating decisions. Therefore, the directors should begin to build their own independent source of advice to help them interpret the new data. Taking these steps (asking for the data and securing independent advice) will probably be disturbing to administrators, initially. But once the practice is established, and with regular discussions between directors and administrators about it, the administrators will realize that they can operate with greater assurance if the directors establish policy—clearly, firmly, and prudently.

If directors want a more socially responsible company (and this is written with the understanding that you, as directors, do want this) they should start the process by becoming more responsible directors. This will require some adjustment from administrators who are accustomed to nominal (and, therefore, less responsible) directors. Directors should accept that when they move to their proper role they create a problem, and that they should deal with it as a problem. The heightened quality of the company that will result will be to everybody’s benefit, including the administrators who will be disturbed by the adjustment they must make.

V

Servant Leadership in Education

A story is told about Frank Lloyd Wright, the pioneering architect, when he was based at his studio near Madison, Wisconsin. He was invited by a women’s club in Madison to talk to them on the subject “What Is Art?”

In his prime years Wright was a large impressive man with a good stage presence and a fine voice. He acknowledged the introduction, produced from his pocket a small book, and, without comment, proceeded to read Hans Christian Andersen’s fairy tale about the little mermaid. It took only a few minutes and he read it beautifully. When he finished, he closed the book, looked intently at his audience and said, “That, my friends, is art”—and sat down.

This story poses what I see as a central problem of education as it has developed in our country: how to serve perhaps eighty-five percent of the population who learn best from experience and have trouble with abstract concepts, which dominate school curricula.

Ivan Illich’s book, Deschooling Society, has shaken things a bit, but so much has been committed to the vast educational establishment that a comprehensive revolutionary approach such as he advocates does not seem likely. Yet there is a growing disquiet about the gap between what we need and what we now have in education. And there is a question whether any influential agency has the objectivity and the skills to examine the whole range of assumptions about what is done in education, and to chart a new course that pushes the outer limits of the reasonable and the possible.

Within the scope of my concern here, “Servant Leader-