

Servant Leadership: Making the Free Enterprise System Work Better

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I was asked by a reporter recently, "How can servant leadership work in a capitalist system that is based on greed?" My answer was simple. The free enterprise system works *best* when business leaders are servant-leaders. Why? Because servant-leaders listen to their customers.

Capitalism is not about greed, it's about the freedom to choose

Let's start by unraveling some of the assumptions in that reporter's question. First of all, I don't accept the assumption that capitalism is based on greed. Capitalism is an economic system in which the means of production and distribution are privately owned by individuals or corporations, instead of being owned by the government. It is characterized by the existence of a free market for goods and services.

Yes, there have been—and still are—some greedy capitalists. But the idea that "greed is good" is not part of the definition of capitalism. In 1776, the Scottish philosopher Adam Smith published *An Inquiry into the Nature and Causes of the Wealth of Nations*, which may have been the first modern work on economics. Smith described the advantages of the division of labor, and the way in which an "invisible hand" would lead to the efficient allocation of resources in the marketplace. That "invisible hand" was the sum of millions of decisions that individuals made about what business to start, what to produce, where to work, what to buy, and at what price. It was not about greed, but about the freedom to choose.

The theory of the invisible hand is that if each producer is allowed to choose what to sell and how to produce it, and if each consumer is allowed to choose what to buy, then the market will settle on the products and prices that are beneficial not only to individuals but to the community as a whole. Producers will provide what consumers really want at prices they are willing to pay.

Is there self-interest in all this? Of course. People prefer to work at some tasks and not others; producers try to be efficient in order to make the most money; investors go where the return promises to be the highest; consumers prefer to buy some products and not others; and buyers like low prices. No surprises, here. But self-interest expresses itself not as greed, but as free choice in the marketplace, leading to the optimum allocation of resources.

There is another reason that "greed is good" doesn't match up well with Adam Smith. Few people know that Adam Smith considered himself a *moral philosopher*, and he thought his best book was an earlier work, *The Theory of Moral Sentiments*. He argued that it was in our self-interest to be compassionate and sympathetic toward others. Invisible hand, yes; greedy hand, no.

Making better choices

Now—if the essence of the capitalist system is the freedom to choose, then the free enterprise system works best when companies choose to make the things that people really want. Let's say that a company produces item A, and the marketing and sales departments work hard to sell it. But what if consumers don't really want to buy A? What if they prefer B, instead? Then a lot of time and money is wasted in developing and trying to sell an unwanted product. The market doesn't buy it, so sooner or later, the company stops producing A.

But what if that company had really listened to customers before creating A? Imagine that the company had done market research through surveys and focus groups. They also asked their frontline sales and service colleagues to give them input. What are customers saying? What are they asking for? What do they like and not like? If the company were good at listening, it might have discovered that people wanted B, and created that instead of A. If they created B, the customer would be happy, and the company would be more profitable. It would not only sell a lot of B, it would also save all the money it would have wasted creating and marketing A. When it is close to the customer, the company makes better choices, and the free enterprise system as a whole is more efficient and effective in allocating resources.

Listening

So, what's the tie-in to servant leadership? Listening.

One of the key practices of servant-leaders is listening. Robert Greenleaf, the businessman who launched the modern servant leadership movement, said that only a natural servant leader begins by listening.

Listening to your customers is of fundamental importance. This is how you become relevant, how you link up. How can you meet the needs of your customers if you don't know what those needs are? And how will you know if you don't ask?

The main point is this: Servant leaders don't begin with the answer. They don't begin with their own knowledge or expertise. They begin with questions that will help identify the wants and needs of their customers. Once those wants and needs are identified, they find the people and resources to respond with the right programs, products, or services to make their customers happy.

Howard Behar is a member of the Board of Trustees of the Greenleaf Center for Servant Leadership and the author of *It's Not About the Coffee: Leadership Principles from a Life at Starbucks*. Howard Behar joined Starbucks in 1989 when it had only 28 stores. Over the years he was executive vice president of sales and operations, president of Starbucks International, and president of Starbucks North America. Howard has a sign on his wall that has two words on it: "compassionate emptiness." He says:

Compassionate emptiness involves listening *with* compassion but *without* preconceived notions. Compassionate emptiness asks us to be caring but empty of opinions and advice.

That's how we can listen—being attentive to what the speaker is saying, instead of thinking about what we are going to say next. That makes it possible to really hear, and then respond appropriately.

One of the most relentless listeners I have ever met is Richard Pieper, recently retired Chairman of PPC Partners, Inc., headquartered in Milwaukee. Dick is Chairman of the Board of Trustees of the Greenleaf Center for Servant Leadership. PPC Partners owns a series of electrical service and construction firms. Dick joined Pieper Electric as President in 1960, when the family-owned business had eight employees doing \$250,000 of business per year. Today, PPC Partners, Inc. employs 900 to 1,100 people, does hundreds of millions dollars in sales, and is one of the top electrical contracting firms in the United States.

One reason for the company's dramatic growth is that Dick is always getting feedback from colleagues and customers. He is always asking and listening, inside and outside the company. Comments are solicited and studied, and the follow-up is comprehensive. At Dick's company, listening is a broad-based, systematic process with a focus on constant improvement.

Muhammad Yunus has changed the lives of hundreds of thousands of people in Bangladesh through micro-credit. He and his bank, Grameen Bank, won the 2006 Nobel Peace Prize for their work, which has spread to other parts of the world. In his book, *Creating a World without Poverty*, Yunus describes how he was an economics professor, teaching about the nation's long-term plans. But things in Bangladesh were not getting better. Finally, he went out into the villages and listened. What he discovered was that people needed small amounts of capital. They had no collateral, so banks would not loan money to them. But the villagers had energy and potential, and the amounts of capital they needed were very small. Yunus made 42 loans out of his own pocket, totaling U.S. \$27. He asked for no collateral, but the villagers paid their loans back. Yunus has continued to watch and listen, and has launched an array of companies, each designed to give opportunities to the poor. Hundreds of thousands of people in Bangladesh and around the world are now part of this micro-credit revolution. It would have never happened if Yunus had not decided to listen first.

We cherish the free enterprise system. If we want it to be as efficient as possible in allocating resources and meeting the needs of consumers, we need leaders who are good at listening: Servant-leaders.

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