

# **SERVANT LEADERSHIP IN BUSINESS**

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**presented to**  
**Edward V. Fritzky Chair Dinner**  
**Foster School of Business, University of Washington**  
**Seattle, Washington**  
**May 22, 2009**

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Good evening! Thank you for the opportunity to speak with you this evening. It is an honor to be here celebrating leadership with you. I want to congratulate Howard Behar on his year as Edward V. Fritzky Chair in Leadership, and I want to thank him for the invitation to speak this evening. I have a lot of respect for Howard, and I have learned a lot from him.

This is a difficult time for business leaders. We all know we are suffering the worst economy since the Great Depression started 80 years ago. Businesses are going bankrupt, or simply going out of business. Fearing the worst, companies have laid off employees, creating negative self-fulfilling prophecies that make matters worse. And we have seen personal excesses among the leaders of some businesses that are hard to understand or forget.

I find the current situation very disturbing, but I want to begin with a few affirmations. First, I know that no economic system in world history has ever worked as well as the free enterprise system. It doesn't represent all our values, so some public regulation is needed, but the free enterprise system is the engine that generates the economic growth and the taxes and donations that keep the government, non-profit, and academic sectors going. I also know that the vast majority of business people are good, decent people doing their best. Finally, I believe that businesses can make a huge contribution to making the world a better place. That depends, however, on what business leaders think that leadership and business are all about.

And that is what I would like to focus on this evening. I believe we need to go back to the fundamentals and rethink the framework in which we do our work as business leaders. We need to have a different way of explaining to ourselves and

to others what our businesses are for, and what business leaders do.

### **Why do organizations exist?**

So let's start with the question: Why do organizations exist? What is their purpose?

I believe that every organization exists to meet people's needs. Whether the organization is public, or private, or non-profit, or academic—whether it's a business or a government agency or a social service organization or a school or university—the purpose of the organization is to meet people's needs. Organizations receive income in different ways—from sales, or fees, or donations, or tax revenues—but each organization serves customers, clients, patients, students, members, or citizens.

I enjoy challenging private sector business people who think that their businesses exist to make money—to make a profit. I don't agree with them. I think we shouldn't confuse a need with a purpose. If the purpose of a business is to make money, then the purpose of a government is to collect taxes, the purpose of a university is to collect tuition, and the purpose of a non-profit organization is to collect donations. Certainly, they need to do those things, but that is not their purpose. Their purpose is to serve their customers, clients, patients, members, and citizens. I believe that businesses don't exist to make money, they make money so they can continue to exist. They make money so they can continue to grow in service to others. Their purpose is to make life better for those they serve. They have a higher calling than making money, and that is to change lives and improve lives and even save lives through the programs, products, and services that they provide.

My next belief is that organizations cannot meet the needs of customers without meeting the needs of employees or colleagues or associates. I agree with the concept that if you take care of your employees, they will take care of your customers, and the result will be very positive for your business. Of course, employees have their own needs. They need the skills and equipment and time to meet the needs of customers. They need to earn a living, so they can take care of themselves and their families. They also need meaning and purpose in their lives. That meaning is right in front of them. After all, when we go to work each day, we help people get food, clothing, shelter, health care, education, and recreation. Meeting the needs of others is a meaningful, noble activity. It can be seen as a calling. There is something deeply satisfying about the fact that when we go to

work each day, we get what *we* need by helping other people to get what *they* need.

Now—if the purpose of every organization is to meet people’s needs, both inside and outside the organization, then the most important leadership question is this: *What kind of leadership is best suited to meet the needs of both employees and customers?* It is important to know what kind of leadership serves others best, because that is the reason for each organization’s existence, and it is also the key to each organization’s success. This is a fundamental bottom-line question.

### **Key Practices of Servant Leadership**

Here’s what I think you need to do to be really successful at serving others.

#### *Listening*

First, you need to do a huge amount of listening. This is how you link up. This is how you become relevant. How can you meet the needs of others, if you don’t know what those needs are? And how will you know, if you don’t ask, and then listen?

You shouldn’t begin with the answer, the program, the procedure, the facility. You shouldn’t begin with your own knowledge or expertise. You should begin with questions that will help identify the needs of others. What do people say when asked about their needs, their wants, their hopes, their dreams? Use personal observation, discussions, suggestion boxes, informal interviews, formal interviews, surveys, focus groups, and other forms of research to identify the needs of others. They watch and listen before they take action. They try hard to identify needs, before they try to meet them.

Taking time to identify needs is moral and respectful. It is also very practical. If we are good at identifying needs, we will be in a great position to meet those needs. If we meet those needs, we will be successful. We will have happy customers, clients, patients, members, and students. They will want what we have to offer. They will come back for more, and they will tell their friends.

One problem is that most organizations are run by experienced professionals who know a lot about what their customers want. They know a lot, so they aren’t driven to learn more, which means that *they don’t know enough*. Times change, demographics change, the market changes, and they get out of touch, out of synch with their customers. It is hard to listen broadly enough, deeply enough, and often

enough. And it is also hard to listen to the things you don't want to hear.

Listening, inside and outside the organization, was emphasized in two different books I have read about Starbucks. The first one was *The Starbucks Experience: 5 Principles for Turning Ordinary into Extraordinary*, by Joseph Michelli. One of the 5 principles was to embrace resistance, and a big part of that was about learning from unhappy people—customers or neighbors. That meant listening when under attack. Instead of discounting its critics, Starbucks has listened, and has involved detractors in problem-solving discussions that have led to useful changes and improvements.

Howard Behar wrote a wonderful book titled *It's Not About the Coffee: Leadership Principles from a Life at Starbucks*. Howard has a chapter called "Listen for the Truth: The Walls Talk." He says:

Listening to the unspoken can be the hardest thing to do. A rule book doesn't tell you how to tune in to a customer's needs, but when your antennae are up, you can feel how your customers and colleagues are doing. You can sense good days and bad, outgoing days and quiet ones, stressful days and relaxed ones. You can sense what needs to be done.

Howard also talks about "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, instead of spending the time preparing our answers, or waiting impatiently until it is our turn and we can force our opinions or advice on others. Compassionate emptiness makes it possible to really hear. This is of huge importance if you want to identify the needs of others. It all starts with listening.

### **Changing the pyramid**

To do a good job of listening, you need to be sure that everyone in your organization, from top to bottom, is paying attention to your customers or clients or patients or students or members every day.

That is hard to do if you operate with a traditional hierarchy, shaped like a pyramid, with only a few people at the top—the President or CEO, CFO, CIO—and then more middle managers, and then the largest number of people at the bottom, the people who deliver the programs, products, or services. You have to invert this pyramid, or at least lay the pyramid on its side, if you want everybody to stay focused on customers.

The reason is that in the traditional pyramid, people pay more attention to their bosses than to their customers. People are looking “up” to their bosses, rather than “out” to the customer. I am not suggesting that people ignore their bosses, but the problem is that pleasing your boss may have nothing to do with pleasing your customers. You can please your boss, and she can please her boss, and he can please the Board of Directors, without anybody really paying attention to the wants and needs of the customer. So you have to invert the pyramid, or tip it over, so that everyone can focus on the customer.

Another problem with the traditional pyramid is that the person at the top of the pyramid—let’s call that person the chief—has difficulty getting accurate information or testing his or her ideas. The chief is usually not part of the grapevine, and people tend to tell the president only what they *want* the president to know, not what the chief *needs* to know. Information gets filtered. And not too many people are comfortable telling the chief that his newest idea is a lousy one. Unless they have already announced their retirement or have another job lined up, they just aren’t going to tell him what they really think. So the chief can lose touch, and may come to think of himself as exceedingly brilliant and nearly infallible. His ideas must be great. After all, nobody is challenging them.

This problem is actually easy to solve. What you need leading your organization is not an individual chief, but a team. You need a council of senior leaders and managers who trust each other, share information, and test each other’s ideas. You need a team of senior leaders whose members are comfortable talking to each other as equals. The chief should be *first* among equals, with the authority to make the final decisions, but she needs to be accessible, open to challenge, and receptive to the real news, not the filtered news. This will help connect the chief with the rest of the organization and the customers it serves.

### **Developing your people**

Obviously, your organization’s ability to listen to and serve your customers will only be as good as your people—your colleagues, associates, or employees.

You will want to train and develop your people, so that they are good at listening and serving your customers. You want to give them the opportunity to grow as persons.

One company that has adopted that ethic is TDIndustries, a highly successful air conditioning and specialty construction company based in Dallas. It has been on *Fortune* magazine's list of the 100 Best Companies to Work for in America. In fact, it has been on the list every year since the list was started, so *Fortune* magazine has put TDIndustries in its Hall of Fame. The company's "Mission Statement" is not about profit, or market share, or leadership in technology. The Mission Statement is about developing people. It says: "We are committed to providing outstanding career opportunities by exceeding our customers' expectations through continuous aggressive improvement." The purpose of the business is to provide opportunities for its people. That is only possible if they are good at selling something; and they will only be good at that if they are committed to continuous training. So it comes full circle—it's about developing the employees, who at TDIndustries are called Partners.

### **Coaching, not Controlling**

One of the best ways to develop your people is to constantly coach and mentor them. If you want your employees to know how to serve your customers, you need to coach your employees, not control them.

In a lot of old management textbooks, the assumption was that a manager is there to "control" his or her unit or organization. The people who report to the manager constitute his or her "span of control." The manager's job is to "keep things under control."

Organizations need rules and regulations and procedures. But trying to control people is not the way to bring out their best. It is also not very effective. You can give an order, but that doesn't mean that people will understand the order, or will be willing and able to carry out the order. You have to make sure that people understand what needs to be done, and why, and are willing and able to do it. The best way to make that happen is to coach, mentor, engage, and inspire.

### **Unleashing the energy and intelligence of others**

If you are training and developing your colleagues, and you spend time coaching and mentoring them, then you will be comfortable allowing them to make

decisions. You can unleash the energy and intelligence of your employees.

Some people call this empowerment. I am not very comfortable with that word, because it sounds like I have power and you don't, so I'll give you some of mine. In fact, everyone has power—everyone has time and talent and ability. Everyone has the power to make a contribution to the organization. The question is whether we are going to let them use their power.

Not unleashing the energy and intelligence of others is extraordinarily sad and wasteful. The organization is paying for *all* its people. Why not engage them fully in the work at hand? Why not make it possible for everyone to make the maximum contribution he or she can make?

### **What we call it: Servant Leadership**

Now—a lot of experts on leadership and management think that the practices I have just described will lead to an organization's success. These experts include James Autry, Howard Behar, Ken Blanchard, Jim Collins, Stephen Covey, Max DePree, Peter Drucker, Joseph Jaworski, Peter Senge, and Meg Wheatley.

Of course, people have used different words to describe these leadership practices. You could call it service leadership, or serving leadership, or needs-based leadership, or Level 5 leadership. And there are related concepts, like transforming leadership, or co-leadership, or stewardship. In the end, what matters is that *it works*. What matters is that you will be most successful when you truly meet the needs of your colleagues and customers.

At the Greenleaf Center, we call these leadership practices “servant leadership.” As many of you know, the modern servant leadership movement was launched by Robert K. Greenleaf in 1970, when he published his essay, “The Servant as Leader.” It was in that essay that he coined the terms “servant-leader” and “servant leadership.”

Greenleaf was a successful business executive, who worked for AT&T for 38 years. Toward the end of his career, he was Director of Management Research. It was his job to help AT&T leaders and managers be as effective as possible. After retiring in 1964, he established what is now the Greenleaf Center, and did some teaching and consulting.

In his classic essay, “The Servant as Leader,” Greenleaf distinguished

between a person who is a “leader first” and a person who is “servant first.” The leader first is interested in power and wealth—self-aggrandizement. The servant first is a servant-leader who is focused on helping others. Greenleaf concluded that the most effective leaders were servant-first.

Basically, Greenleaf rejected the power model of leadership that is the dominant model in our culture. The power model says that leadership is about acquiring and wielding power, about making people do things. It is about manipulation, and coercion, and clever strategies.

### **The Power Model**

Over the past 30 years I have had the opportunity to work in the public sector, the private sector, the non-profit sector, and the academic sector, and I have learned that there are some severe disadvantages to the power model.

First, the power model focuses on having power, not on using it wisely. Power is an end in itself. There is no moral content, no moral purpose. Second, the power model glorifies and even promotes conflict between power groups. People want to be leaders, and are told that it is about power, so they build a power base. But then, others are building their power bases, too. Pretty soon, leaders in the power model are only fighting rival power factions, with little time left to focus on problems or opportunities. Third, the power model defines success in terms of who gains more power, not in terms of who accomplishes the most for their organization or the larger community.

Other problems with power relate to the leader herself or himself. People who seek power often become irrelevant as leaders. They focus on what they want, instead of what other people want, and they lose touch with the people they are supposed to be serving. They may remain in power, because they are good at maintaining their power base, even while ignoring the needs of those they serve. Even worse, people who seek power can never get enough of it. It becomes a kind of addiction or disease. They always want more, and more, and more. This easily results in spiritual corruption and an unhappy life of self-torment.

### **The Service Model**

Fortunately, there is another model, the service model, the model used by servant leaders. Greenleaf said that servant-leadership begins with the natural feeling that one wants to serve. And as one emerges into leadership positions, one



remembers that one's purpose is to serve. Leading is a way of serving. The test that Greenleaf proposed for servant leaders was this:

Do those served grow as persons? Do they, *while being served*, become healthier, wiser, freer, more autonomous, more likely themselves to become servants? *And*, what is the effect on the least privileged in society? Will they benefit or at least not be further deprived?

So who is a servant leader? A servant leader is simply focused on serving others. So the servant leader does not ask, "How can I get power? How can I make people do things?" The servant leader asks, "What do people need? How can I help them to get it? What does my organization need to do? How can I help my organization to do it?" Thus, rather than embarking on a quest for personal power, the servant leader embarks on a quest to identify and meet the needs of others. That's the mission of a servant leader: To identify and meet the needs of others.

One way to contrast a power-oriented leader and a service-oriented leader is this: Power-oriented leaders want to *make* people do things. Servant leaders want to *help* people do things. That's why servant leaders are usually facilitators, coordinators, healers, partners, and coalition-builders.

There is another big difference between the power model and the service model of leadership. The power model assumes a hierarchy. Only a few people have power—those at the top of the hierarchy. In the service model, the hierarchy isn't really relevant. That's because *anybody* in a family, organization, or community can be of service. *Anybody* can identify and meet the needs of others. *Anybody* can respond to the call to be a servant leader.

Perhaps the simplest way to compare the power model and the service model is this. The power model is about *grabbing*. The service model is about *giving*. And when you give, you get something in return—you get a lot of meaning and satisfaction.

### **Meaning Maximizers**

People seem to underestimate the importance of finding meaning in life and at work. Actually, it has profound impacts, including obvious impacts on the financial bottom line. There are at least three benefits to finding meaning in life and at work: (1) intrinsic motivation, (2) good mental health, and (3) deep happiness. I'd like to talk about each of these three benefits.

### *Meaning as an intrinsic motivator*

First, meaning is an intrinsic motivator. People who are intrinsically motivated are more productive, more innovative, more committed, and less likely to feel stress or burn out, than those who are extrinsically motivated.

As you know, extrinsic motivation applies when people are motivated by something other than the work or activity, while intrinsic motivation applies when people are motivated by the work or activity itself. For example, in school, a student who studies to get a good grade in order to get money from Dad or Mom, is *extrinsically* motivated. A student who studies because he or she is interested in learning, and enjoys learning, is *intrinsically* motivated. We are intrinsically motivated when we do things because we want to, not because we have to. We are intrinsically motivated when we do something because it is fun or good or the right thing to do, or it is meaningful and fulfilling.

As many of you know, dramatic testimony on that point came from Viktor Frankl in his book, *Man's Search for Meaning*. Frankl described his experiences as a prisoner in a Nazi concentration camp in World War II. It is a painful story of suffering and death. Prisoners had to work hard each day, with little food, clothing, sleep, or medicine in an environment of constant brutality and fear. Frankl observed that prisoners who had faith in the future, who still had a reason to live, were the ones who were most likely to survive. From this experience, he developed his theory of *logotherapy*, or meaning therapy, in which a patient is “confronted with and reoriented toward the meaning of his life.” Frankl believed that “striving to find a meaning in one’s life is the primary motivational force in man.” That meaning varies from person to person, because each person’s circumstances and tasks are different.

### *Meaning and mental health*

Second, meaning is an intrinsic motivator, and those who are intrinsically motivated have better mental health. Edward L. Deci wrote a book titled, *Why We Do What We Do: Understanding Self Motivation*. The book reports on a study done on six types of life aspirations. Three were extrinsic—the aspiration to be wealthy, famous, and physically attractive. The other three were intrinsic—the aspiration to have meaningful personal relationships, to make contributions to the community, and to grow as individuals.

The research showed that people who were heavily focused on extrinsic rewards had poor mental health, while those who were focused on intrinsic rewards had more vitality, higher-self esteem, and a greater sense of well being.

### *Meaning and Deep Happiness*

Third, meaning is a key to being deeply happy. What do I mean by “deep happiness”? I mean the kind of happiness that touches your spirit and connects with your soul. It is hard to describe. Some people call it self-fulfillment, or self-actualization, or being centered. Others call it living their passion, or following their bliss. For people of faith, it is about finding the divine will for their lives, and then living that will. But whatever we call it, we know that that meaning and purpose are keys to being deeply happy.

So—if you want to be deeply happy, the most fundamental question is not: Am I a success or a failure? The most fundamental question is not: Is my life hard or easy? The most fundamental question is not: Do people appreciate me? The most fundamental question is: Is my life meaningful? *Is my life meaningful?* If you can answer yes to that question, you can be deeply happy.

### **Four Universal Sources of Meaning**

If meaning is so important, where do we find it? If I had to boil it down to just four things, I’d pick these. These are four principles or ideas that I think can be found in most of the world’s great religions and the teachings of many spiritual leaders, and are things that we learn as we grow and experience life. You won’t be surprised. Here they are: One, love people. Two, help people. Three, live ethically. Four, don’t be too attached to material things. Love people, help people, live ethically, and don’t be too attached to material things.

I think there is probably a causal relationship here, because I think that when you love people, you want to help them. And if you are loving people and helping people, you want to treat them right—you want to be ethical in the way you behave. And if you are focused on people, you’re probably not too worried about material things.

All of these fundamental sources of meaning are available to servant leaders. Servant leaders love and help others. Serving others is deeply happy, motivating, and mentally healthy work. It is spiritually renewing. I like to say that servant leaders get material results for their organizations and spiritual returns for

themselves. The spiritual returns are in the form of the meaning that leads to deep happiness, strong intrinsic motivation, and good mental health. That's why I don't think that servant leadership is about self-denial or self-sacrifice. I think it is entirely about self-fulfillment. That kind of self-fulfillment is a huge advantage that servant leaders have over other kinds of leaders.

## **Good to Great**

I have argued that servant leadership is ethical, practical, and meaningful. Now, some of you—probably only a few—are still feeling queasy about how servant leadership affects the financial bottom line. The paradox is that the servant-leaders in business that I know best are focused on people—their colleagues, customers, and vendors and communities. They are not worried about profits, because they know that if you take care of your people, they have a way of taking care of the profits. And they run profitable businesses.

In that regard, let me tantalize you with a bit of data. In their new book, *Seven Pillars of Servant Leadership*, authors James W. Sipe and Don M. Frick provide a footnote that compares the companies made famous by Jim Collins's book, *Good to Great*, with companies that have been applying servant leadership principles.

The research was based on the metrics Collins used to evaluate the financial performance of his eleven publicly-traded “good to great” companies. Those companies were compared with eleven publicly-traded companies that are frequently cited in the literature as being servant-led—Toro Company, Southwest Airlines, Starbucks, AFLAC, Men's Wearhouse, Synovus Financial, Herman Miller, ServiceMasters, Marriott International, FedEx, and Medtronic.

The comparison focused on the ten-year period ending in 2005. The authors found that during those years, stocks from the five hundred largest public companies averaged a 10.8 percent pre-tax portfolio return. The eleven companies studied by Collins averaged a 17.5 percent return. However, the servant-led companies' returns averaged 24.2 percent. The servant-led companies produced superior financial results.

I should also mention that companies applying servant leadership principles are often found on the *Fortune* magazine list of the 100 Best Companies to Work for in America.

## Conclusion

In conclusion, servant leadership offers business leaders a way of leading that is ethical, practical, and meaningful. It is a concept articulated by a business man who was sure that businesses needed to make a profit, but was also sure that businesses need to care immensely about everyone they touch—employees, customers, business partners, and the communities in which they operate. Servant leadership elevates a job into a calling, and acknowledges the way that businesses make life better for all of us. It supports the free enterprise system by making it work better for everyone. At its best, it recognizes that serving others is not just something you do—it is what life is about. It

There are a lot of benefits to being a servant leader, but one benefit is this. If you love and help others, and focus on meaning, then at the end of your life, when you look back, you're not going to have a lot of regrets. You may not have any. You're going to look back on a life filled with meaning. Even more important, you will not wonder why you have lived. You'll know. *You'll know*. And that may be the greatest blessing of all.