

# Principles Before Profits

## Our Ultimate Concern

**According to Paul Tillich, an influential twentieth-century theologian, our “ultimate concern” is whatever we take with total seriousness.<sup>1</sup> Defining an organization’s ultimate concern helps leaders deal with fear in a healthy way. A worthy ultimate concern involves a purpose that is greater than us. It centers us in a world that can easily disorient and confuse us.**

Jim Collins provides interesting insights about finding an ultimate concern. The success of Collins’ book, *Good to Great*,<sup>2</sup> created a challenging dilemma for him. Collins wasn’t sure whether he should stay on the Stanford faculty or start a company. For advice, he turned to Peter Drucker. After a whole day of listening to Collins, Drucker essentially told Collins he was worrying too much and then asked this question: Why don’t you focus on being useful? That is a question that has value for all of us.

You see, purposeful people have a 15 percent lower risk of death compared to those who said that their life was without purpose. Finding a life’s direction and setting overarching goals contributes to longevity.

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So often, organizational principles about justice are governed by what is legal, rather than by what is virtuous. As financial performance declines and pressure to perform increases, temptation to cut corners can arise. Enter the compliance industry. It seems reasonable that increasing the number of rules will reduce unjust business conduct. However, a singular focus on ethics, defined as compliance with a set of rules, can stunt a company’s efforts to innovate and take intelligent risks.<sup>3</sup>

Michael Porter has proposed the idea of corporate social value (CSV).<sup>4</sup> He argues that business has lost societal trust—which is a product of justice—because it limits the purpose of business to creating economic value. Businesses miss new customer opportunities by ignoring broader social issues. As businesses address

these issues, they will be rewarded with increased economic wealth.

Parker Hannifin is one such company. They designed consolidated natural gas (CNG) dispensers to fuel truck and bus fleets worldwide to reduce emissions and lower energy costs. In 2015, The Greater Cleveland Regional Transit Authority purchased Parker Hannifin’s CNG dispensers, which will save more than \$200,000 over the life of each bus, while reducing annual emissions of carbon dioxide by 100 tons. By 2017, greenhouse gas emissions in the area were decreased by 30 percent, improving the entire region’s air quality.<sup>5</sup>

Solving the complexity of global warming is one thing, but let’s consider another business. Chick-fil-A, the fast-food restaurant chain headquartered in Atlanta, Georgia, attracts customers more through community involvement and hospitality than through advertising, lowering its cost of sales dramatically.

In 1982, founder Truett Cathy and his leadership team were faced with a recession that threatened the restaurant chain’s success. In spite of their fear for the company’s outlook,

the team created a set of principles to define Chick-fil-A's purpose: customers would come first, employees second, and profits last. The strength of Chick-fil-A's culture helped the business to weather the storm and continue to grow to an astounding \$6.8 billion in sales in 2015 alone.<sup>6</sup>

In a nutshell, virtue preserves an organization's reputation and its financial assets. To improve ROA, we must prevent recklessness, but not risk taking. This means that adhering to the law is only the baseline expectation. The aspirational goal is to practice virtue first and economic value second.

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1. Jerry Useem, "What Was Volkswagen Thinking?" Atlantic, January/February 2016, <https://www.theatlantic.com/magazine/archive/2016/01/what-was-volkswagen-thinking/419127/>
  2. Abraham Lincoln, BrainyQuote.com, Xplore Inc., 2016, [https://www.brainyquote.com/quotes/abraham\\_lincoln\\_101343](https://www.brainyquote.com/quotes/abraham_lincoln_101343)
  3. Lewis, Michael (2012). "Don't Eat Fortune's Cookie," Princeton University's 2012 Baccalaureate Remarks, Princeton University, June 3, 2012, News at Princeton, <https://www.princeton.edu/news/2012/06/03/princeton-universitys-2012-baccalaureate-remarks>
  4. Adapted from Kim Cameron and John Smart, "Maintaining Effectiveness Amid Downsizing and Decline in Institutions of Higher Education," Research in Higher Education, vol. 39, no. 1, 1998, [http://biblioteca.esec.pt/cdi/ebooks/docs/Maintaining\\_effect.pdf](http://biblioteca.esec.pt/cdi/ebooks/docs/Maintaining_effect.pdf)
  5. Greater Cleveland Regional Transit Authority, "RTA Adds 60 New CNG Buses to Its Fleet," RTA Website, May 19, 2015, <http://www.riderta.com/news/may-19-rta-adds-90-new-cng-buses-fleet>
  6. Chick-fil-A leaders, personal interviews with Peter Rea, March 2016.

