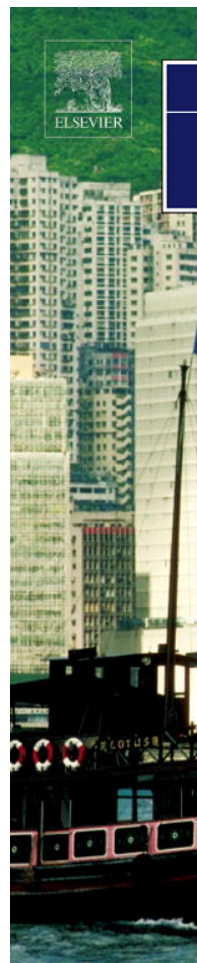


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# Maximizing the Triple Bottom Line through Spiritual Leadership

LOUIS W. FRY

JOHN W. SLOCUM JR.

One of the greatest challenges facing leaders today is the need to develop new business models that accentuate ethical leadership, employee well-being, sustainability and social responsibility without sacrificing profitability, revenue growth, and other indicators of financial performance. This article seeks to address top managers' need to simultaneously maximize the so-called triple bottom line, or "People, Planet, Profit." In doing so, we draw from the emerging fields of workplace spirituality, spiritual leadership, and conscious capitalism. Research conducted with Interstate Battery System of America, Inc. (Interstate Batteries) is offered as a case study of a company that may serve as a role model for spiritual leadership. We also present a general process for maximizing the triple bottom line through the development of the motivation and leadership required to simultaneously optimize employee well-being, social responsibility, organizational commitment, and financial performance.

Enron Corp., Adelphia Communications Corp., Arthur Andersen, Tyco International and WorldCom Inc. are but some of the many scandals that have cast a chilling pall over the way business is conducted. These companies have given people the perception that corporations are amoral, corrupt, and lack both

ethical leadership and a sense of social responsibility. Michael Douglas' Oscar winning performance in *Wall Street* claiming that "greed is good" still appears to be the mantra of most businesses big and small. However, there are companies, such as SAS Institute, Google, Shell Oil Co., NEC Corp., and Procter & Gamble Co., that have committed themselves to a course of developing business models that accentuate ethical leadership, employee well-being, sustainability and social responsibility. These companies believe this can be done without sacrificing profitability, revenue growth, and other areas of financial and performance excellence. In effect, they are experimenting with new business models and adopting sustainable business strategies that have a positive economic, social, and environmental impact, often referred to as the triple bottom line.

## THE CHALLENGE OF ETHICAL LEADERSHIP AND SOCIAL RESPONSIBILITY

Capitalism is an economic model grounded in a worldview of self-interest. The exclusive pursuit of self-interest has been found wanting by most ethicists. The inherent assumption that the liberty of individuals should be

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maximized is well documented in the latest chief executive officer (CEO) severance packages. The \$210 million dollar severance paid to Bob Nardelli by Home Depot Inc.'s board of directors is just the latest example.

Ethical values, leadership, and trust are key issues confronting executives attempting to effectively respond to the emerging and exponentially accelerating force for global, societal, and organizational change. Ethics is primarily concerned with exploring the question of what are the values and principles of morally good behavior, of what is "the good life" in terms of happiness and well-being, and providing justification that might help senior managers make moral decisions. The Dalai Lama, in *Ethics for the New Millennium*, notes that at no time in human history has it been more essential that we reach a consensus about what constitutes positive and negative conduct and to ultimately answer the question that confronts us all: "How can I be happy?" The desire to be happy and avoid pain and suffering knows no boundaries.

### **Corporate Culture, Leadership, and Performance**

People bring to work values and attitudes that drive their behavior. Core values reflect the moral principles that an individual considers to be important and act as guidelines for his or her decisions. These core values greatly determine what a person considers to be good or bad. In turn, they make up the foundation for moral principles that collectively form an organization's ethical system.

Corporate culture stems from fundamental ethical values of top managers that affect employees' behaviors. World renowned organizational psychologist Edgar Schein defines corporate culture as the learned pattern of shared basic assumptions that employees and groups hold. Organizational culture significantly influences the way things are done. It influences the range of behaviors that members view as appropriate and provides them with a framework that influences their thinking and behavior. Cul-

tures that are based on values of dishonesty, deceit, favoritism, and greed (e.g., Enron, WorldCom and Tyco International) can lead top managers to make choices that are injurious to key stakeholders. When altruistic values of respect, fairness, honesty, care, compassion and the like are integral parts of an organization's culture, a culture of trust emerges. The Container Store, Stride-Rite and Johnson & Johnson, among others, have such cultural values. Senior managers in these organizations have made decisions based on moral principles that are the foundation of all the world's major religions.

Once formed, a corporate culture is tenacious and difficult to change. A culture tends to go into survival mode and engage in rationalization and denial in the face of external threats and internal failures. This was evident in the National Aeronautics and Space Administration's (NASA's) Challenger and Columbia disasters, as well as the Enron and Arthur Andersen debacles. Thousands of NASA workers would have never condoned sending the Challenger and Columbia astronauts into space in a craft with known flaws that would compromise safety. Yet NASA's bureaucratic culture and cost-cutting decision protocols overrode their decision-making.

Leaders play a major role in creating and sustaining an organization's culture, especially since the assumptions and values of a culture are usually taken for granted. Consequently, leaders must do what it takes to make clear to all stakeholders that the organization's culture and ethics are inextricably linked. Ethical leadership rests upon three pillars: (1) the leader's moral character, (2) the ethical legitimacy of the leader's vision and values, which followers either embrace or reject, and (3) the morality of the choices and actions that leaders engage in and collectively pursue. To be ethical, leadership must have a moral foundation. Additionally, leaders and followers must be willing to have their behavior evaluated against generally accepted societal values.

Corporate performance is linked to strong ethical leadership. Perhaps the best evidence

so far comes from Jim Collins's *Good to Great*, a remarkable study of 11 organizations and their leaders to discover what creates great high performance organizations. Collins defines Level 5 leadership as leadership that transcends self-interest through a paradoxical mix of humility and professional will. Level 5 leaders display compelling modesty, are self-effacing and understated. Yet they are fanatically driven to produce sustained performance excellence. They establish their organization's culture by creating an environment of inclusion, personal responsibility and open and honest communication among employees, so that they feel empowered to raise issues and make decisions. These leaders create a legacy by setting up their successors for even greater success.

Level 5 leaders also create and sustain high performance cultures where truth is heard and the brutal facts (e.g., return on investment, market share) confronted. They believe that leadership is a core competence and lever for organizational effectiveness. These leaders do this by first getting the right people on the bus (and the wrong people off) and then worry about developing the vision of where to drive it. In doing so, they place greater weight on ethical thinking, integrity, the quality of a person's character and values and his or her fit with the core cultural values of the organization than on a person's educational background, managerial competencies, expertise or work experience.

### **Corporate Social Responsibility and the Triple Bottom Line**

Leaders of admired organizations, such as General Electric Co., Starbucks Corp. and Southwest Airlines Co., have adopted a stakeholder approach to managing strategic issues facing their firms. Leaders of these organizations acknowledge that various stakeholders all have a legitimate moral stake in the organization's performance. Key stakeholders often have the power to negatively affect organizational performance if their expectations are not met. Each of these stakeholders may have different values and

interests. The fundamental problem for top management is how to maximize performance, while at the same time meeting the needs and safeguarding the rights of its stakeholders. To achieve such an outcome, employees must come together and cooperate on defining the core values of the organization.

A business model is a description of the value a company offers to one or several sets of customers. It is the architecture of the firm and the network of partners/stakeholders. We believe there is a need for developing new business models that accentuate ethical leadership, employee well-being, sustainability and social responsibility without sacrificing profitability, revenue growth, and other indicators of financial and performance. This means developing and adopting business models with strategies that have a positive economic, social, and environmental impact, often referred to as the triple bottom line. The triple bottom line – or “People, Planet, Profit” – encompasses an explicit set of moral values and criteria for measuring organizational (and societal) success and with it a need to institute triple bottom line assessment and reporting.

Pioneering companies such as Shorebank Corp., a bank holding company established in Chicago in 1973, have created organizational cultures that integrate for-profit rationality with nonprofit charity and compassion. It developed a complex subsidiary organizational structure, sophisticated strategy, and innovative product development process in response to a customer and community stakeholder base with an economic and physical infrastructure near total collapse.

Other companies, such as Nike Inc., New Balance and The Walt Disney Co., have realized that failing to account for the environmental and social costs of doing business can threaten the viability of the company. Unfortunately, traditional financial measures (e.g., return on investment, return on equity, and return on assets) do not fully reflect a company's performance in the environmental and social arenas. Many companies, including Unilever PLC, General Motors Corp.,

Dow Chemical Co., Amoco Corp. and Ford Motor Company, are taking in-depth examinations of how they view their triple bottom line. They've created education programs and new executive positions, such as vice president for sustainable development, to implement the triple bottom line, according to Thomas Gladwin, professor of sustainable enterprise at the University of Michigan.

### **WORKPLACE SPIRITUALITY, SPIRITUAL LEADERSHIP AND CONSCIOUS CAPITALISM**

Patricia Aburdene in her recent book *Mega-trends 2010*, states that the focus on spirituality in business is becoming so pervasive that it stands as "today's greatest megatrend." She contends that the power of spirituality is increasingly impacting our personal lives and is spreading into organizations to foster a moral transformation. More and more people are making choices in the marketplace as "values-driven consumers."

Feature articles from *Newsweek*, *Time*, *Fortune*, and *Business Week* have chronicled the growing presence of spirituality in corporate America. A major change is taking place in the personal and professional lives of many CEOs and leaders as they aspire to integrate their spirituality with their work. In many cases, this has led to very positive changes in their interpersonal relationships at work and their organizations' effectiveness. Further, there is evidence that workplace spirituality programs not only lead to beneficial personal outcomes, such as increased positive human health and psychological well-being, but that they also deliver improved employee commitment, productivity and reduced absenteeism and turnover. Companies perform better if they emphasize workplace spirituality through both people-centered values and a high-commitment model of attachment between the company and its employees. There is mounting evidence that a more spiritual workplace is not only more productive, but also more flexible and creative

and a source of sustainable competitive advantage.

Advocates of *workplace spirituality* propose that people bring unique competencies to the workplace. They are also highly motivated by their spiritual needs to experience a sense of transcendence and community in their work. According to George Platt, CEO of ViewCast Corporation, "People don't come to work to be No. One or Two or to get a 25% return on net operating income. They want a sense of purpose and come to work to get meaning from their lives." Spiritual leadership involves motivating and inspiring workers through a vision and a culture based in altruistic values to create a more motivated, committed and productive workforce. In such an organization, where employees' spiritual needs are met and aligned with organizational objectives, this higher motivation, commitment and productivity have a direct impact on the bottom line.

Employees who view their work as a called vocation are likely to approach their work very differently from employees who see work primarily as a means to satisfy their pecuniary needs. There is emerging evidence that spirituality provides competitive advantage on organizational performance. Workplace spirituality incorporates those values that lead to a sense of transcendence and interconnectedness such that workers experience personal fulfillment on the job. This sense of transcendence – of having a calling through one's work (vocationally) – and the need for membership, community, or social connection provide the foundation for a theory of workplace spirituality.

### **Workplace Spirituality and Religion**

The study of workplace spirituality has been relatively free of the denominational politics in which arguments are frequently cloaked. In fact, religious ideology has been virtually disregarded. The issues that have surfaced regarding workplace spirituality have avoided any mention of a comparatively right and wrong ideology. Viewing

workplace spirituality through the lens of religious traditions and practice can be divisive. To the extent that a given religion views itself as the only path to God and salvation, it excludes those who do not share those particular denominational traditions. Religion can lead to arrogance. Translating religion of this nature into workplace spirituality can foster zealotry at the expense of organizational goals, offend constituents and customers, and decrease morale and employee well-being.

One successful company that has generated some controversy in this area is Chick-fil-A—a privately held franchise chain with \$2.3 billion in system-wide sales from 1,300 franchised stores in the U.S. It has the lowest turnover rate in the industry (5% vs. over 60%) and is a strong advocate of lifetime employment. The only company mandate is to “glorify God.” Franchisees want married workers and hire their family members. They are required to close on Sunday so employees can go to church. Managers are encouraged to host Bible study groups, and market their restaurants through church groups. Founder and chairman S. Truett Cathy says, “You don’t have to be a Christian to work at Chick-fil-A, but we ask you to base your business on Biblical principles, because they work.” Although there are no federal laws that prohibit companies from asking personal questions about religion and marital status, most companies don’t, because it can open them up to discrimination claims. Chick-fil-A has been sued at least 12 times since 1998 on charges of employment discrimination and might have faced more lawsuits if its franchisees were not independent contractors and didn’t screen potential hires and operators so carefully—a process that can take up to a year and include dozens of interviews.

It is important, however, to note that there is a distinction between spirituality and religion. Religion is concerned with a system of beliefs, ritual prayers, rites and ceremonies and related formalized practices and ideas. Spirituality, instead, is concerned with qualities of the human spirit. This includes positive psychological concepts, such as love and com-

passion, patience, tolerance, forgiveness, contentment, personal responsibility, and a sense of harmony with one’s environment. Spirituality is the pursuit of a vision of service to others; through humility as having the capacity to regard oneself as an individual equal but not greater in value to other individuals; through charity, or altruistic love; and through veracity, which goes beyond basic truth-telling to engage one’s capacity for seeing things exactly as they are, freed from subjective distortions. From this perspective, spirituality is necessary for religion, but religion is not necessary for spirituality. Consequently, workplace spirituality can be inclusive or exclusive of religious theory and practice.

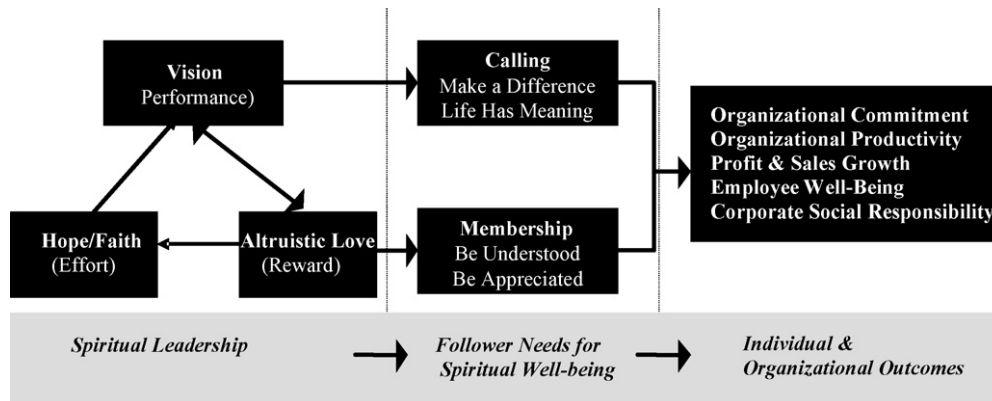
### Spiritual Leadership

Spiritual leadership involves motivating and inspiring workers through a transcendent vision and a corporate culture based on altruistic values to produce a highly motivated, committed and productive workforce. Having a sense of calling through one’s work and for a social connection at work is central to spiritual leadership. Essential to spiritual leadership are the key processes of:

1. Creating a vision wherein leaders and followers experience a sense of calling so that their lives have meaning and make a difference; and
2. Establishing a social/organizational culture based on the values of altruistic love whereby leaders and followers have a sense of membership, feel understood and appreciated, and have genuine care, concern, and appreciation for *BOTH* self and others.

Spiritual leadership therefore requires, “doing what it takes” through faith in a clear, compelling vision which produces a sense of calling—that part of spiritual well-being that gives one a sense of making a difference and, therefore, that one’s life has meaning. Vision and hope/faith add belief, conviction, trust, and action to achieve the vision. Thus, spiritual leadership generates hope/faith in the

**FIGURE 1 MODEL OF SPIRITUAL LEADERSHIP**



organization’s vision that keeps followers looking forward to the future. It also requires that an organization’s culture be based on values of altruistic love. This must be demonstrated through leaders’ attitudes and behavior and produces a sense of membership—that part of spiritual well-being that gives one a sense of being understood and appreciated. The dimensions of spiritual leadership and the process of satisfying spiritual needs for spiritual well-being and positively impacting key organizational outcomes are shown in Fig. 1.

**SPIRITUAL LEADERSHIP IN PRACTICE**

Over the last eight years, we have extensively researched our ideas about spiritual leadership theory with hundreds of leaders in over 100 government and for-profit organizations. Here, we offer Interstate Batteries as an example of a company that embraces spiritual leadership and the triple bottom line.

**Interstate Batteries: A Study of Spiritual Leadership, Organizational Commitment and Performance**

Interstate Batteries, founded in 1952, is a leader in battery marketing and distribution

with a network that provides consumers with “Every Battery for Every Need.” It provides more than 7,000 types of batteries for households and businesses. The Dallas-based company has revenues of over \$700 million and holds the largest share of the replacement car-battery market. In 2002, it was the only recipient of the Toyota Excellence Award. The award acknowledged Interstate as a top supplier, based on operational and product quality and support in demonstrating “sustained effort, uncompromising attention to detail, and a commitment to performance excellence.” More than 300 franchise distributors service Interstate Batteries’ 200,000 retail dealers, who provide automotive, commercial, marine/RV, motorcycle, lawn and garden or specialty batteries most anywhere in the U.S., as well as in Canada and select international locations. It also sponsors the highly successful Interstate Batteries Winston cup team and an NHRA Funny Car Team.

The mission statement of the company starts with “To glorify God . . .” It is clear from its mission statement that Interstate Batteries has found a way to incorporate faith and business:

To glorify God as we supply our customers worldwide with top quality, value-priced batteries, related electrical power-source products,

and distribution services. Further, our mission is to provide our partners and Interstate Batteries System of America, Inc. (IBSA) with opportunities which are profitable, rewarding and growth-oriented.

The company is also an active laboratory for the implementation of workplace spirituality through Norm Miller's spiritual leadership, one that we have had the good fortune to study and research in our spiritual leadership program. Norm Miller, Interstate's chairman, is a devout Christian and believer in God's power to change lives. He chronicles his journey in his book, *Beyond the Norm*, which details his beginning as a traveling salesman, his conversion experience, how he turned his will and his life over to God after his third DWI, and how he created Interstate Batteries. In his book, Miller writes, "The bottom line of Interstate is to love people and try to meet their needs, all in the context of top performance and reasonable profitability." At Interstate, Miller and Interstate's workers do not hide their faith (predominately Christian) but, he insists, neither do they want to "cram religion down anyone's throat." There is a corporate chaplaincy program that is available for ministry to employees and customers. Any time employees or visitors gather to eat, there is a prayer. The company sponsors Bible and other spiritual studies before and after work and it maintains an e-mail prayer chain. Employees may elect to have up to five dollars a paycheck deducted for a catastrophic relief fund administered by the corporate chaplaincy. These funds are used to help Interstate employees who need temporary financial assistance. A company library lends employees reading material and videotapes. A monthly pizza get-together hosts spiritual speakers and offers employees free pizza.

We were asked to work with Interstate to help them conduct a study of spiritual leadership to capture and examine any differences in spiritual leadership between corporate headquarters and the growing

number of company-owned distributorships. At the time, only 43 of the over 300 distributorships were owned and operated by Interstate, but the company is pursuing a strategy of owning distributorships. Top management felt confident that there was a high level of spiritual leadership among employees at their corporate headquarters, which is housed in an office complex in north Dallas. They were less sure of the level of spiritual leadership across the distributorships, which ranged in size from five to 27 employees and were scattered throughout the United States.

Our sample consisted of 347 workers employed in 43 company-owned wholesale distributorships who serviced automotive, commercial, marine/RV, motorcycle, and lawn and garden retail dealers and 388 workers at the home office. The three dimensions of spiritual leadership (e.g., hope/faith, altruistic love, vision), two spiritual well-being dimensions (calling/meaning and membership), and organizational commitment and productivity were measured. In addition, two measures of performance were provided from each distributor—percentage increase/decrease in sales and profit.

Referencing the spiritual leadership model in Fig. 1, the averages of the spiritual leadership variables (vision, altruistic love, and hope/faith) were all significantly higher for corporate headquarters employees than those in the distributorships. Headquarters employees also reported being more understood and appreciated than distributorship employees. There was no difference in the level of reported meaning/calling. The findings provided empirical support for top management's view that there was a need to establish a baseline to assess the effectiveness of future organizational development strategies to more closely align corporate and distributor vision and culture.

Our analysis also revealed that meaning/calling and membership explained 13% of distributor sales growth, 94% of an employee's commitment to the company, and 73% of distributorship productivity. Spiritual leadership through hope/faith in a transcen-



dent vision and a culture based in the values of altruistic love positively and significantly influenced spiritual well being and ultimately key employee and organizational performance variables. Distributorships with higher levels of spiritual leadership subsequently had employees who reported higher levels of spiritual well-being through calling and membership (see Fig. 1) that in turn positively impacted organizational commitment, productivity, and sales growth. Spiritual leadership is a significant source of competitive advantage. If sustained and compounded, spiritual leadership would result in a 13% increase in sales growth.

## CONCLUSION

Robert Fulmer, in a recent article in *Organizational Dynamics*, explored what some key leaders are saying and doing to develop leaders who manage their organizations by the triple bottom line. He found near unanimous agreement about the need to develop leaders who are balanced between strong ethical sensitivity and the ability to produce results.

Since customer needs and market conditions can change without warning, the intellectual capital and core competencies required of employees to thrive may change as well. By establishing a compelling vision, purpose, and mission for the organization, management has a major impact on their organization and, we believe, a significant source of competitive advantage. First, the vision directs the focus of the internal assessment of strengths and weaknesses and the external analysis of threats and opportunities. This analysis leads to the strategic action plans and objectives that a firm wishes to pursue. CEOs and managers must also provide employees with the knowledge of how their jobs are relevant to the organization's performance and vision/mission. This understanding is necessary to integrate individual jobs, teams, and business units with the company's vision/mission to successfully implement strategy, and hence, survive and thrive in today's global economy.

Second, when combined with a sense of mission of who we are and what we do, the vision helps shape the organization's culture with its fundamental ethical system and core values. Establishing a culture where the core values represent an organization's "essential and enduring tenets," provides the context for intrinsic motivation and for spiritual leadership. Spiritual leaders make everyone understand that the organization's future is dependent on its reputation and demonstrate perseverance in uncovering problems and finding solutions. Indicators, such as employee commitment, psychological well-being, productivity and retention, reflect how well a firm utilizes human resources. Regular assessment of all employees' well-being and commitment and continuous improvement of employee commitment is also required to link individual, department and business unit efforts in a common and integrated direction.

Like the Level 5 leaders, spiritual leaders build high performance companies that are personal and human with a focus on the importance of the individual; every member feels empowered and responsible for the reputation of the company. The combined experiences of calling and membership result in spiritual growth and well-being from which employees can draw strength and to which they give high levels of commitment. Spiritual leaders are like the Level 5 leaders from Jim Collins *Good to Great* in that they are humble, motivate followers by creating a vision of a long-term, challenging, desirable and different future based on high standards of excellence and high ideals, and have followers who are committed to meeting and exceeding the performance levels required to reach the preferred future.

Finally, in the quest of the triple bottom line, it is important to avoid the negative consequences of a hostile work environment that may result when employers' emphasize a particular religion in the workplace. Religious practices often conflict with the social, legal, and ethical foundations of business, law, and public and nonprofit administration. Imbuing religion into workplace spiri-

tuality can foster zealotry at the expense of organizational goals, offend constituents and customers, and decrease morale and employee well-being. Accentuating the line between religion and spirituality in regards to workplace spirituality is therefore essential. However, as our study of Interstate Batteries demonstrates, it is possible for companies to avoid these pitfalls through such practices as

internal groups or prayer space, on-site chaplains, and through periodic surveys that facilitate openness to spirituality, religion and transcendence in full freedom through adherence to its core values.



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We also present a general process for maximizing the triple bottom line through the development of the motivation and leadership required to simultaneously optimize employee wellbeing, social responsibility, organizational commitment, and financial performance. Enron Corp., Adelphia Communications Corp., Arthur Andersen, Tyco International and WorldCom Inc. are but some of the many scandals that have cast a chilling pall over the way business is conducted.Â Spiritual Leadership Spiritual leadership involves motivating and inspiring workers through a transcendent vision and a corporate culture based on altruistic values to produce a highly motivated, committed and productive workforce. Center for creative leadership. Leadership and the Triple Bottom Line. CONTENTS. Executive summary Highlights Background TBL awareness and importance TBL leadership skills and actions TBL outcomes and advantages Organizational strategy and the TBL Organizational culture and systems supporting or hindering TBL TBL behaviors: At home and at work Tips and resources Bios References. 3 3 4 5 5 7 8 9 11 12 13 13.Â According to leaders, the top three advantages to adopting a triple bottom line approach are increased revenue and market share, increased employee retention, and increased community support.Â Connecting person-al and professional actions through sustainability front enables these leaders to inte-grate home and work values. "If anyone wonders what 'spiritual leadership' means, the answer is clearly and cogently presented in this wonderful book. It includes excellent business examples and directly relates spirituality and the bottom line. Maximizing the Triple Bottom Line through Spiritual Leadership is the next 'must read' book for anyone who takes leadership seriously." â€”Eric B. Dent, University of North Carolina, Pembroke. "It is easy enough to see that personal spiritual values inform the way one leads in business. Co-authored by one of the foremost champions of research and