

Rotary

The Four-Way Test

Ethics and the Four-Way Test

Are you aware of how The Four-Way Test came to be a key element of Rotary?

In 1932, Chicago Rotarian Herbert J. Taylor was a successful businessman at the Jewel Tea food company who was being groomed for the presidency. That same year, a near-bankrupt firm, Club Aluminum Company, approached him and asked him to help revive their business. It was an unusual request. Club Aluminum employed 250 people, had debts exceeding \$400,000 (over \$4 million today), and the country was in the midst of the Great Depression.

In spite of the financial challenges, Taylor resigned from Jewel Tea and joined the troubled business, taking an 80 percent pay cut to become its president. He then invested \$6,100 of his money in the company to give it some operating capital.

Taylor believed strongly that ethical conduct played an important role in relationships. He felt that if the company's leadership and employees were encouraged to think right, they would act right. What was needed was a simple ethical code they could easily memorize and apply to everything they thought, said, or did in their relationships with coworkers, vendors, and customers.

His first effort was a 100-word statement, but he decided that was too long. Making revisions, he reduced the code to seven points (yes, The Four-Way Test was once The Seven-Way Test). Determining that the seven points were still too long, he cut it to four.

For the code's final test, Taylor showed it to his four department heads, who happened to be a Roman Catholic, a Christian Scientist, an Orthodox Jew, and a Presbyterian. They all agreed that its principles not only coincided with each of their religious beliefs but provided an exemplary guide for personal and business life.

And so, "The Four-Way Test" was born.

Of the things we think, say, or do:

Is it the TRUTH?

Is it FAIR to all concerned?

Will it build GOODWILL and BETTER FRIENDSHIPS?

Will it be BENEFICIAL to all concerned?

The question was: Would the test work in the real world? Could people in business really live by its precepts, or was it just words on paper that couldn't be put into actual practice?

One lawyer told Taylor, "If I followed the test explicitly, I'd starve to death. Where business is concerned, it's absolutely impractical."

The attorney's concerns were understandable. An ethical system calling for measuring one's actions on the basis of how they'll benefit others is demanding and can create conflict for those trying to strike a balance between integrity and ambition. The test called for thoughtful examination of one's motives and goals. Its emphasis on truth, fairness, and consideration required a moral diet so rich that it gave some people "ethical indigestion."

Even with the circumstances confronting Club Aluminum, the test became the basis for making all company decisions. For example, when the staff applied it to their advertising, they realized that words like "better," "best," "greatest," or "finest" had to be dropped, replaced by more factual descriptions of the product. Negative comments about competitors were also removed from all advertising and company literature.

The test's ethical guidelines gradually helped Taylor rescue the beleaguered business, and soon the company adopted it as its official policy for all business conduct. Five years later, the firm not only paid off the last of its \$400,000 debt with interest but distributed over a million dollars in dividends to stockholders even as Depression continued.

Today, The Four-Way Test stands as one of the Rotary organization's key components.