



Trends

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Kindness Pays . . . Or Does It?

Rocky Flats, Colorado, wasn't a place people wanted to work at in 1995. But an engineering firm's successful project there is being cited as evidence that a corporate culture rooted in kindness and positive feedback can make companies winners in the cutthroat world of business.

Even before deadly levels of radiation at Rocky Flats prompted an FBI raid and its shutdown in the early 1990s, the former Cold War-era nuclear weapons production facility was the target of union strikes, fierce anti-nuclear protests and intense media scrutiny. Closing Rocky Flats Plant, a multi-building, 3 million-square-foot facility atop a wind-swept plateau 20 miles west of Denver, turned out to be the easy part. The cleanup was quite another matter.

The Department of Energy estimated it would take 70 years and cost \$36 billion to clean up Rocky Flats, originally built in the early 1950s to manufacture hydrogen bombs. But a relative newcomer, Denver-based engineering and construction firm Kaiser-Hill, not only met the Energy Department's estimates, it beat them by 60 years and came in \$30 billion under budget.

The company finished its work in 2005. It turned over the Rocky Flats site, which now is largely a wildlife refuge, to the federal Interior and Energy departments. Since completing the project, Kaiser-Hill has won three other Department of Energy contracts and is a major player among nuclear cleanup companies, says Bud Ahearn, senior vice president of CH2MHILL, Kaiser-Hill's parent company.

Company executives attribute their success to a corporate culture based on using positive strategies to motivate employees and then rewarding and celebrating their victories. Since 1999, CH2MHILL has spent more than \$5 million to put 700 senior managers through a University of Michigan training program that focuses on a philosophy called "positive organizational scholarship," which is based on the idea that by using positive communication, companies can demonstrate superior performance. The company, which puts 120 executives through the program each year, estimates its annual overall training budget is more than \$20 million.

CH2MHILL is one of a number of organizations that are spending training dollars on teaching managers to be kinder and more positive. "Companies are realizing that culture is as important as strategy and that they can't just look at the short term anymore," says Barbara Bilodeau, director of market research and analysis at Boston-based Bain & Co.

Nine out of 10 executives believe that corporate culture is important today as a strategy for business success, according to a recent Bain survey. In the United States, employees rank "senior management interest in employee well-being" as the top driver for employee engagement, according to Towers Perrin. And companies that have focused on creating a positive corporate culture seem to have better financial performance than those that don't, according to the San Francisco-based Great Places to Work Institute.

When looking at stock performance from 1998 to 2006, the 100 companies on Fortune's Best Places to Work list have outperformed the Standard & Poor's 500 by more than 8 percentage points, according to data collected by the Great Places to Work Institute. "Over time there is a cumulative effect that says the 100 Best Places to Work are better financial performers than others," institute co-founder Amy Lyman says. "All of these companies have established trust, which is the glue that helps employees work well with each other."

Yet skeptics are wary of the notion that creating a kinder corporate culture results in a more engaged workforce. "I think that you can have an engaged workforce without applying people-friendly processes," says Bob Eichinger, CEO of Lominger International, a Minneapolis-based subsidiary of Korn/Ferry that specializes in leadership development.

Focusing too much on kindness can result in companies with satisfied employees who aren't engaged, he says, noting that one-third of a company's workforce are typically low-maintenance employees who don't look for social support in their work environment. "They just want to do their jobs and are motivated more by exciting opportunities than bosses who care about them," he says.

Even if creating a kinder workplace results in a more engaged workforce, it's debatable whether that will create better business performance, says Phil Rosenzweig, a professor at IMD Business School in Lausanne, Switzerland, and author of *The Halo Effect*. "I'm not going to say that it's not important to create a positive workplace and try to engage workers," he says. "But it's not a given that companies with an engaged workforce perform better than those that don't. It could be argued that high-performing companies have a more engaged workforce because they are high-performing. "

Disciples of positive organizational scholarship admit that they can't draw a direct line from their business results back to the cultures they have created, but they still believe it's worth the investment. CH2MHILL says its positive culture has allowed it to grow into the international firm it is today—with 19,000 employees, up from 10,500 in 2001, and 2006 revenue of \$4.5 billion, compared with \$2.3 billion in 2001. Executives say employee surveys back up the theory that company culture has been the driver of its growth." Our employees say the top motivator to work is the challenging nature of what we do," Ahearn says. "But the second reason they come to work is the respectful nature of the workforce. Money comes third."

Voluntary turnover is 9 percent, about two percentage points lower than the average of firms in Fortune's 100 Best Companies to Work For, according to the firm. "It's one of those things that is so much a part of us that it's impossible to measure," says Jim Downey, corporate director of learning and organizational development. "It's more a question of, if we took this away, what kind of company would we be?"

Overcoming Mistrust

CH2MHILL executives were clear about the challenges they faced at Rocky Flats when they won the contract. On top of the dangerous nature of the work, there was a huge sense of mistrust among the 5,000 members of the Rocky Flats workforce, says Jerry Long, who started at Rocky Flats in 1998 and became manager of engineering safety, health and quality in 2000.

Previous contractors at the site had operated in a "command and control" style, he says. "It would have been rare for hourly employees to feel that they could go to the company president about an issue."

And the employees were essentially working themselves out of a job. Many of them had worked at the site for years, but when the cleanup was done, it would be closed, says CH2MHILL spokesman John Corsi. Despite the challenges, CH2MHILL kept the workers instead of replacing them with its own people. It was a gesture of good faith, Corsi says.

The company, however, replaced much of Rocky Flats' senior management and some middle management to instill a new culture. At first, many of the changes at Rocky Flats were symbolic. The weekend after the company signed the contract for the site, it demolished a Cold War-era guard shack that employees had to pass to get to work.

The company also tore down a building of executive offices, dubbed "mahogany row," in the middle of the site. Executives then worked on the project floor with the employees, Corsi says. "It was a way of showing that we valued our workforce and were willing to get dirty with them," he says.

To reinforce the new culture, CH2MHILL implemented an incentive program. Both hourly and salaried employees could receive a mix of cash bonuses and units similar to performance-based stock if the project met specific goals and deadlines. The company set an internal stretch goal of finishing the cleanup by December 2005, even though the renewal contract, which the company signed with the Department of Energy in 2000, called for a December 2006 closing.

"We finished in October 2005, which meant everyone got some incentive pay," Corsi says. The company paid out more than \$100 million, or 20 percent of the fee it received for the cleanup, in employee incentives. Within weeks of the new program being launched, there was more brainstorming between workers and managers, Long says.

Because managers were listening to their ideas, workers started innovating on their own, Corsi says. Gary Clark, a steelworker, noticed it was taking too long for workers to take off the heavy lead gloves they used to handle plutonium. Workers would stick their hands in the gloves through holes in a large steel container called a glove box to protect themselves during the work, but taking off the gloves was difficult and they often would tear if they were removed too quickly.

One weekend, Clark designed a new tool that would do it faster, Corsi says. Workers went from removing six gloves an hour to 27. "That guy received a bonus check on the spot," Corsi says. Teams also held parties to celebrate small project wins, a key point in creating a positive culture, executives say.

"We would have barbecues or bagel parties—something we still do today on other projects," says Long, who is now vice president of waste feed operations at the Hanford nuclear cleanup site in Washington state. "It's not about the food; it's about breaking bread with the workers and showing them you care."

Institutionalizing Kindness

In 1999, CH2MHILL realized that it didn't have the leadership capacity to sustain the level of growth it was shooting for, Ahearn says. The company went on a search for a leadership development program that would take into account the corporate values it recognized as the core of its success, he says.

The company found what it was looking for with the Center for Positive Organizational Scholarship at the University of Michigan's Ross School of Business. "Their approach of embracing the desire to not only be the best in the world but the best for the world really spoke to the core of our culture," Ahearn says.

In December 2000, CH2MHILL began putting its most senior leaders through a nine-month leadership course there. The course begins with a four-day program at the university, where CH2MHILL chief executive Ralph Peterson talks about the company's strategy and culture.

"You really get how important positive organizational scholarship is to the company when the CEO shows up and talks for four or five hours about it," says Long, who recently attended the course. During the next few days, instructors—along with the company's senior executives—teach courses incorporating the company's strategy with key positive organizational scholarship, or POS, principles.

The 50 students are given the results of a 360 review completed earlier. But unlike other 360 reviews, these assessments focus more on the positive traits of the employee rather than on the negative, says Kim Cameron, who is one of the founding professors of positive organizational scholarship and helps run the course.

"For the reviews, we ask people who know the employees to discuss a time when that employee performed exceptionally well," Cameron says. "Then we can develop a program based on how that employee can capitalize on what they do well."

At the end of the four-day course, participants get an assignment to complete an action learning project. "They have to do something significant that will take them out of their leadership comfort zone and apply some of the learning to an action that will help the enterprise," CH2MHILL's Downey says. The student is assisted by a sponsor and the relevant business group leader and has approximately eight months to complete the project.

Challenges

Because of a lack of metrics and short-term results, organizations often have trouble getting results-based managers to devote time to creating a positive culture, observers say. "It can be difficult to get managers who are very focused on getting their jobs done to see the value in stopping and taking a few minutes to talk to employees when they walk into their offices just to chat," says Kevin Cashman, president and CEO of LeaderSource, a Minneapolis-based leadership consultancy and subsidiary of Korn/Ferry.

Shaheen admits that this was a challenge for him in the beginning. One of the basics that Shaheen learned when he attended the University of Michigan's course on positive organizational scholarship was how to use personal management interviews as a tool to engage employees. "It was about the need to sit down with your immediate staff one-on-one to catch up with them and set expectations and move on," he says. "The course said it would save me time, but I was skeptical."

Shaheen was accustomed to holding weekly staff meetings with his five direct reports and wasn't convinced that meeting with each one individually would save time. But in the end, Shaheen found that he and his team accomplished more in the individual meetings than they did in the staff meetings. "It causes people to think about what they are going to talk about with you, and so there are less tangents and interruptions," he says. "And the staff really values that face time."

Without hard metrics, however, many experts are skeptical that a rush of companies will embrace the notion of spending money on developing a positive and kinder organization. "These positive workplace models pop up whenever the economy starts to tank," says Peter Cappelli, professor of management at the University of Pennsylvania's Wharton School of Business. "But then the labor market improves and it turns around. No one is worrying about the long term."

A number of companies that don't subscribe to this philosophy do very well, observers say. "Jack Welch is not necessarily a nice person, but people want to work for him," Eichinger says. People want to work at companies like General Electric or a high-stress Wall Street firm because they have a challenging environment with vision, not because they're necessarily kind folks, he says.

Executives at CH2MHILL, however, say they are in it for the long term. The company just held its 22nd course in positive organizational scholarship and recently added a program for new senior hires. "The fact is that this has been our culture for 60 years. But positive organizational scholarship just helps us to understand it," Ahearn says. "It's impossible to make a direct tie between it and business performance, but when it's happening, we feel it."

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