



CH2M HILL: Reinventing Organizational Careers

Karen L. Newman, University of Denver–Daniels College of Business*

In January 2012 Jan Walstrom reflected on the progress she had made in her new role as Chief Learning Officer for CH2M HILL, a large engineering company. With a background in biology and program management, moving to the HR function in July 2010 was uncharted territory for Walstrom. Yet her career was characterized by risk taking, so she accepted the opportunity. And while she was making progress, she had much yet to do. She looked back over the last eighteen months, recalling her assignment, her accomplishments, and the challenges that lay ahead.

THE CHALLENGE

Walstrom's boss, John Madia, Chief Human Resources Officer, and Lee McIntire, CEO of CH2M HILL, had met with Walstrom in July 2010 to describe the problem they wanted her to solve. McIntire observed:

We are not growing our own employees well enough. We have vacancies at the top that we cannot fill because we have not developed our own people. Even in this recession, the external labor market is tight for the kind of talent we need. And it is only going to get worse when the Baby Boomers start retiring.

People from our recent acquisitions have filled many of our top positions, and I am afraid we are losing some of our good employees because they see outsiders getting a preference and blocking paths they might have taken. It's not just a problem near the top of the ladder. Voluntary turnover is increasing among new employees at all levels. When almost 60 percent of our people have less than five years of service and turnover is increasing in that group, we have a problem.

Madia presented the opportunity:

We want you to reinvent career development inside CH2M HILL. We want you to create a climate of continuous learning and development for our employees so that they have career opportunity in the company and so that we have the talent we need internally to staff our key top positions. This will be an out-of-body experience for you, in HR. You have spent your entire career on projects. Now we need you to run a

project for the company rather than for a client, to reinvent career opportunity inside CH2M HILL.

Eighteen months later, in January 2012, Walstrom had made progress, but the problem was multi-faceted, systemic and evolving. She reviewed the process she had used.

From the beginning, I wanted to be sure I was addressing the real problem, not just symptoms of a larger problem, and do it in a way that was consistent with our culture. Initially, I approached the problem with the end goal in mind—to make career paths known to employees and to have employee development opportunities in place so that we could grow our own talent in the future. As time went on, I realized that I needed to have a firmer grasp of the roots of the problem. So far it's turned out to be a balancing act and I have some real questions about the best way to proceed. We live or die by the quality of our people. We have to get this right.

I've come to believe that our lack of home grown executives is due in no small part to the fact that the industry in which we compete moved rapidly in the direction of much larger infrastructure projects during the 1990s. As a small consulting firm, we could not compete effectively for that work because we had not done it in the past and did not have people on staff with that experience. And we could not give people the experience without winning the work. So we targeted strategic hires and acquired businesses that gave us the experience that we lacked. We hired Lee McIntire, our current CEO, from Bechtel for exactly those reasons.

CH2M HILL BACKGROUND

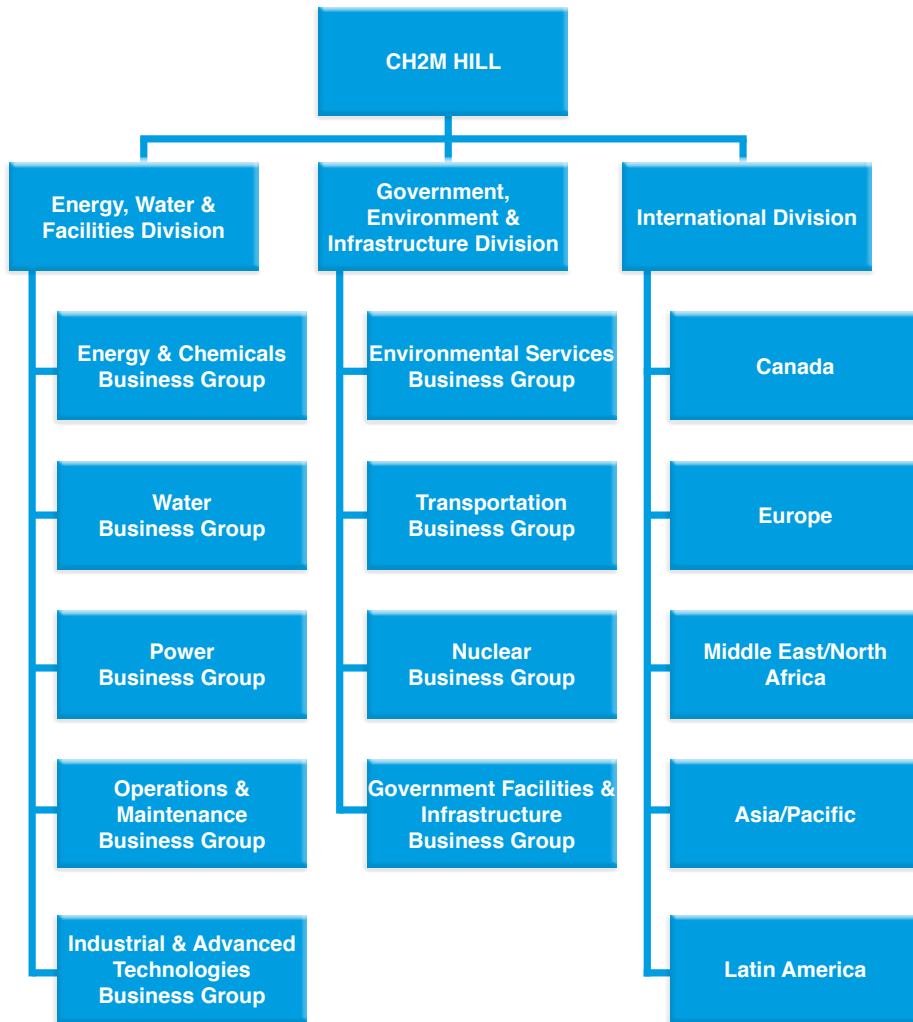
CH2M HILL was a global leader in full-service engineering, consulting, construction, and operations. With three major divisions, over 170 area offices, active work in more than ninety countries, nearly 30,000 employees and about \$6 billion in revenue in 2011, CH2M HILL was a complex, diversified firm (See **Exhibit 1** for a high-level organization chart).

Founded in 1946 by an Oregon State University engineering professor and three of his former students, the firm of **Cornell, Howland, Hayes, and Merryfield** quickly became known as **CH2M**. The 1971 merger of CH2M with Clair A. Hill and Associates created CH2M HILL (See ch2m.com for additional historical detail).

After almost two generations of steady growth, CH2M HILL promoted a twenty-five-year veteran employee, Ralph Peterson, to CEO in 1991, ushering in eighteen years of rapid growth and diversification. The firm ballooned from 6,000 employees and revenues close to \$1 billion in the early 1990s to over 23,000 employees and revenues of about \$6 billion when he retired in 2009. Most of the growth came from acquisitions, the largest of which were the 2003 acquisition of Lockwood Greene and the 2011 acquisition of Halcrow (See **Exhibit 2** for growth data and **Exhibit 3** for a time line of acquisitions, other key events, and the background of key staff).

Before Peterson's tenure, the company was in the consulting engineering business, focusing on water and environmental projects. It had grown organically and not hired top-level people from outside. Peterson saw the industry moving to more comprehensive firms that could also design, build, operate, and maintain facilities, in addition to consulting on the projects. He led a change in CH2M HILL's strategy to become a comprehensive firm through strategic hires at higher levels and strategic acquisitions to add capabilities.

Exhibit 1: Top Level Organizational Structure of CH2M HILL



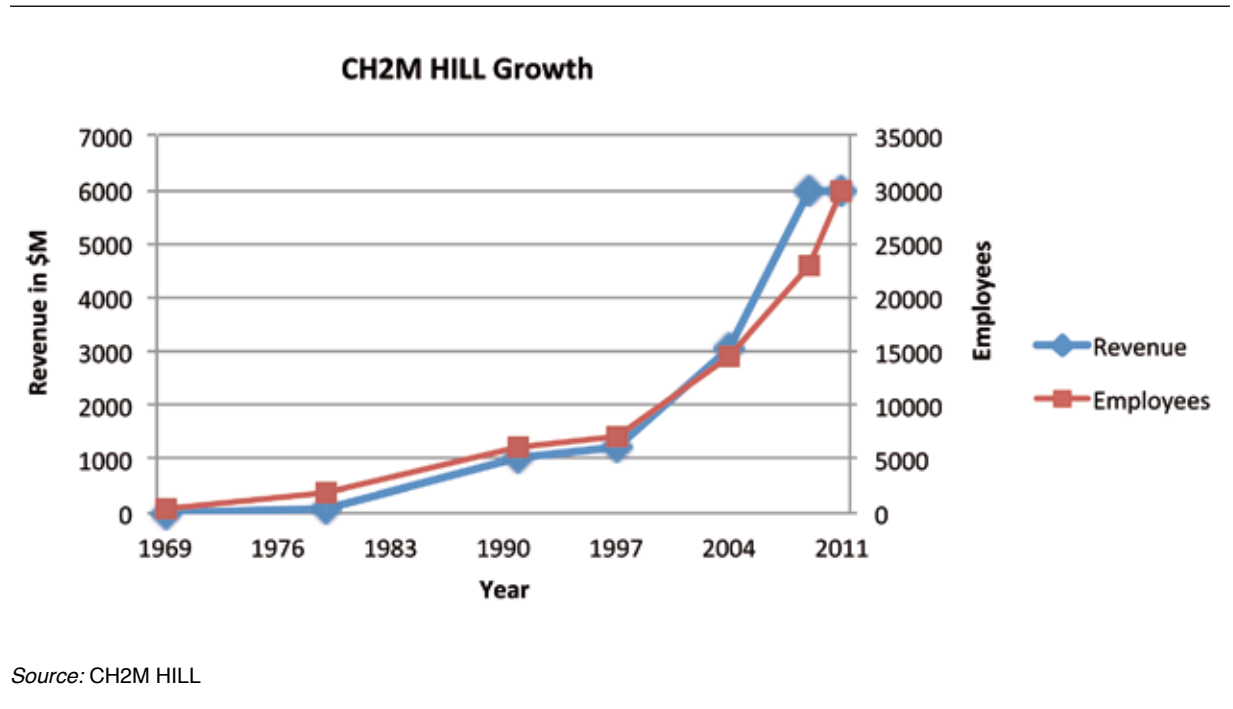
Source: CH2M HILL. Within each business group is a matrix organization to support project-based work.

The CH2M HILL culture was embodied in *The Little Yellow Book*, penned by Jim Howland in 1982. The book itself reflected the corporate culture—unassuming, egalitarian, and empowering. There were no assigned parking places; dress was informal; there was no executive dining room; and offices were simple, similar and small. Everyone was on a first name basis, including the CEO. Since its writing, the 4" x 5½" booklet had been distributed to every employee in hard copy (See **Exhibit 4** for excerpts and a copy of the book's cover.)

THE INDUSTRY

Companies in the engineering services industry plan, design, construct, operate and maintain industrial and government facilities. These companies provide feasibility studies, preliminary and final plans, and technical services during the design stage of a project, as well as actually completing the project. In 2012, the \$183 billion industry was primarily made up of small firms—about 75 percent of all firms employed fewer than ten full time people (ibisworld.com). The largest firms in the industry were Bechtel Group (2011 revenue of \$32.9 billion, privately held), Fluor (2011 revenue of \$23.4 billion, publicly traded), and Jacobs Engineering (2011 revenue of \$10 billion, publicly traded). Employee-owned CH2M HILL, at \$6 billion in revenue, was large by industry standards but smaller than the industry's largest firms. The company listed its main competitor as UBS, a \$9.5 billion dollar publicly traded firm. Each of these firms offered a full range of engineering, design, construction, maintenance, and operating services.

Exhibit 2: CH2M HILL Growth in Revenue and Employees



THE WORK AT CH2M HILL

CH2M HILL's work reflected four broad capabilities. First, it did **consulting** work (its historic roots) that could run the gamut from fairly hands-off to significant involvement in project design. Second, it did **design-build** work which went beyond consulting and included actual construction management of projects. This capability was established organically (from within) in 1984 and enhanced in 1997. Third, it did **operations and maintenance**, which, as its name suggests, involved engagement with a project after its completion and included a number of engagements on projects built by a different firm. This capability was established organically in 1980. Finally, it did **program management** that could involve multiple firms over many years and oversight of the other three activities.

These four capabilities were not evenly distributed across all business groups. For example, operations and maintenance was concentrated in that business group. Project management was found in every business group. The water business group was the legacy business and had the highest concentration of consulting work. Employees' careers usually unfolded in one business group if they were technical specialists. Project management careers most readily transcended business groups.

The firm's culture valued agility and demanded that people be able to cope with change and ambiguity. On-the-job problem solving and innovation were the norm. As noted in *The Little Yellow Book*, decisions were pushed down to the lowest possible level. Projects often required long hours, hard work, and real time adaptability; to the point that some employees felt they could use more clarity and direction in their jobs. (See engagement survey data in **Exhibit 5**.) Historically CH2M HILL had been a lean organization with few levels of management, though as it grew there was more need for coordination, hence more central management.

Job Flexibility, Meaning, and Satisfaction

The flexible, fluid work environment was an advantage when recruiting new employees and the firm's engagement survey data suggested a fair amount of satisfaction with workplace flexibility (Exhibit 5). Potential employees were attracted to CH2M HILL because of its "undeniably cool projects" and its "make the world a better place" work (ch2m.com). The vast majority of its professional employees were engineers and scientists who spent their entire careers working on projects. Some of them had rare and esoteric skills. As most were college-educated and working sometimes in remote locations, supervision was minimal with a great deal of individual autonomy and empowerment.

Assignments that were particularly attractive to young scientists were also the heart and soul of the company, including clean water projects, hazardous waste cleanup projects, building ports and running scientific installations for governments around the world. Employees felt they were making the world a better place through their work. As Walstrom said, "We are attracted to the work itself and to the benefits we can bring to communities worldwide, though our work."

Exhibit 3: Timeline of Change and Growth at CH2M HILL

- 1946 Founded as CH2M
- 1969 \$6.2 million revenue, 310 staff
- 1971 **Merged** with Clair A. Hill and Associates, becomes CH2M HILL
- 1977 **Acquired** Black, Crow, and Eidsness allowing national U.S. coverage
- 1979 \$95 million revenues, 1,800 employees in the U.S. and Canada
- 1980 **Organically** added Operations and Maintenance business
- 1980 \$125 million revenues, 1,800 employees in the U.S. and Canada
- 1984 **Organically** added Industrial Design business
- 1987 \$330 million revenues, 3,400 employees
- 1990 \$500 million revenues
- 1991 Ralph Peterson tapped as CEO, beginning third generation of leadership
- 1992 “New blood” hiring begins with Bud Ahearn in high-level position
- 1994 More new blood hired: CFO who championed all employee ownership rather than key execs
- 1995 **Acquired** Gore and Storrie, Canadian consulting engineering firm
- 1995 \$1 billion revenues
- 1997 **Organically** added CH2M HILL Constructors, Inc., to enter construction business
- 2000 **Acquired** Hanford Group from Lockheed Martin (nuclear business) 1,400 employees
- 2001 **Acquired** Gee and Jensen (200 employees) with ports and cruise industry expertise
- 2003 **Acquired** Lockwood Green (\$600 million in revenue, approx. 2,500 employees)
- 2003 \$2.7 billion revenues
- 2007 **Acquired** VECO, oil services firm (\$900 million revenue, 4,000 employees)
- 2007 **Acquired** Trigon EPC, oil and gas services company (320 employees)
- 2011 **Acquired** Halcrow, London global transportation engineering (\$750 revenue, 7,000 employees)
- 2011 **Acquired** Booz Allen Hamilton; State and Local Government Transportation Practice

Key Staff Background 2012

Outside Hires	Acquisitions	Home Grown—Legacy
CEO	Power	International
Finance	Nuclear	Water
Legal and Ethics	Transportation	Corporate Affairs
Human Resources	Industrial and Advanced Tech	
Operations and Maintenance	Government, Environment, and Infrastructure	
Energy, Water, and Facilities		
Environmental		

Sources: CH2M HILL: *Building a Better World 1946–2009* (in-house publication), ch2m.com, and linkedIn.com.

Exhibit 4: Excerpts from *The Little Yellow Book*

A good test to determine if a contemplated action is ethical is to ask, "Would I want to see it in the headlines tomorrow morning?"

Avoid position perks such as parking spaces reserved for individuals, thick rugs, swivel thrones, and oversized offices.

The one-page memo is the most effective form of written communication. The number of memos set aside and lost increases as the square of the number of pages.

Let's everybody be generous.

The person closest to the action has the best chance of making the right decision—if the person is properly informed of the firm-wide implications.

Integrity is the all-important prerequisite to employment.

No matter what the organizational structure, if the people in it want it to work, it will.



The Little Yellow Book cover

Comments posted on glassdoor.com¹ were illustrative of how employees felt about working at CH2M HILL.

Overall, flexibility is good. Work-life balance is encouraged and supported through things like flexible working schedules. Supervisors' primary concerns are getting the job done, and they give me latitude to figure out how to get there.

I've always benefited from the flexible work schedule that CH2M HILL prides itself upon. This flexible work schedule provides me the ability to better maintain and manage my work-life balance.

The work is diverse and should you desire more variety, a change in project or venue is easy.

The work is interesting and engaging and I enjoy colleagues both within my business group and throughout the firm.

We have lots of very smart folks who will work hard to achieve clients' goals.

Walstrom noted,

CH2M HILL is a welcoming employer at all ages and all levels of activity. No one is pushed out the door as long as they are contributing. But you have to take the initiative around here. For example, our Emeritus Program allows long service employees to stay engaged in our work if they want to, for as few as one hundred-hours a year. It is our version of a flexible retirement program. But under the current system, Emeritus employees need to find their own projects. Some people do not sign up because they don't know how to let others know they are available.

Exhibit 5: Employee Engagement Survey Results: 2010

Category of Engagement	Percent Satisfied or Very Satisfied	
	0–2 Years of Service	3–5 Years of Service
Job Expectations	47.6	57.4
Growth and Development	56.2	56.3
Opportunities for Advancement	39.6	36.2
Teamwork	55.1	59.6
Resources and Support	67.3	71.1
My Manager	66.7	63.3
Recognition and Reward	59.7	59.0
Involvement	61.8	62.6
Clarity of Direction	49.6	45.2
Pride about Employment at CH	64.6	68.8

Source: CH2M HILL 2010 Employee Engagement Survey

Projects, Promotions, and Pay

When asked what they liked about CH2M HILL most employees mentioned the nature of the work itself. Remediating hazardous waste sites, developing water treatment facilities, and planning and executing the London Olympics were meaningful, challenging opportunities. However, several employees commented on the downside of the project structure via glassdoor.com:

People are left to find their own work. This means you have to have a large network within the company and constantly be seeking out projects to work on. If you can't find work or have trouble being the go-get-em kind of person, you'll have a tough time here.

Like many project oriented companies, there are not clear promotion pathways or career development opportunities—it helps tremendously if you can find your 'angel mentor(s)' to support you as you progress through the organization.

(It is) difficult to cross over to different business groups and other positions within your own business group. (People are) very easily 'pigeon holed' into certain positions.

(There is) little or no career development or support.

There was also some concern among more junior employees about pay and the performance-reward link. The recession of 2007–2008 had caused a downturn in business which led to cost cutting. There seemed to be some underlying concern about how bonuses and raises were determined and how the best performers were rewarded, or not. One person on glassdoor.com said

Poor performers are often not dealt with expediently and linger in the system until such time that work gets low, and then they may or may not be laid off first. However, if work is going strong for four years, you may have to deal with poorly performing coworkers for four years since even the poor performers make the company money. Differences in employee productivity can easily be 5:1 between the Jedis [the best performers] and the non-Jedis. There is however, no difference in pay.

Several other people voiced frustration with raises on glassdoor.com:

There were no incentives to work hard, go the extra mile, or take on challenges. Raises for the top performing mid-level engineers were approximately 4–5 percent per year. Raises for the average performers, e.g., just showing up for forty-hours per week, were in the 3–4 percent range per year.

Average compensation and benefits, with minimal percent increase salary adjustments, even with high performance.

Good initial pay and benefits, positive work environment, flexible schedule but raises are small, and far apart. Basically you will be earning the amount they hired you on for.

Employee Orientation and Socialization

The culture at CH2M HILL did not include a lot of new employee orientation and socialization. Nor did it include rotational or training assignments. Employees were expected to be independent problem-solvers who could hit the ground running. For this reason, CH2M HILL did not routinely hire employees right out of college,

preferring instead people with work experience. New employees were usually hired onto a specific project and began work immediately.

Karen Hancock, a CH2M HILL project director, said the hiring process was often compromised:

Our onboarding process is broken. Thirty percent of the time a new employee shows up and everything goes wrong: The facilities people don't have an office ready; IT doesn't have equipment ready; and the hiring manager is not in the office. Nobody knows the new employee is coming. The vast majority of our managers hire one person or less per year. And we have completely decentralized onboarding to the hiring manager. One of them told me it took eleven different requests to get a new employee's IT equipment organized.

Because the company was working on projects around the world that were all going to end within a few years, there was little in the way of geographically based networking or support. And because new employees were not hired as a cohort, there was little opportunity to develop networks with fellow hires. In addition, the company's intranet was not equipped to facilitate social networking, communities of practice, or geographic communities.

Walstrom observed that the younger generation seemed to want more early orientation and training as well as ongoing feedback, guidance and mentoring. Yet the corporate culture was more about autonomy, agility, and immediate productivity. Walstrom wondered if the culture could be shifted enough to support new employee orientation, socialization and career development, or if they needed to change their hiring criteria toward more independent, experienced people.

Project Organizational Structures

Though CH2M HILL was organized into three business groups—Energy, Water and Facilities; Government, Environment and Infrastructure; and International (Exhibit 1), work was accomplished via matrix-based projects that ranged in duration from a few months to several years. Each business group included staff in several disciplines or areas of functional expertise (e.g., geologists, civil engineers, chemists). Each business group was its own matrix organization, staffing and re-staffing projects as necessary. Some projects involved two or more business groups in or outside the U.S., which complicated staffing. For example, when a water project was undertaken in North Africa, the Water Business Group had responsibility for the technical work while the international division undertook local staffing and local government relations.

There was no fully functioning systematic process for project reassignment. New employees were hired onto specific projects within a business area, not into the business area first, to be assigned to a project later. As such, some new employees identified with their project more than their business group. And the transition from the first project to the second project was a crunch point. Though the firm had an internal people-project matching system, it did not work well because information was not kept up to date. New employees with good networking skills, those with a mentor and those with visible roles had little difficulty transitioning from one project to another. Those with fewer networking skills, without a mentor, or with more isolated roles had a more difficult time transitioning. The vast majority of employees worked on projects and most chose to stay within their discipline rather than go into management.

Walstrom noted another perverse feature of the culture. She knew from her own experience that sharing employees across businesses and functions had to be part of any career development system so that people could learn more systematically from a variety of on-the-job experiences. Yet, as she noted, this was not happening:

Innovation sharing is part of our culture, but talent sharing is not. Most people are reticent to share the best talent, understandably. But if career development is to take off, if we are to develop our own people internally, we have to share talent. It will require a culture tweak and a change in the way we measure people and projects. Our current measurement system does not specifically measure and reward talent sharing. As you know, what gets measured gets done.

EMPLOYEE DEMOGRAPHICS AND TURNOVER

CH2M HILL had an age distribution of employees that was more heavily weighted toward Generation X (born between 1965 and 1980), than the population as a whole. As shown in **Exhibit 6**, employees were fairly evenly split between the Baby Boomer generation (born between 1946 and 1964) and Gen X, each accounting for about 43 percent of full-time professional employees. Millennials, born after 1980, accounted for about 11 percent and the remaining two percent were in the older traditional generation (born before 1946).

Walstrom believed her most immediate concern was the increasing rate of voluntary turnover rates among newly hired employees. Though nearly 90 percent of employees were over age thirty, 50 percent were also recent hires with five years or less at the company (Exhibit 6). The fact that turnover was high in this large group was worrisome. Walstrom expressed her concerns:

It doesn't matter that our overall turnover rate is not out of line with industry averages. What matters is that it is happening, to a very large degree, among experienced people who were hired specifically to bring their skills to the company and who we hoped would be the leadership of the future. And our turnover rate is increasing.

We do a terrific job retaining people who have been here for more than ten years. Voluntary turnover is less than five percent per year in that group. For our new employees it's a different story. Our voluntary turnover in the group with five years or less tenure is nearly 13 percent per year (**Exhibit 7**). And almost half of our voluntary turnover in the entire company comes from those with less than one year of service. It's a problem throughout the industry but we aspire to a higher standard. It's costing us more than \$10 million every year, and that doesn't count the value of expertise that walks out the door. That's just hiring and initial orientation costs.

Exhibit 6: Generational Cohort and Years of Service Distribution of Full Time Non-Craft Employees in 2010		
Cohort:*	N	Percent
Traditionals	334	2.4
Baby Boomers	6,175	43.5
Gen X	6,145	43.3
Millennials	1,550	10.9
Years of Service		
0–2	4,642	32.7
3–5	3,631	25.6
6–10	2,546	17.9
11–20	2,261	15.9
20+	1,124	7.9
Total	14,204	
*Millennials born 1981–1999; Gen X born 1965–1980; Boomers born 1946–1964; Traditionals born before 1946.		
<i>Source: CH2M HILL</i>		

She continued reading results from her retention data and the latest information from exit surveys and engagement surveys.

The biggest reason these new hires give for leaving is dissatisfaction with advancement opportunities and our lowest marks on the employee engagement survey are satisfaction with advancement opportunities, clear direction, and clear job expectations (Exhibits 5 and 8).

The company recognized that turnover was higher among Millennials than other generations. Its web site made the following reference to turnover:

Our turnover rate numbers are near those of other companies in our industry. Our greatest generational turnover rate occurs among Millennials, who are generally defined as those born between 1981 and 1999. We understand that companies across a wide range of industries also face challenges in attracting and retaining Millennials. To develop the most diverse and inclusive work force possible and stem this concerning and expensive turnover trend, we have designed engagement and mentoring programs to assist people who are new to their career or the industry. One example is JuMP Network (Junior and Mid-level Professionals). JuMP was established in 2007 and seeks to foster a culture within the North America Water Business Group that invests in developing the future leaders of CH2M HILL; maximizes the potential of junior- and mid-level staff; understands and bridges generational gaps; and enhances morale and retention.

Exhibit 7: 2010–2011 Voluntary Turnover

		Percent Turnover	
By Years of Service		2010	2011
	0–2	12.8	15.1
	3–5	8.3	10.1
	6–10	4.3	4.9
	11–20	3.1	3.7
	20+	2.3	2.6
By Generation			
	Millennials	11.7	12.3
	Gen X	9.8	9.3
	Boomers	6.3	5.0
	Traditionals	5.1	9.6
Years of Service versus Generation			
	0–5 Years of Service—all	10.9	12.7
	0–5 Years of Service excluding Millennials	10.5	12.3
By Gender*			
	Men	10.3	12.1
	Women	9.0	8.9

*Includes all full time employees, including craft. Source: ch2m.com.

Source: CH2M HILL voluntary turnover of non-craft, full time employees, 2010 and 2011.

Interestingly, even though the JuMP program was widely viewed as valuable, it had not spread to other business units because of the culture of not sharing talent or initiatives relating to talent management.

One employee offered this explanation for turnover on glassdoor.com:

The main reasons for this (turnover) are no clear path for transition from junior to senior engineer and poor performing employees who are not dealt with.

There are few middle tenure people here, people with five to twelve years of service. The company consists of lots of junior folks with less than five years of experience and senior folks with more than twelve years. As such, the path for progression from junior to senior is not particularly well laid-out. Senior folks who, in part, are responsible for career development do not and cannot actively lay out a path.

Walstrom spoke for others in her generation.

My cohort, those who have been here twenty to twenty-five years, thrives on the very cool projects we do. The newer, young hires are even more motivated to build a better, more sustainable world. They crave challenge and newness and are more willing to leave the company than we were in order to find more challenge. They are less interested in doing several similar projects in a row. They want novelty, challenge, and learning. One of our challenges is to show them the value of repeating similar projects and how it can lead to career advancement. Turnover is highest in this group, about twice as high as turnover among Boomers, and growing. We don't quite have a handle on how best to motivate and retain them in a way that helps us build our capabilities as a company.

Though we still think of ourselves as a career employer, the fact is that only 20–25 percent of current top management was promoted from within. The others are from acquisitions or from outside organizations. The fact that so few of our top team members were promoted from within and that we have vacancies at the top for months while we look for the perfect candidate tells me that we are not developing our more seasoned employees either.

Exhibit 8: Exit Survey Data: 2011		
Question	Percent Favorable	
	0–2 Years of Service	3–5 Years of Service
I was given the mentoring or coaching I needed to do my job effectively.	43.6	43.4
I was satisfied with my advancement opportunities at CH2M HILL.	35.5	28.7
I had the training I needed to do my job effectively.	50.4	48.7
I was satisfied with my opportunities for professional growth and development.	43.7	41.8
My department had an inclusive environment in which different perspectives were valued.	51.6	54.8
Number of respondents	640	421
<i>Source: CH2M HILL exit surveys, 2011.</i>		

GROWTH AND CULTURAL CHANGE

As the company grew, it changed. An employee-owned firm from the beginning, it had a family-like, employee-centered culture until early in the 2000s. As the firm grew through acquisitions, it moved away from being a group of owner-engineers to being run by managers who had little history with the legacy company. Several employees posted on glassdoor.com:

There was a time when CH2M HILL was like a large family. The idea of employee ownership was paramount. Over the past five years this idea has been replaced with a top down organization. Outside management has replaced those who built the company.

Transforming to being a large corporation has resulted in a loss of CH2M HILL's family feel.

People at the top have no idea what *The Little Yellow Book* is.

Growth also led to more standardization and greater need for coordination. Prior to the mid 2000s, newly acquired firms were usually allowed to keep their structure, processes and culture, being treated more like subsidiaries than part of the firm. In some cases even systems were left intact (e.g., payroll, pensions, performance appraisal, control). In the early 2000s, though, it became clear that this arrangement would no longer work. Walstrom recalled:

We had too many systems, too many inconsistencies, and we were not getting the synergies we needed. We had to start integrating, rationalizing, and standardizing. As we got bigger, we became more bureaucratic, even though it runs counter to our decentralized project culture.

Finally, rapid growth and strategic change affected career opportunities in the company. Walstrom recalled her early years at CH2M HILL:

When Peterson took over he transformed the company to a full service engineering organization over a period of years. Before the transformation, which began in the mid 1990s, we were very discipline focused, building expertise internally in our main businesses, water and environmental work. We were smaller and less complex, we grew from within and we promoted from within. We had very clear career guidance, development, and promotion paths. We competed for business based on our expertise so considerable resources were devoted to training and development in order to be the best.

When we changed our focus to be more comprehensive and client-focused, our career development activities took a back seat. And we started hiring new blood at mid and upper levels for their expertise in the new areas of activity—design, and construction in particular. And of course we began integrating people from acquired companies at all levels, people who had come to us with very different backgrounds than long-term CH2M HILL employees had. As a result, our formerly clear career paths became vague and shifting. We put a lot of energy into finding the right companies to acquire and our internal development of employees suffered.

Others agreed via glassdoor.com.

Top management is full of people from outside the company . . . which leads to disconnect between management and those doing the work.

Pathways to career advancement can be extremely limited. . . . I noticed a distinct preference for external hires as opposed to promotions from within.

They seem to bring in management from outside so getting promoted into a management position is limited, and I feel very rare.

CAREERS AT THE TOP

Most CH2M HILL employees chose to stay in their technical discipline and work on projects for their entire careers. Promotions were possible within the discipline on a professional track without having to go into management to advance. Until Ralph

Peterson's tenure the company had promoted exclusively from within yet not in a rigid, proscribed fashion. It had been opportunistic and flexible with promotion practices which served its business needs well but probably made career paths more opaque to lower level employees. The firm did not hire in cohorts, nor did it have a set of favored schools from which it recruited. Promotions were based on performance and potential, not seniority or educational attainment, as was the case in other firms.

Careers at the firm were flexible and fluid, and the company was willing to look in unusual places for talent. Jan Walstrom's own career path illustrated these patterns, as did the careers of two recently retired senior employees, Nancy Tuor, and Bud Ahearn.

Walstrom's background embodied much of the old CH2M HILL culture, structure, and career opportunity as well, though her career played out differently than Tuor's. As she was re-inventing career development within the company, she found herself reflecting upon her own career.

Jan Walstrom

Walstrom began her career with the Oklahoma Water Resources Board in 1985 after doing graduate work in biology. She quickly became the project manager for a very complex toxic cleanup site, Tar Creek. Having no experience or training in project management, intergovernmental relations, or community relations, she dove right in. She reported to a governor's task force so the job had very high visibility. "I learned to be agile. It was trial by fire. The nature of the project required that we begin with the end in mind and that is a lesson I have carried with me to this day."

After a stint at a competitor, Walstrom was hired by CH2M HILL in 1992 and was quickly asked to take an operations position rather than a project or program manager position that would have built upon her Oklahoma experience. When she reminded her soon-to-be boss that she had no operations experience, he commented that she was there to lead a team. He would teach her how to manage the P&L. Once again, with no experience or knowledge, she plunged into a new assignment, leading a region that was doubling in size every two years. She recalled:

By 1999 I was in the top position in the southeast region in the environmental business. I had 500 people in my organization and the business was still growing rapidly. In March of 2003 I was asked to come to Denver to help close the Rocky Flats hazardous waste remediation site. There was no specific job for me. The people in charge of Rocky Flats just knew they needed someone with my skills in building and leading teams and projects.

Once again, she found herself in a new position about which she knew little. While she had plenty of project and program management experience, she did not know anything about nuclear hazards and cleanups. She was reminded again that she was there to build a team, not to be a nuclear expert.

By December of 2005 the cleanup was complete, years ahead of the government's predicted schedule. In March of 2006, she was asked to go to London to be part of the leadership team to pursue winning and managing the 2012 Olympic infrastructure and venues build-up. She admitted, "I needed an international stripe on my sleeve. I had the right credentials."

But Walstrom's career hit a wall in early 2007. Her chronic illness (rheumatoid arthritis) flared up badly, and she had to return to the U.S. for medical treatment. The company was not expecting her. "The chessboard did not have me moving back to

the U.S. at that point.” Yet one of her mentors, Nancy Tuor, helped her find a role as Senior VP of Program and Project Management, her first corporate position.

In July 2010 John Madia approached Walstrom to head up Learning and Development for the company. Though she did not have much background in HR, she accepted the assignment as a learning opportunity.

Reviewing her career so far, Walstrom was proud to work for CH2M HILL and to have experienced a high level of career success with the company. She recognized that although her accomplishments were due in large part to her own tenacity and ability to perform well in high profile assignments, they were also supported by having mentors and champions along the way, as well as the luck of being in the right place at the right time.

Nancy Tuor’s career was emblematic of CH2M HILL’s willingness to look in unusual places for talent and to balance high profile positions with less visible assignments that, in their own way, helped develop new employee skills.

Nancy Tuor

After graduating from Portland State University, Tuor started her career in the 1970s as an administrative assistant in a small engineering firm. “The most significant obstacle I overcame in my career, especially in the beginning, was being a non-engineer in an engineering firm.”

When she joined CH2M HILL, her trajectory moved toward project planning. She served in a variety of leadership roles over the next twenty years, including being part of the team that established CH2M HILL’s environmental business in the 1980s and overseeing marketing, operations, and financial results for the five-state region in the southeast U.S.

Tuor’s signature position was as head of the decommissioning, cleanup, and closure of Rocky Flats, the first large nuclear weapons facility to be cleaned up and closed anywhere in the world. She recalled this memorable assignment:

Rocky Flats was the assignment of a lifetime. I worked with angry employees who were going to lose their jobs at Rocky Flats as well as an amazing array of highly technically trained staff on our side. I learned more about conflict management and creative problem solving than I ever thought possible. The ten-year, \$7 billion project converted an environmental liability into a community asset. Our team completed the project in about 1/7th the government’s estimated time and less than 1/5th the government’s estimated cost. We were fortunate to be recognized with numerous awards for our efforts.

Prior to this position, Tuor had focused more of her career in the wastewater area. She knew nothing of nuclear cleanups but was asked to do the job because of her leadership and project management skills.

Following this very high profile assignment, Tuor moved to corporate headquarters as Vice Chair of the Board, in charge of strategic planning, governmental affairs, strategic communications, and technology commercialization. This fluid position, out of the spotlight, allowed her to contribute in a different, lower visibility way, consistent with her skills.

Her next position was back in the spotlight, as project director for MASDAR, the carbon neutral city in the Middle East. She then returned to headquarters as President of the Sustainability business before announcing her retirement in 2012.

The first new blood to be hired at a very high level by Peterson was Bud Ahearn, a retired Air Force general. Though his career at CH2M HILL was shorter than Walstrom's and Tuor's, it also embodied the flexible, fluid culture at CH2M HILL.

Bud Ahearn

Ahearn was hired in 1992 after a thirty-four-year career in the Air Force, the first of Peterson's external hires. As an Air Force officer, he had worked with CH2M HILL, a contractor and consultant for projects he was managing. When he retired from the Air Force, he said, "It was natural for me to seek out CH2M HILL. I had an interest in innovation and growth shared by Ralph Peterson, Nancy Tuor, and others. A lot of us liked doing big, exciting projects."

Ahearn began his career with CH2M HILL in a corporate position, strategic planning. His philosophy was to never "print the plan" but to hand it off as soon as possible to give more people input. After three years in that position he became an operations leader in the Northeast Region, then moved back to headquarters as the Group President of Transportation. These two line responsibilities gave him cross-business exposure in the regional job and more in-depth business exposure in transportation. He explained his approach to his career as, "Do it better than anyone has done it. When I felt like I was getting flat in the job, I gave it up."

After his stint as Group President, he became Vice Chair of the Board from 2002 to 2007, a position that Tuor held after Ahearn. In this fluid role, he took on a number of assignments that matched his skills and interests with company needs. Perhaps the most important of these was as the customer liaison for the largest U.S. Army relocation in history. Taking place in Korea, this project benefited from Ahearn's military experience that gave him a unique perspective and significant credibility with the Korean government, contractors, and population.

Finally, as Ahearn was winding down his full-time career, he held a position called Director of Human Capital Initiatives, another fluid position that allowed him to use his passion for leadership and human development internally and externally. Internally, he forged a relationship with faculty at the University of Michigan that led to 600 CH2M HILL employees undertaking executive development courses there. Externally he engaged in the greater Denver community's STEM (Science, Technology, Engineering, and Math) education initiatives in K–12 schools. Ahearn continued to be engaged at CH2M HILL after relinquishing his formal responsibilities, through its Emeritus Program for retirees. Ahearn reflected on his career:

I have found that dexterity and diversity have been important features of my career—the ability to move and adapt on the one hand, and a wide variety of experiences and people with whom to work and from whom to learn on the other hand. It's been a satisfying and productive career. I feel respected by the company and I respect the company deeply.

DOING THE GROUNDWORK FOR REINVENTING CAREER DEVELOPMENT

Walstrom's charge from Madia and McIntire was to reinvent employee career development at CH2M HILL. In their charge to her, they cited two bits of evidence that career development needed reinvention—increasing turnover particularly among new hires, and lack of qualified internal candidates for top positions. Neither problem had

been solved by early 2012, but Walstrom had been busy for the last eighteen months doing the necessary groundwork and now was poised to move forward.

Understanding the Problem

Walstrom had gathered and verified a good deal of data during the previous eighteen months to help her develop a thorough understanding of the situation:

- **Voluntary turnover rates for 2010 and 2011:** Increasing and concentrated among new employees, despite the recessionary business climate. Though turnover was not high by industry standards (according to one HR professional it was about average), CH2M HILL aspired to a lower level of voluntary turnover than industry averages.
- **Composition of top management:** Fewer than 25 percent were legacy CH2M HILL employees.
- **Costs of turnover:** Staff estimated over \$10 million per year in hiring and new employee orientation costs alone.
- **Reasons for voluntary turnover:** Exit interviews pointed to perception of little opportunity for career advancement (**Exhibit 8**).
- **Employee satisfaction:** Based on biennial employee engagement surveys, lowest satisfaction was with advancement opportunities and clarity of direction on the job.

Based on her research, Walstrom had satisfied herself that careers did need to be reinvented and that the most pressing problem was with new employees. She had already set in motion a number of initiatives to help make that a reality.

Implementing a New Structure

Walstrom's first task was to breathe new life into the Learning and Organizational Development function that she inherited. She saw her task as creating a learning and development culture in CH2M HILL such that people would choose to learn every day. Her function had three entities, talent engagement and development (career development, engagement and retention, organizational development); curriculum and program content (leadership and business training); and learning systems support (events, technology platforms, vendor relations). She created a board of advisors from the business groups to ensure that the programs she offered met the needs of their businesses and to help change the image of her organization from "training is a paid vacation" to "learning is a vital part of every day."

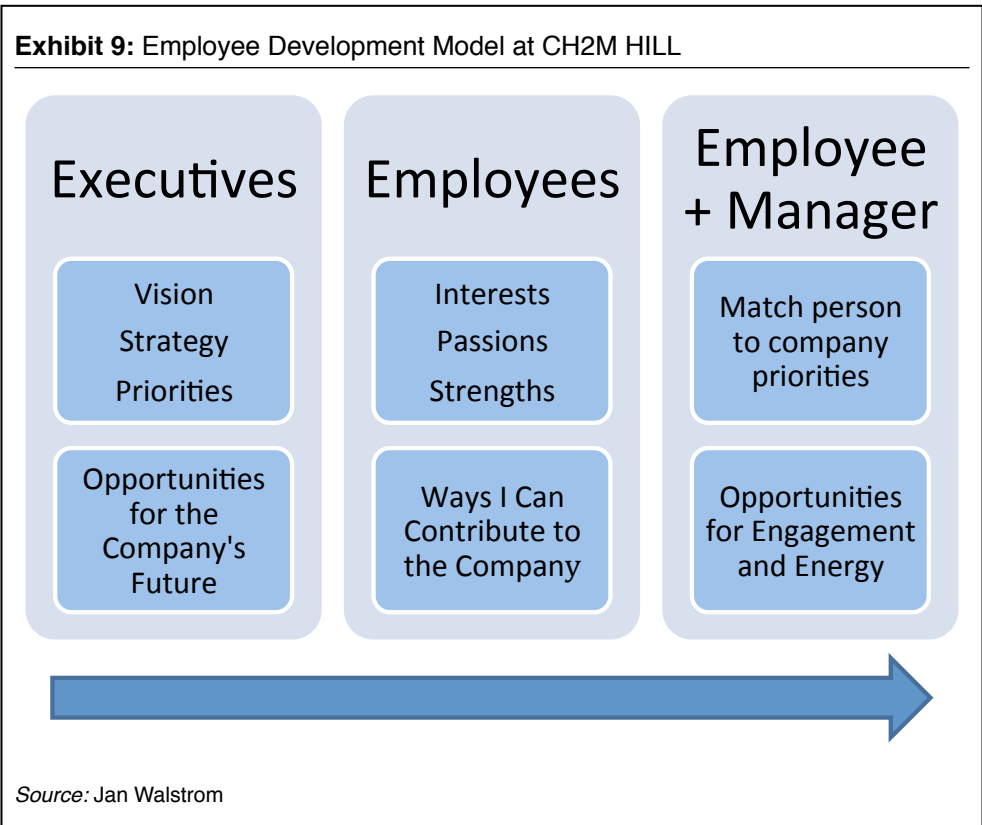
Instituting a New Philosophy and Framework

She began by looking at the big picture, the context within which employee career development would occur. Her first action, after reorganizing and reorienting her function, was to develop a simple framework for employee development that was distributed to all managers (**Exhibit 9**), along with three supporting videos. She envisioned the employee development process as encompassing three steps. First, executives established and communicated a vision, strategy, and priorities that indicated the overall direction for the firm going forward. Second, individual employees identified their interests, their passions, and their strengths. These defined their opportunities to contribute to the company. Finally, and most importantly, managers connected

employees' interests and skills to the company's vision and strategy so that employees would be energized and motivated.

Walstrom noted:

The onus is on individuals to identify their interests and strengths and then for employees and managers to work together to chart a path in alignment with corporate priorities. This is consistent with our culture of autonomy and problem solving.



Identifying and Developing Leadership Competencies

Walstrom explained her approach to leadership development:

We hire most people for their technical skill, not their interpersonal skill. Some of them have rather esoteric and rare skills such as nuclear waste remediation. In any case, many do not want to assume leadership positions, which is fine. But for those who do, we needed to define what leadership meant. We had never developed leadership competencies, those things that employees had to be able to do before they could be promoted to supervisory and managerial positions. Nor had we measured and rewarded managers for their people development skills. If you don't measure and reward managers' employee development skills, the skills are not likely to develop. So we developed a new set of leadership and management competencies that will be the foundation of our employee development process (**Exhibit 10**). We identified five levels of leadership,

beginning with leading one's self. At each level, one of the required job competencies for promotion is related to employee development. Only by measuring and rewarding employee development are we going to succeed in making it part of what we do on a daily basis. Promotions and raises will depend partly on the ability to develop people going forward. Now everyone knows that talent development is the responsibility of every level of leader in the company.

Investing in Management Training

To demonstrate the company's commitment to its new employee development initiatives, Walstrom invested in new training.

We changed our first line leadership training program to emphasize career development of subordinates. In fact, the training now emphasizes people development as the number one responsibility of managers, including effective onboarding. It's one thing to get employees to plan their careers and quite another to get managers to have the all-important developmental conversations with their people. More career conversations and more mentoring will take place as a result of this new emphasis in our training.

The company's commitment to training and development was evident within a few months of Walstrom taking the job. Average annual hours of training per employee increased from 7.5 in 2010 to 10.7 in 2011. And this was just formal classroom training. It did not include increased informal coaching and mentoring.

Going Forward

Despite all she had accomplished, Walstrom knew there was much left to do. Turnover persisted, as did vacancies in top jobs. By the beginning of 2013 she wanted to have multiple systems in place to address the task of reinventing employee career development at CH2M HILL and achieve the goal of reducing turnover and vacancies at the top. What more could she do? She reflected:

I am a project manager at heart. I like to begin with the end in mind. I like to look at complete systems, macro and micro, real and symbolic. I have laid the foundation for renewed career development at CH2M HILL, but I have not yet built the structure.

I have been lucky that this problem has the attention of top management. I have a lot of support in the organization for reinventing careers in the company. Do I have all the resources I could ever need? Of course not. That's not reality. For example, I don't have the resources to build a more robust intranet to help with social networking. But I do have significant resources and I firmly believe I can accomplish the goal of reducing turnover and developing our best people with the resources I have.

She also wondered what would happen after she had finished building the necessary structure:

I don't know what is next for me. Should I return to program management? Should I stay in HR? Should I try something completely new? I find it a bit ironic that I am charged with reinventing career development in the company yet I don't know how my own career is going to develop in the future.

Exhibit 10: Leadership and Management Competencies*

Level of Leadership	Competencies Expected
Leader of Organization	Political Savvy <i>Talent Identification</i> <i>Succession Planning</i>
Leader of Business Function	Strategic Ability Organizational Agility <i>Aligning People Around Vision and Purpose</i>
Leader of Managers	Dealing with Ambiguity <i>Building Effective Teams</i> Negotiating Priority Setting Decision Quality <i>Motivating Others</i>
Leader of Individual Contributors	<i>Global and Inclusive Mind-set</i> Managerial Courage Timely Decision Making Delegation Directing Others Organizing Composure <i>Developing Direct Reports and Others</i>
Leader of Self	<i>Interpersonal Savvy</i> <i>Conflict Resolution</i> Problem Solving <i>Listening</i> Planning <i>Oral Communication</i> Process Orientation Written Communication

Foundational Competencies

- Business Acumen
- Client focus
- Drive for Results
- Self-Development*

CH2M HILL Vision, Mission, Values and Strategy

*Items in italics indicate talent development capabilities for managers and leaders.
As a consultant to CH2M HILL, the individual competencies listed in this chart are based on materials developed by Lominger International: a Korn/Ferry Company. Copyright © 1992–2012. ALL RIGHTS RESERVED. The identification of the individual competencies as distinguishing characteristics of CH2M HILL leaders and the aggregation of these competencies into the groupings and defined leadership levels shown are the property of CH2M HILL. Copyright © 2011–2012. ALL RIGHTS RESERVED. Reprinted with permission

Source: CH2M HILL

NOTE

1. Glassdoor.com was an independent Internet site that, among other things, collected comments from company employees, past and present. It did not pretend to be representative. It was a collection of thousands of individual comments and ratings of companies. Quotes used here are to illustrate points made in the case. They are not necessarily representative of all employees' opinions.