

LECTURE OUTLINE  
ON  
CH<sub>2</sub>M ORGANIZATION & OPERATING PHILOSOPHIES

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The purpose of this talk is to investigate the philosophies of operation and the concepts upon which the firm is basically founded and operated. It is difficult to differentiate between the philosophies and the policies as they sometimes are one and the same. Also, there may be some fundamental differences in philosophies and policies among the many people that formulate and apply them. Philosophies undoubtedly change from time to time as situations and people change. One of our fundamental philosophies is that the only thing we can be sure of is that there will be change and we must maintain flexibility to adapt to new situations. We do not know what the firm will look like 20 years from now; however, whatever may be in store, I feel many of the concepts I describe will be maintained.

I. FIRM GOALS

The goals can be simply stated as:

- A. To make a profit (the fundamental purpose of a furniture factory is to make a profit--not furniture).
- B. To provide a particularly outstanding engineering and technical service. We must be good in whatever we do.
- C. To provide an environment for wide individual accomplishment so that each of us can advance and derive satisfaction from our work.
- D. To be a world-wide factor in engineering and planning.

## II. THE FIRM AND ITS PEOPLE

The firm is basically people and, therefore, we are talking about the relationship between the various people within the firm. We are a professional organization, and are thereby committed to high standards of quality. To me a "professional" is anyone who applies high standards to his work, whether it clipping the grass, typing a letter, or designing a power plant.

### A. Operations

1. There must be central direction and definite lines of responsibility. We cannot be just a group of individuals sharing an office; we must be an integrated team. I believe this concept coupled with the policy of doing the highest quality of work are the principal keys to any success of CH<sub>2</sub>M.

2. Within the framework of responsibility, flexible lines of communication must be maintained.

3. That within the general guidelines of central direction, the professional works best with the widest possible freedom of action.

4. We must grow at some reasonable rate to interest and hold strong active people.

5. In selecting people for the firm, the pre-eminent qualification must be good character. There cannot be a compromise on this point. In addition to good character, they must have brains and know how to use them, as well as a mixture of training, personality, and industry.

6. Every person in the firm has responsibility to teach and to help, particularly newcomers. By helping others, we make the firm stronger. If the firm is stronger, all our opportunities are greater.

7. Each of us must recognize that when we bring in people with wide experience we are not limiting other peoples opportunities. We are broadening the scope of the work which the firm is capable of doing and, this, in turn, makes greater opportunities for all. It is expected that each man will have confidence in himself to maintain or improve his position in the expanded organization.

8. The benefits of working together far outweigh any benefits one may accrue from satisfying apparent inequalities. Stating it another way: a less good personal arrangement in an organization that is working together is better than an improved personal arrangement in one torn by strife.

#### B. Salaries

1. The job must be good for the person and good for the firm. The person must receive reasonable compensation and the firm must be able to sell his work at a profit.

2. We try to set the salaries at the going rate for the region and then improve the "take-home" by means of a bonus.

#### C. Profits

1. The concept that "labor deserves a wage, capital deserves a return, management deserves a profit" has some application here. We apply this concept by making technical proficiency an item to be considered in distribution of profits and that in our organization each of us have some managerial responsibilities.

2. We must make a profit or our services will be lost to the community and to the world. The idea that no one makes a profit on certain kinds of work cannot be tolerated; unprofitable work can only be considered if, in the long-run, it appears that sufficient profit can be made to compensate for

the initial loss. A budget must be set for each job and the work accomplished within the budget.

#### D. Ownership

1. To be an owner, one has to be a worker. This practice has been followed to date and I believe is valid for a professional organization. In a broadened concept of CH<sub>2</sub>M, capital requirements and other considerations may make this concept unworkable.

2. After age 65, a person can be a worker but not an owner.

3. The ownership base should be fairly broad. The present owners have just adopted a plan whereby:

a. Each year up to 1/2 the growth in worth of the firm will be offered for sale to persons not having the maximum permissible ownership.

b. Movement into ownership is a gradual procedure.

4. Commercial applications of CH<sub>2</sub>M developments will be made through operations owned (if ownership is involved) by CH<sub>2</sub>M, INC.

### III. THE FIRM AND THE CLIENT

This well could be entitled "the firm and the public" as the entire public are our clients (through public agencies) or are potential clients.

#### A. Services Provided

1. The client's requirements are to be met in the highest possible professional manner. The budget must be set to allow this.

2. We must provide the services needed by the client not what we may think is needed, which sometimes only supports our ego. We must provide objectively those services the client requires by:



- a. First defining these services.
- b. Furnishing to the best of our ability all the services, and changing our procedures, if necessary, to meet requirements.
- c. Adding to our staff, and use of other qualified consultants.
- d. Taking on more responsibility than is often provided by our competition. This may include:

- (1) Resident engineering (we did this in the late 1940's).
- (2) Cost estimating.
- (3) Construction management.

3. To strengthen our competitive position and to grow we must:

- a. Continually improve our technical competence.
- b. Add new areas of service.

4. It is our obligation to guide the client in completing a project within his budget limitations. When the client adds to the project, we must point out to him the amount of cost it will add. It is not our responsibility to determine his policy, but it is our responsibility to give the client accurate cost information upon which to base decisions.

5. We have a responsibility to provide the client technical information in a manner which he can understand.

#### B. Payment For Services

1. We must be paid for value provided. Goal is intended to be average minimum. If our services are not worth goal (in the long run), then in general, we should not be in that type of work. Where our services are worth more than goal, we should receive more. Examples are: expert testimony and additional application of our highly specialized knowledge. If we take more than normal responsibility, then we should be paid for taking this responsibility.

If it comes to the point where a decision must be made between doing what is needed and making a profit, the clients needs must be provided. The able man will do both a good job and make a profit.

2. In some instances, we will finance all or a portion of our fee for a set period of time. We are to receive interest for such use of our money.

3. We do not take public work on a contingent basis. We will, in special situations, invest our fee for private work if the possible eventual return warrants the risk.

4. We cannot serve two masters. We must be paid either by the Owner or the Contractor on a particular job and each must know who is paying us.

#### C. Soliciting Business

1. We must sell our services. This is to be done in an ethical manner. We do not believe it unethical to point out the advantages of utilizing our services and to actively solicit work from any reputable person or agency having a need for engineering services. It is unethical and poor business to "run down" our competition.

2. No engineer has a proprietary right to a client. Nevertheless, as soon as an engineer is engaged for any particular project, it is unethical and economically unwise for us to go after that project. The fact that a prospective client has hired another firm for a particular job, however, should not keep us from soliciting other work that may develop with that client.

#### D. Public Relations

1. Intelligent public relations practices must be followed in all of our operations. We must be continually alert for opportunities to acquaint the public with our services. We want our work to become well know in

technical circles and to advance the general public awareness of our capabilities.

2. Public relations with the client is a constant, continuing requirement. Keeping a client informed and satisfied with our work is as important as informing the general public.

E. Acceptable Projects

1. Accept only those assignments which are legal or ethically satisfactory. Even though we may be assured of our fee, we do not want to be connected with a project of unfavorable reputation and/or one doomed to failure.

2. We must be extremely careful to avoid conflicts of interest in our professional work. If there is a possibility of conflicts of interest, we must make sure that all parties involved are aware of our position.

3. We will take projects, for a fee, from clients that are opposed by popular or influential organizations, if we can provide them with a service and are not required to compromise our ethical position. We must help our clients as much as possible if we are willing to take on the work at all. In any event, our testimony or other action must be entirely unbiased and conducted in the highest professional manner.

4. We are not advocates, we are professional experts. We are paid to give an opinion, but our opinion cannot be bought.