

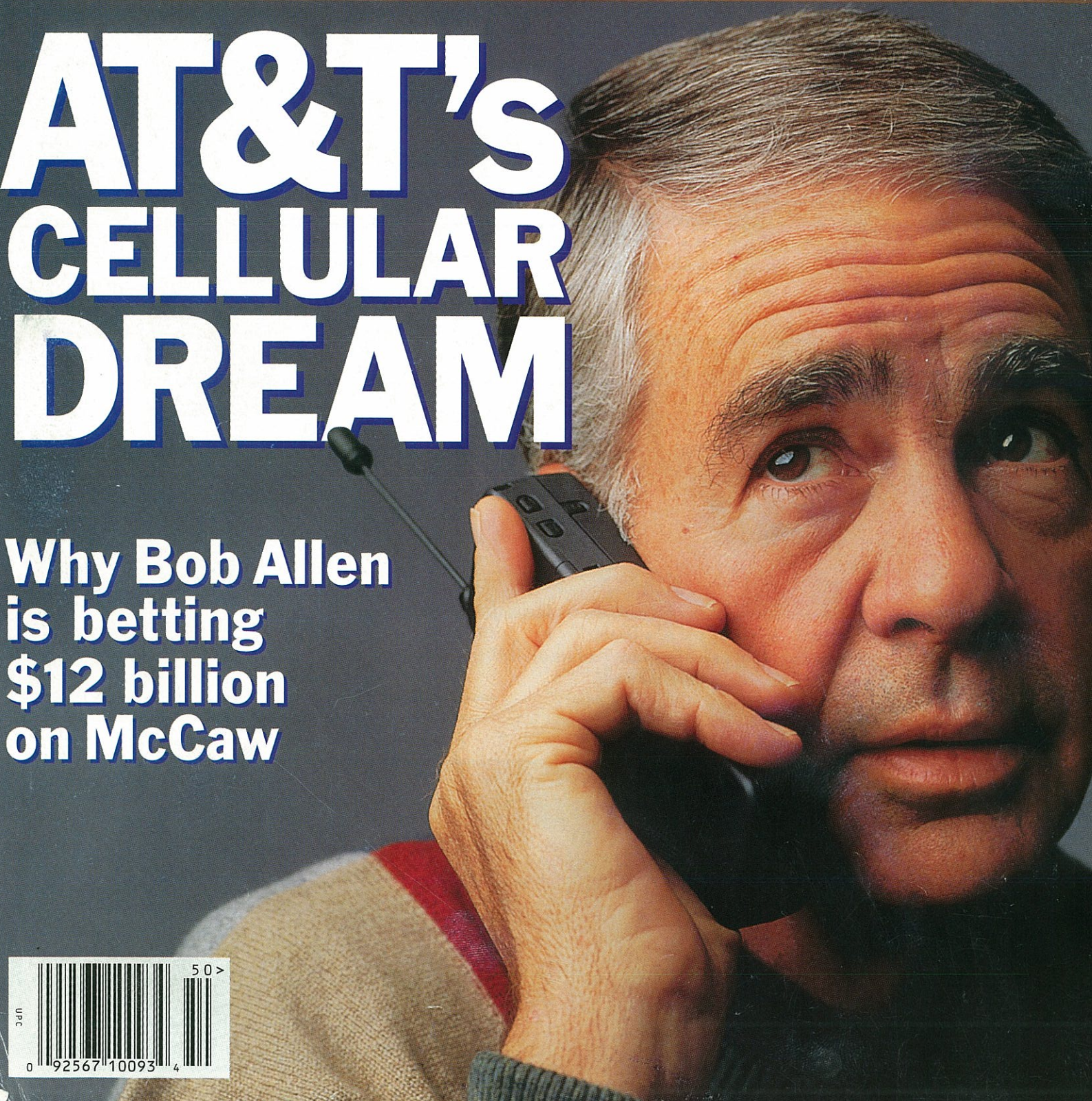
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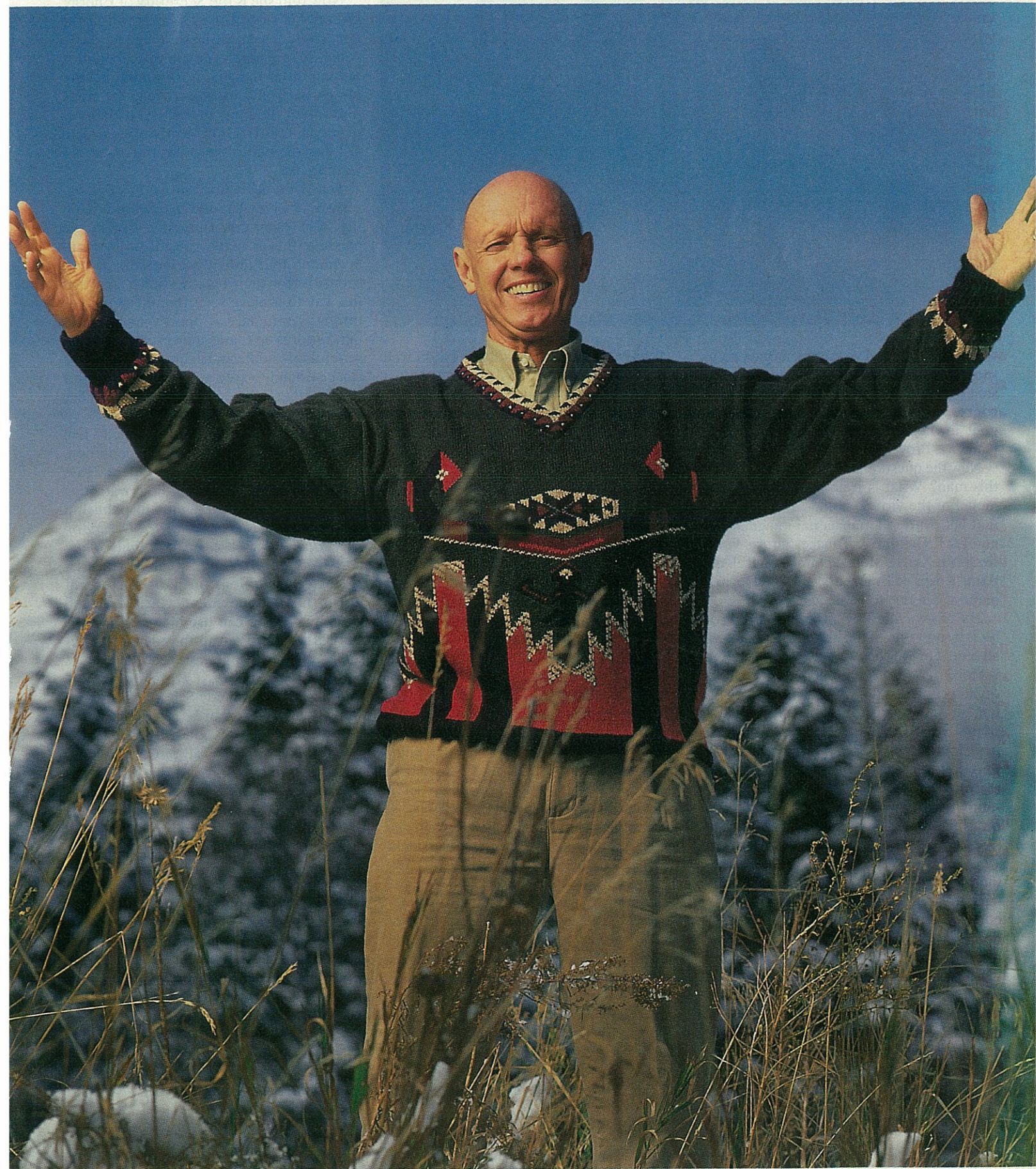
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# FORTUNE

## AT&T'S CELLULAR DREAM

Why Bob Allen  
is betting  
\$12 billion  
on McCaw







Covey trainers: in Robert Redford's woods, lessons in trustworthiness and empathy

tween business and virtue has literary roots extending notably to Ralph Waldo Emerson, to Ben Franklin, to Max Weber, and of course to the Bible ("Seest thou a man diligent in business? He shall stand before Kings."—Proverbs 22:29).

Now the question is: Why this book? Why this man? What is it about this particular model of the virtuous (and rewarding) life that has captured managerial imaginations at AT&T, Deloitte & Touche, Saturn, Ford, Marriott, Xerox, Merck, Dow Chemical, the Army Corps of Engineers, and the Department of Energy, to name just a few?

*The Seven Habits of Highly Effective People* is by now one of the best-selling books of all time. On the *New York Times* best-seller list for 220 weeks, it has sold more than four million copies in the U.S. and nearly a million more in translation in 40 foreign countries. Covey's management-training business, founded just ten years ago with a staff of two, now employs 700; revenue this year is expected to hit \$70 million. The Covey Leadership Center is the 404th fastest-growing company on the *Inc.* 500 list. Besides the *Seven Habits* book, published in 1989, Covey and his associates have produced scores of videotapes, audiotapes, training programs, lecture series, and more books—including another best-seller, *Principle-Centered Leadership*.

Covey's training program is being used in 283 public school districts around the country. In South Korea the *Seven Habits* book is the best-selling foreign nonfiction book of all time. Last year Covey gave lectures, in person and via satellite, to a total of 82,000 people; this year his audience will approach a quarter of a million.

REPORTER ASSOCIATE Ani Hadjian

What Covey teaches is this: To do well you must do good, and to do good you must first *be* good. "We believe that organizational behavior is individual behavior collectivized," Covey says. "We want to take this to the whole world." Which begs another question: Is the world ready?

**H**AZEL O'LEARY became a Covey enthusiast in a fairly typical manner. While serving as a vice president at Northern States Power Co. several years ago, she was asked to "lead the organization to become smarter, faster, and cheaper," she says. "I didn't understand the enormous challenge I had taken on until I walked into that company on a Monday morning at exactly 7:45, meeting 23 white guys—and my joke is 12 of them had the first name Jim—and I thought, 'Oh my God, I come from the East Coast, I'm a woman, I'm a lawyer, they're engineers, they're so rigid'... and I started to look for a logical way to approach this set of challenges." She read the *Seven Habits* book, liked it, and got more interested when she met people who had attended management training seminars at the Covey Leadership Center in Provo, Utah. "These people came back changed," she says. "It was almost a religious experience for them. Dour, sort of self-imprisoned people came back free, and relating to people who worked with them in a much more humane way."

So O'Leary went to Utah to attend a seminar herself. Says she, in wonderment: "A big burly nuclear engineer, in the course that I took, wept on the self-examination that requires you to identify your life goals and develop your personal plan. He started to cry."

Now that she is the Secretary of Energy, O'Leary is using Covey's ideas to run the government's tenth-largest agency, with some 20,000 employees, and to conduct, among other things, international negotiations on the disposition of weapons-grade plutonium. Training in the Seven Habits is offered to all DOE employees, and O'Leary says it is so popular that there is a waiting list.

That kind of enthusiasm is, to some observers of organizational behavior, appalling. The problem, they say, lies in the message that is being subsidized by management: that individual workers are responsible for their own destinies, and that the way to achieve security and serenity is through continual self-improvement. For a big corporation that is mowing down whole suitfuls of middle managers, critics say, this can be a handy way to get employees to start thinking that if they are laid off, the fault lies somewhere in themselves.

"If the individual worker is made to feel the responsibility for his or her condition, the social contract is no longer there," says Jeremy Rifkin, the biotechnology watchdog and economist who is about to publish a book titled *The End of Work: The Decline of the Global Labor Force and the Dawn of the Post-Market Era*. "You're setting up the psychological conditions for people to accept just-in-time employment. Karl Marx 100 years ago—if we can use his name in your publication—did set up the idea of the reserve army of the unemployed."

Ronald A. Heifetz, a professor at Harvard's John F. Kennedy School of Government and the author of *Leadership Without Easy Answers*, sees "a kind of maladaptive response" in the popularity of Covey's work. "There is something real about the yearning" that lies beneath it, he says. "The question is whether people are doing the right thing to satisfy it."

Stephen Covey's Seven Habits of Highly Effective People, briefly, are these:

- (1) **Be proactive.** Take the initiative and be responsible.
- (2) **Begin with the end in mind.** Start any endeavor—a meeting, a day at the office, your adult life—with a mental image of an outcome conforming to values you cherish.
- (3) **Put first things first.** Discipline yourself to subordinate feelings, impulses, and moods to your values.
- (4) **Think win/win.** Just as it sounds.
- (5) **Seek first to understand, then to be understood.** Listen with the intent to empathize, not with the intent to reply.

# WHAT'S SO EFFECTIVE *about* STEPHEN COVEY?

**L**ET THE RECORD show that Dr. Stephen R. Covey, author of *The Seven Habits of Highly Effective People*, has lost his laser pointer once again and is practically jumping up off the stage to point to a giant chart projected on the wall of a conference room at the Westin Hotel in Seattle. He arrived here tonight, to address members of the Washington Air National Guard, in the back of a rusty Chevrolet van that had to be pressed into service when the limousine went astray.

It's not that this is a bad night for Covey, or that he is indifferent to the idea of being highly effective in the punctilious way that time-starved masses routinely understand the phrase. Hardly: An old friend recalls stumbling across Covey at a gym some years ago, lying on the floor with two or three showers running over him, trying to brush his teeth and shave at the same time.

Nor is Covey one of those disorganized visionaries who surround themselves with fastidious aides. His aides keep losing their keys. One of them actually lost a rental car recently at Union Station in Washington, D.C.

No, the author of the best-selling self-help book in years is simply scrambling, trying to

The author of *The Seven Habits of Highly Effective People* sells a message of moral renewal, and corporate America is buying it. Is this a good thing?

■ by Timothy K. Smith

keep up with the roaring current of enthusiasm that has greeted his deceptively modest-sounding manifesto. At age 62 he keeps a schedule so brutal that associates get tired just reading his appointment book, and if executive polish must sometimes suffer as a consequence, so what? That's not what he's selling, after all. Covey (rhymes with "lovey") has built a sizzling business on an ancient proposition: that groups of people—families, corporations, schools, armies, governments—can achieve their maximum potential through nothing less than moral transformation.

"Remember," Covey tells the guardsmen in Seattle, quoting the French Jesuit philosopher Pierre Teilhard de Chardin, "we are not human beings having a spiritual experience. We are spiritual beings having a human experience." The guardsmen applaud warmly and present Covey with a plaque.

**C**AN ANYONE be surprised that one of the hottest management consulting trends of the moment is transcendental? The millennium is hurtling toward us, after all, just when the American population bulge is reaching an age at which prudent sinners think about salvation. At the same time, technological change seems to be crushing old models of corporate behavior, leaving insecurity as a basic characteristic of the workplace.

The search for meaning at the office has by now produced scores of ideas and texts dedicated in one way or another to total quality management of the innermost being, from empowerment to servant leadership to mission statements to stewardship to New Age training. Some of it is useful; much of it is quite as slippery as the politics of meaning; little of it is new. The connection be-

(6) *Synergize.* Create wholes that are greater than the sum of their parts.

(7) *Sharpen the saw.* Take time to cultivate the four essential dimensions of your character: physical, mental, social/emotional, and spiritual.

Habits one, two, and three promise self-mastery; habits four, five, and six promise “public victories” through teamwork, communication, and cooperation. Habit seven promises ... what shall we say? Covey’s phrase is “unity—oneness—with ourselves, with our loved ones, with our friends and working associates, [which] is the highest and best and most delicious fruit of the Seven Habits.”

Readers with a low tolerance for jargon won’t want to venture too far into this thicket—it’s dense in here. The book’s first six words are: “To my colleagues, empowered and empowering.” Aesop’s fable about the goose that laid the golden eggs is restated as “the P/PC Balance” (for Production/Production Capability).

That kind of language is undoubtedly a main ingredient in the success of Covey’s training program. For one thing, it gives a manager a shorthand way of reminding Covey-trained colleagues of shared principles, at least until he kicks off one meeting too many by saying “Begin with the end in mind” and gets a coffee mug thrown at his head. And for another, it enables Covey, more than most inspirational writers, to skate right up close to the border of the divine without alarming anyone.

**S**TEPHEN COVEY’S bald head is shaped like an artillery shell, and his mien is at once warm and intense. He would be an imposing man if he were two inches taller, which he figures he would be had he not suffered as a teenager from a terrible degradation of the thighbones, which caused him to spend three full years on crutches with long steel pins implanted in his legs.

That circumstance, Covey figures, was one of the things that led him to his present calling. “I was a pretty good athlete, I really was. But this shifted me totally into academics, and also into forensics. I got into debate, and speaking, and I got turned on by that.”

Covey was raised on an egg farm outside Salt Lake City in a tight-knit Mormon family, and that, too, played a part. “My parents were just constantly affirming me in everything that I did. Late at night I’d wake up and hear my mother talking over my bed, saying, ‘You’re going to do great on this

test. You can do anything you want.’

“I never did any drinking at all, or smoking,” Covey says, “but I had some friends who did, and we went on a trip one time and came home, and they had a fifth. They couldn’t take it to their home, because they were in trouble with their parents, so I took that fifth—I’ve never told anyone this—and I put that fifth right in the center of my dresser. My parents never asked a question, never said a thing about it, because they knew I wasn’t going to do anything with it. It was symbolic, though, of their affirmation.”

Covey kept up his public speaking through high school in Salt Lake City, entered the University of Utah at 16, and more or less wasted four years playing Ping-Pong at his fraternity, cramming his way through exams. He graduated with a degree in business administration, vaguely expecting to go into the family business, Covey’s Little America, a hospitality enterprise that was founded on a cold Wyoming night in the 1880s when his grandfather, a shepherd, nearly froze to death and vowed to build a place of refuge on the spot if he survived. In a field in the middle of nowhere he built a hotel, which turned into a truck stop—and a gold mine—when the highway came through.

But Covey and his brother John were both drawn to teaching, and the business eventually was sold, Covey says, to “the son of the janitor”—Earl Holding, who is now the owner of Sinclair Oil and the Sun Valley Ski resort. Covey went off to England to serve his

two-year term as a Mormon missionary, and in short order had the experience that set his life definitively on its current path.

Only a few months into his mission he was pulled out of proselytizing and told to go to Nottingham to train “branch presidents” of new Mormon congregations. “I had no idea at all I could train leaders,” Covey says. “I was totally overwhelmed, and nonplussed, and my mission president just said, ‘You can do it.’ That was very significant. I told the grandson of my mission president just the other day: Your grandfather probably got me into this business of training leaders.”

In retrospect, that experience was the root of both a great strength and a great peril for Covey’s current undertaking. “I believe in this concept that you learn by teaching,” Covey says. He urges, in his books and tapes, that people apply that principle to his own Seven Habits. And people who buy into the Seven Habits do tend to become proselytizers.

But Covey’s missionary zeal also tends to promote speculation of a kind that causes him and his associates to recoil in horror: that the Seven Habits program is simply a secularized shadow of Mormon dogma, repackaged and sold as management training. “I say nothing that is unique to my own religion,” Covey says. “You’d hit a volcano there. I don’t want to go the next step and get into a person’s relationship with God.”

Covey proposes that moral behavior is based on obedience to universal natural laws, or principles, that are immutable. These in-

Covey will address about a quarter of a million people this year, like these executives in Los Angeles.



clude, for example, fairness, integrity, honesty, human dignity, service, quality, and excellence, and they are the foundation of what he calls "Principle-Centered Leadership." At the outset of *Seven Habits*, he writes:

"There is not one principle taught in this book that is unique to any specific faith or religion, including my own. These principles are a part of most every major enduring religion, as well as enduring social philosophies and ethical systems."

And yet Covey is a devout man. In a personal note at the end of the book, he writes:

"I believe that correct principles are natural laws, and that God, the Creator and Father of us all, is the source of them, and also the source of our conscience. I believe that to the degree people live by this inspired conscience, they will grow to fulfill their natures; to the degree that they do not, they will not rise above the animal plane."

Jan Shipps, a (non-Mormon) professor at Indiana University-Purdue University in Indianapolis, who has studied Mormonism for 34 years, says of the *Seven Habits* book: "This sounds to me like distilled advice from a Mormon pulpit. I can't even tell you exactly now how I came to that conclusion, except that I did not know who this man was, and I said, I'll lay you money this was written by a Mormon."

On the other hand, self-improvement is self-improvement, and any management consultant who lived in Utah and dared to use the word "moral" would probably be in for suspicion. As the sociologist Thomas O'Dea wrote, the Mormon faith has embraced a "transcendentalism of achievement." It was Joseph Smith himself who announced in 1844: "God himself was once as we are now, and is an exalted man ... you have got to be Gods yourselves, and to be kings and priests to God, the same as all Gods have done before you, namely by going from one small degree to another, and from a small capacity to a great one."

Covey says his system came to him through a more prosaic route. After receiving an MBA from Harvard, he served another mission (three years in Ireland) and then returned to Salt Lake City, where he became an assistant to the president of Brigham Young

University in Provo and raised nine children with his wife, Sandra. They kept a family mission statement on the wall of the living room.

Finding himself interested in "the human side" of business, Covey obtained a cross-disciplinary doctorate in business and education, but he took eight years to do it. He wanted to do it slowly and rigorously, he says, because he felt he had cheated himself as an undergraduate by doing all that cramming. The topic he chose for his dissertation was the "success literature" of the United States since 1776.

Covey found that during the republic's first 150 years, most of that kind of writing focused on issues of character, the archetype being the autobiography of Ben Franklin. But shortly after World War II, he writes in *Seven Habits*, "success became more a function of personality, of public image, of attitudes and behaviors, skills and techniques, that lubricate

the processes of human interaction." He began to think about ways to get people to stop cultivating superficial charm and return to character building, and at about the same time he moved from administration to teaching organizational behavior. His classes, incorporating the embryo of his *Seven Habits* program, began to

draw huge numbers of students—600, 800, 1,000 to a class, Covey says.

In 1985, to take his message to a wider audience, he quit teaching and founded the Covey Leadership Center in Provo, gambling everything he owned: "my home, my cabin, trust money, all my savings—I was hocked unbelievably." His collateral is safe now, and his habits remain modest. He and the seven other owners of closely held CLC are reinvesting most of the money that is cascading in. Covey tithes, and he still lives in the house he bought when he worked at Brigham Young. Not long ago he traded in his Toyota 4Runner for a Jeep Grand Cherokee.

**P**ROVO, on a bright autumn afternoon, is the kind of city where it is easy to indulge the American conceit that for every problem a solution can be found. A building boomlet is under way thanks to jobs created by soft-

ware giants WordPerfect and Novell; fly-fishermen cast for trout in the Provo River; the crime rate is low; the population is mostly blond and friendly. The city lies at the feet of the Wasatch Mountains, which in the winter deflect upward storm clouds that have crossed the Great Basin and been seeded by Salt Lake, producing powder snow so dry and abundant that people here talk about "snorkel skiing."

The Covey Leadership Center itself is an archipelago of offices scattered through eight mock-Georgian buildings in an office park by the side of the highway, a configuration produced by the center's unexpectedly wild growth rate. Here, CLC associates work on ways to introduce the Seven Habits and the idea of Principle-Centered Leadership to an ever-broadening range of social institutions. New books are in the works, including two with the working titles *The Seven Habits of Highly Effective Organizations* and *The Seven Habits of Highly Effective Families*. Back issues of the center's newsletter, *Executive Excellence*, are being collected on CD-ROM.

"This is just a framework for people to think about what's important to them so they can choose whether or not to have integrity," says Covey's son, Stephen M.R., who runs the CLC's client services group and who says it wasn't at all weird growing up in a family with a mission statement on the wall. "From my earliest years I remember we would have family councils, where we would discuss our jobs, and responsibilities, and integrity, and courage, and fairness and sportsmanship. I'm sure that many families implicitly do that; this was a more explicit way of doing it."

And that is, by and large, the function of the CLC's fabulously popular management training seminars. "There's nothing new in all this," the senior Stephen Covey says. "I just built the bridge between the theory and the practice."

The actual seminars are taught 20 minutes outside Provo at Robert Redford's Sundance ski resort, which, as a white-collar retreat, combines the advantages of a beautiful location in Utah and a liquor license (think win/win). Companies send employees here for weeklong visits at \$3,900 a head—and reliably, a few get so deeply in touch with their true wants and needs that they don't go back to work. Says Blaine Lee, a Covey trainer, during a break at a recent seminar: "Two or three of them in this room will quit their jobs."

Lee, who has a Ph.D. in psychology and

**For his doctoral dissertation, Covey chose to study the "success literature" of the United States since 1776.**

## BIG THINKERS

taught survival training in the Air Force, spends the week guiding the attendees through problem-solving exercises. He assigns them roles and has them negotiate win/win agreements. He has them write personal-mission statements. He guides them through paradigm shifts and “empathic listening” exercises. He teaches them how to use the Seven Habits day planner.

Trainees are moved. “The power of the paradigm shift—that just blows me away,” says a manager on the seminar’s final day, shaking his head.

**I**T IS all well and good in Robert Redford’s woods, in the company of new acquaintances solving imaginary problems, but back in the marketplace, where betrayal so often trumps trust, does it produce much besides a warm feeling?

“Our whole culture, our whole organization, is using those principles,” says Horst Schulze, president of Ritz-Carlton, which has provided training to thousands of its employees. “Employee turnover is very, very low. Industry turnover several years ago was around 100% (per year); ours is now between 27% and 28%, which is dramatically different. It comes simply for the reason people feel they are part of the organization. People have a purpose going to work.”

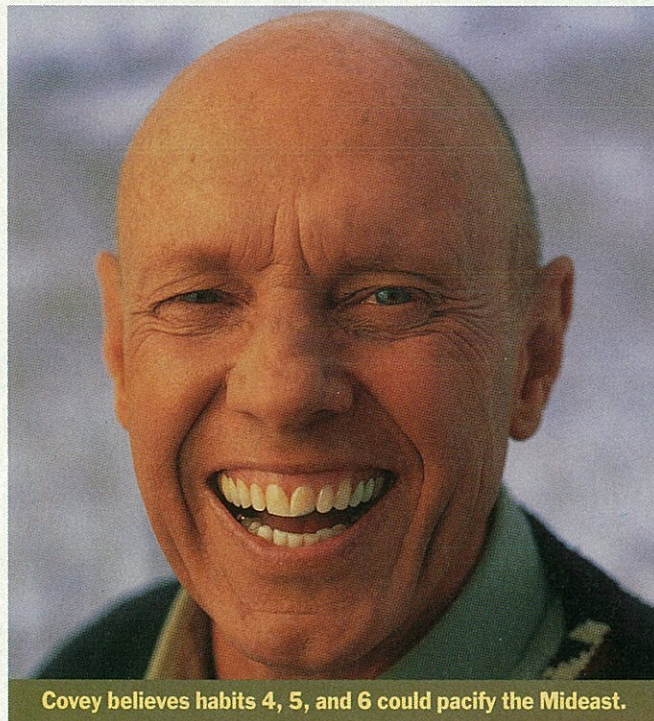
Gerry Minor, manager of Ford’s Louisville assembly plant, says the Covey leadership principles helped his factory win two J.D. Power awards for product quality and three National Safety Council awards for injury reduction. “The fittest survived in this business for years,” he says. “Now we are saying, ‘Hey, you know, I really do care about you. Is there something I can do? How’s your family?’ I can’t think of a better way to run a business.”

Kathleen Sullivan, who teaches English at Notre Dame University, says, “For me, it would be unrealistic to live my life without his principles, quite frankly.” As director of the Notre Dame alumni association’s continuing education program, Sullivan put together eight, hourlong, instructional television specials on family well-being with Covey as host. And she uses the Seven Habits, on occasion, to teach literature. “We’ll look at a character, and I’ll say, ‘Let’s talk about that character. What did you notice?’ And a student will say, ‘You know what?

That character was not at all proactive.’”

These Covey enthusiasts—and many others besides—say they rarely meet resistance to institutionalized self-help. Blaine Lee of the CLC says that in seven years of teaching seminars, he has encountered only three people who objected to the intimate nature of his moral instruction—two Germans and a Frenchman. Who could object, after all, to lessons in good behavior?

Plenty of people. Critics argue that no matter how well-intentioned such a program might be, it has the net effect of telling employees: Tend to your own soul and don’t pay much attention to large, structural issues that may really be the cause of your



Covey believes habits 4, 5, and 6 could pacify the Mideast.

problems. “It’s miniaturizing and personalizing subjects that cannot be miniaturized and personalized,” says Benjamin De Mott, an English professor emeritus at Amherst College. “We do it with problems of race, and problems of class, and we do it in corporate America. You get out of this in the cheapest possible way instead of having to think about who you are and what you do in the larger community.”

De Mott witnessed a Covey trainer at work during a government-sponsored leadership program for high school students in Juneau last summer. “These kids were absorbed, even enraptured, by the problems that the Covey man set for them. As you watched, you could see how one or another person would get a vision of how the prob-

lem might be solved and would see that solving that problem would mean assigning tasks. And the question would become how that job of assigning tasks could become a fully democratic thing.

“The problems turn out to be problems that are value neutral, and don’t present any question of superior/inferior, or anything that could be thought of as an old-style labor-management quarrel. This to me was not astonishing—one of the ways that you know that you are dealing with an idea that is bound to become a huge success in America is to get an assurance in it that it is not going to be about a substantive difference in society. It’s the American dream of life as a barn raising.”

Susan E. Henking, associate professor of religious studies at Hobart and William Smith Colleges, says, “It’s serving to depoliticize, and it serves a certain kind of social-control function. I mean, if people feel like they deserve it when they get fired, they won’t think deeply about what was really responsible.” Henking argues that there is nothing at all wrong with cultivating an atmosphere of trust in the workplace, but, she says, “you have to be trusting *and* critical. It’s very hard for people to see that discrimination is different from prejudice. If I’m trusting, and somebody is discriminating against me, I’m screwed.”

And what of the true cynic’s view, that the lesson of history is that bastards often prevail? That markets are in and of themselves rational, and sometimes emotional, but rarely ever moral? That an

appropriate model for business is not an extended family but a poker game?

The late genius John von Neumann was fascinated by poker, and his study of the choice making involved in the game led him to develop the foundations of game theory. Von Neumann was a peerless student of the principles of rational self-interest, and he was also an adviser to Presidents Truman and Eisenhower. When the Soviets showed signs of developing nuclear weapons, he recommended bombing them into oblivion. Game theory, he said, dictated it.

So perhaps we are all better off that as talks on the disposition of weapons-grade plutonium continue, Hazel O’Leary is taking the Seven Habits with her to the table. **F**