

THE DOLLARS AND SENSE OF CULTURE CHANGE

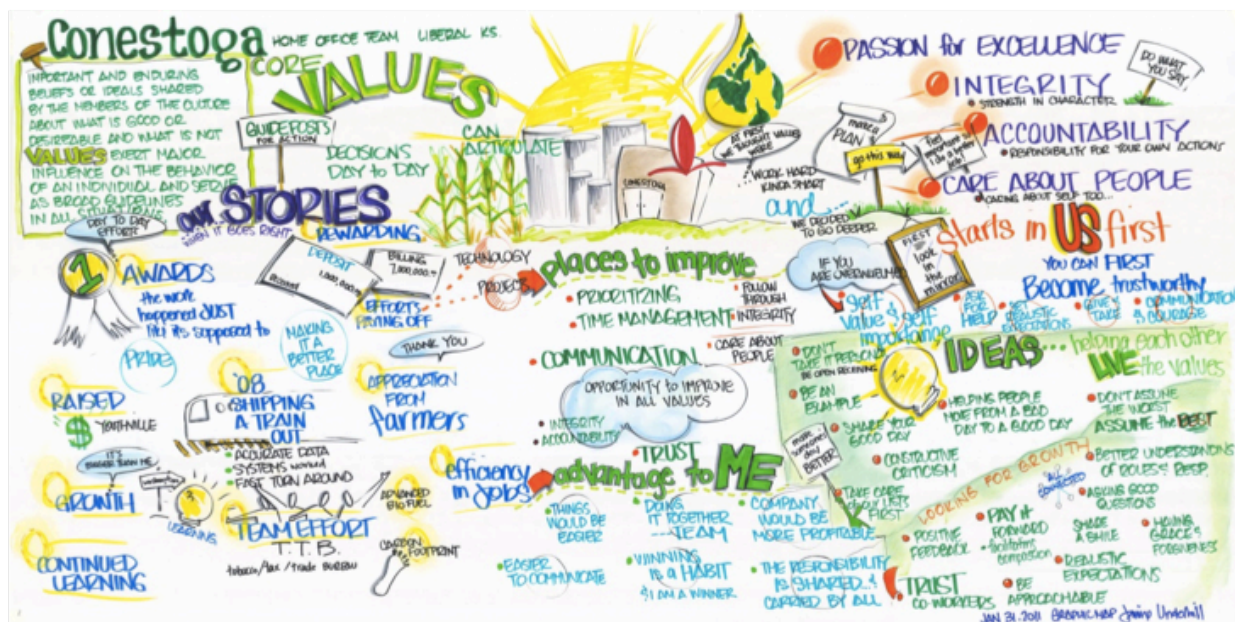
A CASE STUDY OF THE RESULTS OF CULTURE CHANGE AT CONESTOGA ENERGY PARTNERS

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Organizational culture, simply put, is **“how we do things around here.”** It is how we think and act together and how we structure our systems and processes to support our work and the people who do it.

In August of 2010, Conestoga Energy Partners began a culture change effort. They believed that becoming a great place to work and developing their people would pay them back through decreased turnover, reduced overtime, fewer costly mistakes, and increased creativity. CEP chose P4 Consulting as a partner in the effort. P4 conducted the surveys, and provided consulting, coaching and front-line training along the way.

The following provides the story of Conestoga’s journey through culture change, as well as information on measuring culture and the **Keys to Successful Culture Change**.



How We Measure Culture

How do we measure what our culture looks like and why it matters? Research involving hundreds of thousands of people and thousands of organizations, shows us the connection between culture and success in organizations¹.



Mission, Do we know where we are going?

Consistency, Can we execute?

Involvement, Are our people aligned and engaged?

Adaptability, Are we listening to the customer and the market?

Strong scores in:

Mission with **Adaptability** indicates the ability to **grow**

Mission with **Consistency** indicates operational excellence and ability to **execute**.

Consistency with **Involvement** creates **employee satisfaction** and **quality**

Involvement and **Adaptability** creates **innovation** and **customer satisfaction**.

So you can see that you need to have strengths in all four to be sustainably successful.

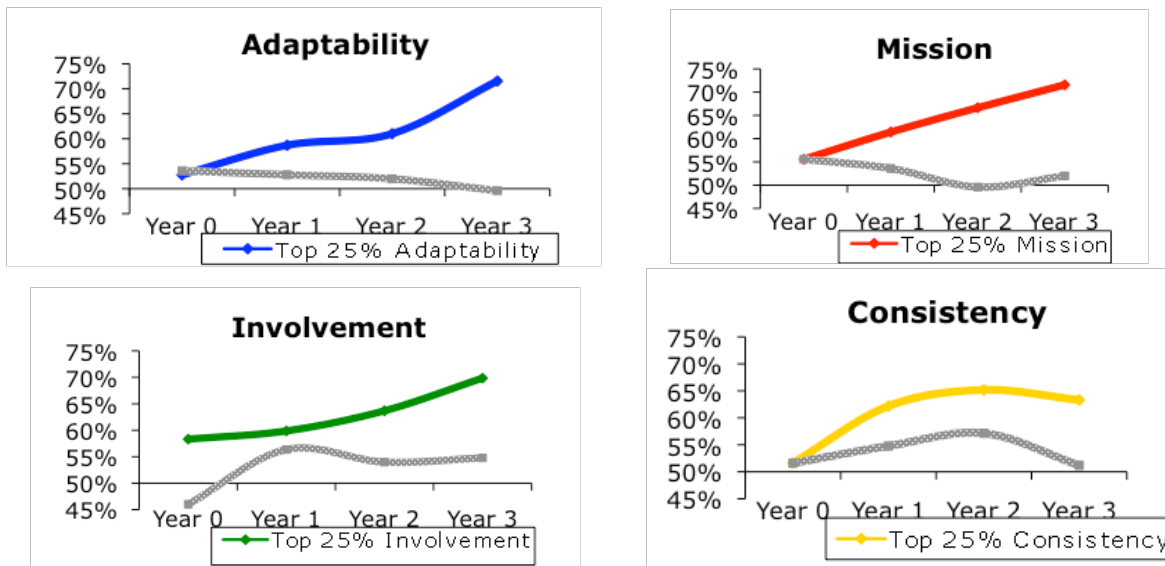
¹Denison Consulting. (2005, April). *Overview of the Reliability and Validity of the Denison*

Why: The Bottom Line

Why bother? Denison tracked profitability and success measures over three years and found:

- ➔ The top 25% of organizations out-performed the average
- ➔ The top 25% of organizations continued to gain on the competition over time
- ➔ The bottom 25% lagged significantly behind.

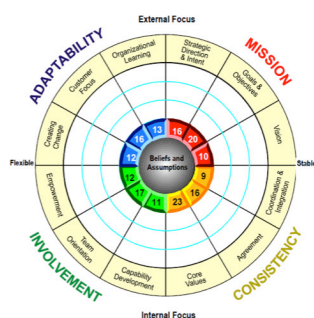
Companies with good culture not only perform better than the average, they continue to gain on the competition over time.



In a sample of 130 organizations the top 25% again outperformed the bottom 25% as measured by ROA, sales growth, and Market to Book value.

Research shows that companies with good cultures outperform the average by about 2:1.

Bottom 25 organizations



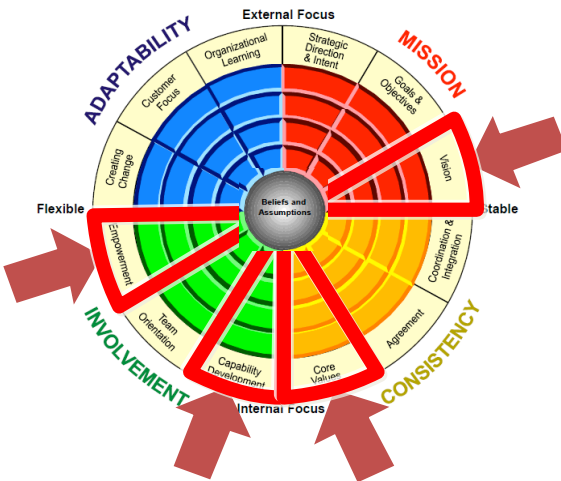
Top 25 organizations



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The Impact on Performance

Predictors for Employee Engagement



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We can further analyze the culture to find leverage points for desired changes. Employee engagement is an issue many of you may face, the need to get the front line acting like they own it instead of just punching the time clock. The research shows a clear link between Empowerment, Capability development, Core Values, and Vision and employee engagement. So, the lever points for change are the lowest scoring of these elements. Remember that, because I'll mention it again as we talk about what we did at Conestoga Energy Partners.

Conestoga: What We Did

Measured the Situation

At Conestoga, we measured and assessed the situation using the Dennison Culture Survey. We wanted to make sure that we knew what was really happening and where to begin. The survey provided a baseline so that we could track progress over time. Statistics for turnover, overtime and O&M were added to the mix. In addition, we interviewed a large cross section of the company.

The survey scores at Conestoga weren't pretty, but they reflected what we were hearing from people. We had a lot of work to do.

Involved People

Next, we made sure we involved people. People support what they create and tear down what is imposed on them. Once we had the scores back, Tom Willis (CEO), Dusty Turner (COO), and the rest of the executive team went to each plant and to the corporate offices to present the scores. We then asked for feedback about why the scores were so low.

Conestoga: What We Did

Involved People, continued

Through an anonymous process we got some blunt feedback. As we completed the assessment phase, we promised there would be action and that they would be involved. That was a crucial point because if we did not follow up on that promise, we knew that things would get worse instead of better.

We spent a lot of time in the plants just talking to people as they went about their work. Slowly they opened up about things they worried about, things they thought were unfair, things they thought could be improved and about their families and friends and personal history. While it may seem like wasted time on the surface, this was time really well spent. We were able to spot strong trends and specific actions that would start making a big difference in the culture - from how to improve processes to how to build teams.

Began With The Leaders

Two key issues showed up immediately at Conestoga: lack of trust, and a feeling that pay was determined by an arbitrary process, rather than merit. Lack of trust is an issue that comes down from the top. It is rare to find leaders that are actually not trustworthy; it is common for the frontline employees of a company to not trust their leaders. So the work begins with leaders. If leaders can't walk the talk, there will be no trust, no engagement, no consistent quality, and maybe even unsafe conditions.

In this case, we started with coaching for the executive team and plant managers so they could see where their behaviors were causing problems. The leaders were worthy of trust, but in the rush of doing business their actions and communications did not always convey that to the front line. The leadership team worked hard to become excellent leaders.

Chose Leverage Points

It is important to take care of the most disruptive things first. The reason pay seemed arbitrary was that there was no structured way to determine how people could move up in the company or gain a higher pay grade.

An employee committee was created, led by Helene Garst, a lead lab technician. The committee did market research to determine the pay ranges for each job. They then examined every single job description and put skills, knowledge and tasks associated with that job into level I, II or III. Then they matched the determined pay range for each job to the job levels. It took nine months to do this job properly.

The managers then looked at every single employee to make sure they were in the correct pay band. They met with each employee to ensure they knew why they were in their current pay range. They also focused on what the employee would need to do and to learn, in order to move to the next level. This action went a long way toward building a sense of fairness. Most importantly, it empowered people to plan how to grow and become more valuable to the company in order to take care of what was very important to them - their own growth and compensation.

Conestoga: What We Did

Clarified Core Values

Just as compensation was an issue of trust, there was a perception that decisions were based on how someone felt that day. One key lever for employee engagement is core values. That is because most decisions that affect employees' lives are based on values – whether the values of a manager, supervisor, executive or lead operator. Therefore, the core values a company espouses set expectations for how decisions will be made and are the basis for people becoming accountable for behavior. People cannot engage in an environment where they never know on what basis a decision is being made – they don't know how to be accountable or engage.

When this was brought to the attention of the executive team, they argued that, of course they had core values and that they surely thought everyone knew them. We then asked the executive team to list them. After many seconds of dead silence, they started to throw out ideas and ended up realizing that it wasn't that they didn't have good values, but they hadn't articulated them clearly and linked how those values were to play out every day in the plants and the office.

So they worked to define their core values, brought them to everyone in the company and gathered input about where we were living up to them and where we weren't. Living those values is now a daily practice for everyone.

Developed Traits, Built Skills

We developed training and coaching for everyone in the company to provide the skills they needed. We also developed the traits of leaders to meet what is demanded of them in the new culture. That training advocated ways of working and leading that were foreign to most but they are working on it and adapting it to their personalities.

They are finding ways to grow and develop themselves and those around them.

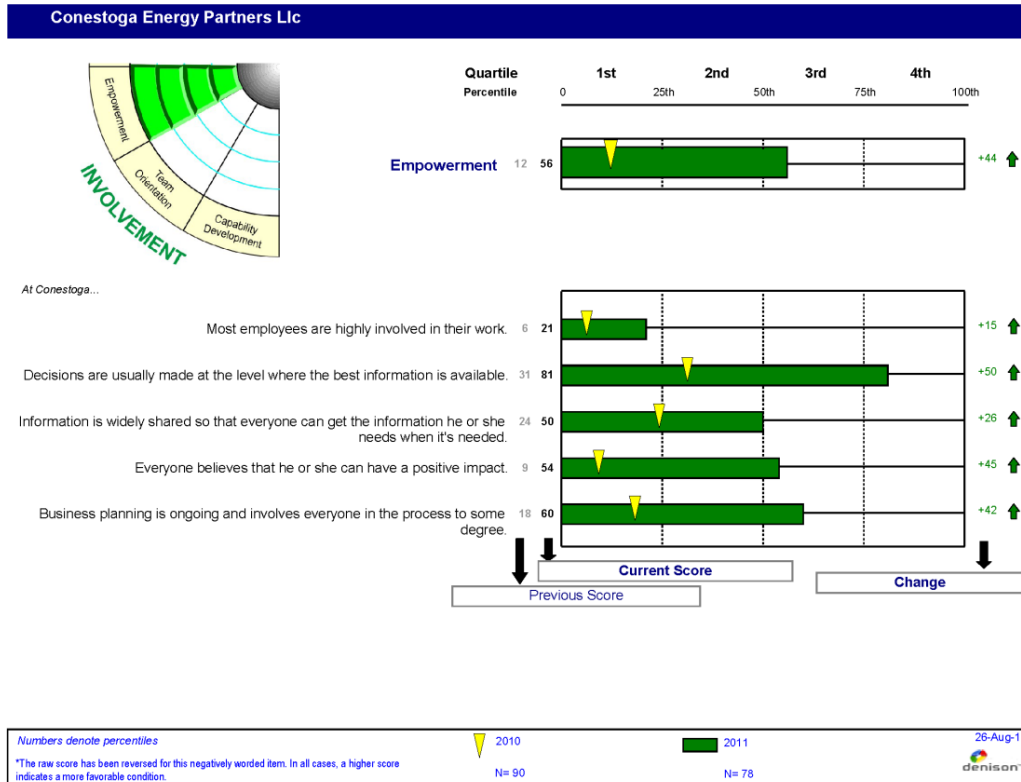
Aligned People With Business Needs

One of the easy ways we worked to align people with business needs was the Town Hall meeting. About once a quarter, the executive team goes out to every location, has lunch and brings everyone up to date on the business. Part of this meeting is to help everyone see where they fit into the upcoming events and the goals of the business.

People can now clearly tell you how they contribute to the goals and what would hold the company back.

Conestoga: What Is Different Now?

MIDPOINT DENISON SURVEY CHECKUP – SIGNIFICANT IMPROVEMENT



- ➡ Good people are staying
- ➡ Overtime is cut in half
- ➡ Turnover is down
- ➡ Safety is a way of doing business now, accidents vastly reduced
- ➡ Plant downtime is extremely low
- ➡ Managers are no longer being called in the middle of the night to go down to the plant to fix things
- ➡ Shareholders are getting good return on their investment
- ➡ It is a place that people want to work and they are excited about their future
- ➡ It is a sustainable business that is growing and thriving

Do we still have work to do? Absolutely, but that work is in progress and people at all levels feel like they can do anything, together.

Keys to Successful Culture Change

Key #1: It is partnership that makes the process work.

Culture change is not a one man project. Form a team that has different points of view, experiences, and expertise. If you don't have the experience inside your company, contract what you need to get the expertise without adding headcount and work closely with them.

Key #2: Accurate data is required to be effective.

To go anywhere you have to know the starting point and the ending point. Culture change is no different; you have to know the details of the current culture to know what to build on and what to leverage for change. *Knowing* (not assuming) what motivates your people, what they fear and what they hope for is how you'll know how to communicate with them about the changes you want to make.

Understanding the structures and systems that people use to get work done is critical. This knowledge helps you know what might need to change to support the desired behaviors and in

Key #3: Develop traits and build skills.

Traits are aspects of character that serve as the "operating system" of the human being. Things like values, beliefs, assumptions, willingness, and self-awareness drive people's behavior. These are things that can be developed. They are harder to understand and learn than skills but are necessary to be able to utilize the skills. Skills are more easily taught and if practiced, are able to be used in a fairly short amount of time.

An example of how traits and skills work together is found in how people deal with conflict. It is easy to teach the skill of feedback. But without understanding what makes oneself avoid conflict (or lose one's temper) and having the willingness to confront skillfully, that skill will not be used. Develop the traits so that people can effectively use the skills they are taught.

Key # 4: It takes consistency and persistence over time.

Change is not easy for people and many have seen change efforts that were abandoned too soon, creating a "this too shall pass" mentality. Others have never experienced a truly good culture and so must learn how to operate in that environment. Culture change takes practice,

Key #5: Leaders must lead the way.

The culture in a company reflects its leaders. Openness to new ways of thinking and leading is necessary in an effort as organic as culture change. This does not mean that a leader should change who they are, but that leaders see themselves as part of the system they are trying to change and not outside of it.

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