"Making Change Management & Employee Engagement Succeed in Energy Companies"

Industry Insights, Best Practices and Lessons Learned

Speaker: Mark Hordes, Vice President, Organizational Performance Improvement & Change Management

Company: Molten-Group Americas

Website: www.molten-group.com

Welcome to the PMI Houston Conference & Expo and Annual Job Fair 2014

- Please set your cell phone/pager to silent mode

- Q&A will be taken at the close of this presentation

- There will be time at the end of this presentation for you to take a few moments to complete the session survey. We value your feedback which allows us to improve this annual event.

Mark Hordes Background
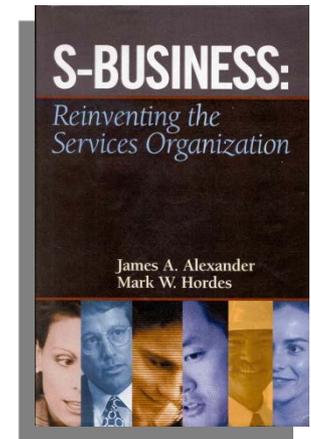
Education:
MBA and MS Organizational Behavior, Aurora University
BS University of Houston
Graduate of the American Graduate School of International
Management, "Thunderbird"

Professional Experience:
Vice President Change Management, Molten-Group Americas
Partner, Change Management, Accenture
Vice President, International, American Productivity & Quality Center
Co-author: **S-Business: Reinventing the Services Organization**, Select Press, New York, New York.
Featured in Houston Business Journal, Houston Chronicle, and on radio and television

Clients:
LukOil, British Petroleum, Bluebird Energy, Gazprom, BG Group, Oman Oil, Wessex Explorations, Chevron, SADARA, Saudi Aramco, Dow Chemicals, KBR, NewPage, Tasnee, Saudi Airlines, Baker Hughes, Shell Oil, ConocoPhillips, CP Chemicals, Schlumberger, Intel, 3M, Caterpillar, HP, EDS, Toro, Z-Safety, Edea, ExxonMobil, Qualcomm, American Express, Z-Safety, First Data Resources, Toro, Lucent, Renault, American Bureau of Shipping, Dresser-Rand and GDF Suez

Molten Overview

We are a transformational change consultancy whose skills and global reach help Energy Sector and Resources companies achieve operational efficiency and improve organizational performance.
We serve U.S & Americas, UK & ME, Russia & CIS and have offices in Houston, London, Moscow and Brazil.

Our expertise...

...the Services we

Technology &Innovation

Organization Analysis

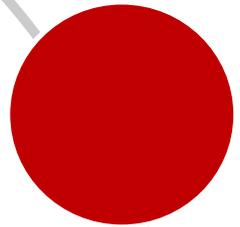**Organizational Performance Improvement**

Implementation and the Management of Change
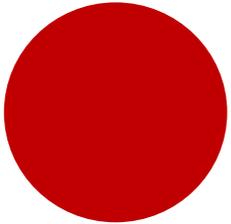
Data & Knowledge Management

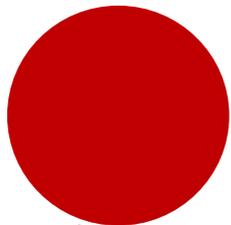**Operating and Organizational Model Design**

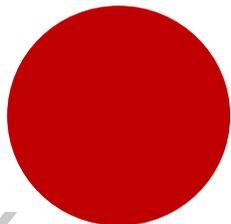# My Presentation Will Focus On:

Understanding Change in the Energy sector

Lesson's Learned Along the Change Journey

The Millennial Workforce: As Key Change Adopters

Understanding Reponses to Change

Change is great, you go first!

Khampha Bouaphanh / The Star-Telegram

In My Company, these changes are going on.
In My Company if I could change one aspect of the change process, or aspect of behavior that needs changing it would be…

Strategy Shifts
Organizational Structural Changes
M&A Activity

Cost Reductions
Culture Change
Locational Changes/International

Cost Reductions
New Technology
Customer Impacts/issues

Process Management Changes
New Leadership
Performance Management

Resistance
Old Guard Thinking
Lack of Sponsorship and Buy-in

Generational Conflicts
Employee Involvement/Participation
Communications

Lack of Training
Trust Issues
Workforce Overwhelmed

Lack of Feedback on Performance
Expectation for Behaviors Not Clear
Motivation and Productivity Issues

View from the Bridge: CEO Energy Perspective

(Source: 17th Annual Global CEO Survey-Key Findings in the energy industry Feb 2014 PwC/1344 responses))

1. 64% worried about the availability of key skills and talent and is a priority for their company
2. 24% believe that their HR departments are well-prepared to make changes
3. Only 24% recognize the need to change
4. 22% are developing strategies to change
5. 27% have concrete plans to implement change programs
6. 32% have change programs underway or completed
7. 12% felt no need to change
8. 24% believe IT is well prepared to deal the change

What is Challenging About the Oil & Gas Industry?

The Energy Industry is Constantly Changing

-New technologies, new locations, new skills, skilled resources with 50% retiring in10yrs and being replaced by the **Millennials** workforce, (born 1981+)

-Not use to making swift decisions. Targeting one area without considering the impact on shared segments in the rest of the organization

Change Impacts

-Change is relegated to a few areas where they are driven by competition, but bureaucracy is not often one of these

-Challenges between people working on the floor and management: swift cuts in costs/short term boosts, while employees desire more effective technology, better systems and improved accountability and communications

10 Lesson's Learned: Oil & Gas Industry

1. Refocus on career pathways, previously not being fully articulated

2. Large capability gap in Leadership

3. Creating Change Management Programs and Training/CMO's and plans

4. Flexible operating models (fit for purpose)

5. Agility and process standardization

6. More focus on HR and Talent analytics and big data

7. Human Resource consultants and project managers into skilled business consultants

8. Renewed emphasis on rewards and performance management capabilities

9. Development of significant talent and learning management strategies with a global footprint and nationalization implications

10. Recognition of the benefits and application of "soft skills" for technical employees as they move into Leadership roles

Thinking globally

While there are some worldwide tendencies among millennials, an effective global strategy for managing them requires a more nuanced approach – bringing regional, cultural and socio-economic variables into the equation. For instance, the level of education of millennials has increased globally, but the talent pools of interest to the O&G industry are unevenly distributed throughout the world, as can be seen in the graphic below. There are also key regional differences in career goals, work expectations, and levels of mobility that need to be accounted for.

Established Markets

- **US and Canada**

  Job security cited as an important career goal

- **Japan**

  A relatively small proportion want to manage people

- **Southern and Eastern Europe**

  International careers are highly coveted

- **North America and Western Europe**

  Demand for work-life balance is more pronounced

Emergent Markets

- **India and China**

  Most likely to consider access to state-of the art technology a vital factor

  Fewer than average consider being competitively challenged a key goal

- **Brazil, Mexico and India**

  Seek opportunities to work in developed economies

- **China, India, Indonesia, Mexico, Colombia**

  Surplus of graduates with geo-science degrees

- **Africa**

  Expectation that global companies hire nationals

Regional imbalances of geoscience graduates

- Deficit
- Surplus
- Oil industry hotspots
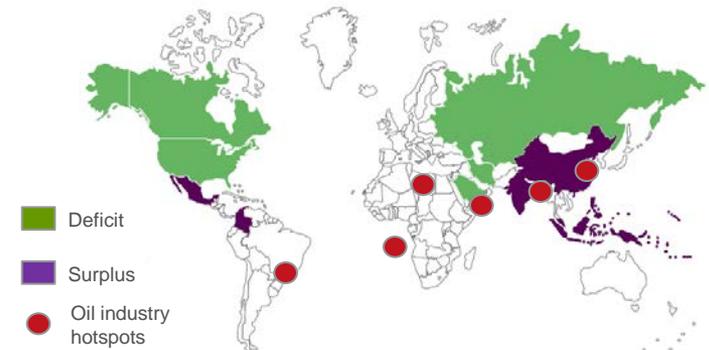
Source: "Facing The Hard Truths About Energy," National Petroleum Council, 2007, http://www.npchardtruthsreport.org

- **The qualified talent is coming from non-traditional countries**

- **A number of the "hot spots" have minimal qualified talent**

- **Companies need to radically change their approach to sourcing qualified graduates**

Change Management - Who is Involved?

CHANGE GENERATORS	• **Program Sponsors** • **Executive Leadership**
CHANGE IMPLEMENTERS	• **Steering Committee = Change Champions** • **Project Team's** • **Trainers and Consultants**
CHANGE ADOPTERS	• **End users/entire workforce** • **Other impacted functions**

As an implementer of change, you need to understand how people respond to change

One Significant Group of Change Adopters:

The Millennial Workforce
(Born 1981+)

How Millennial are you?

		Rating	
		Yes	**No**
1.	You watched more than an hour of TV/ 24 hours	___	___
2.	You played video games in the past 24 hours	___	___
3.	You have more than one cell phone	___	___
4.	You sent/rec'd more than 10 text messages today	___	___
5.	You have created your own social network	___	___
6.	You have more than one tattoo/piercing	___	___

Total____

Millennial Forces at Work

Expectations	Values	Technology	Globalization	Development	Individualization

- **Flexible work**

- **Rapid Career**

- **Ability to contribute to a greater cause**

*Need to adhere to different values and culture

- **Brand conscious, culturally diverse, socially response**

*Shifts in marketing, public relations and strategy
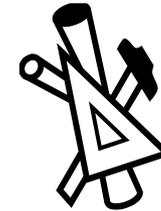
- **Digital tools and mobile technology**

*Rapid adjustments to new technology key to attract top talent

- **Global**

- **Work in developing countries**

*Embrace a culture of globalization

- **Frequent feedback**

- **Coaching/ mentoring**
- **Clear goals**
- **Formal feedback**

*Multiple options

- **Desire a personal approach that is aligned to individual needs**

- **Personal and flexible careers**

Recommendations

	Expectations	Challenges	Recommendations
Resourcing	• Above market compensation	• Perceptions of the Oil and Gas industry	• Design targeted recruiting
Performance Management	• Feedback, guidance • Technology/ mobility	• Setbacks and rapid disillusionment • Security IT risks	• Mentoring programs to provide personal feedback and coaching • Consistent measurement • Tech tools to excel
Reward	• Opportunity to travel/globally • Rapid advancement	• Rewards that don't upset other workforce generations	• Reward packages that balance expectations and realities linked to performance
Learning	• Variety of tasks • Training • Virtual/engaging	• High stimulating workplace • Contributions of thoughts and ideas	• Enhanced technical, leadership and on-the-job training • High collaboration
Retention and Exit	• Many jobs	• Expectations length of time/company	• Map out a clear career path, with many options

Understanding Responses to Change

What is below the water line?

Understanding Responses to Change

Ending

Transition Zone

New Beginning

Uncertainty

Commitment

Excitement

Creativity

Accomplishment

Anticipation

Innovation

High Energy

Learning

Confusion

Anxiety

Relief

Frustration

Unsure

Reservation

Resistance

Reservation

Confusion

Ambivalence

Denial

Skepticism

Exploration
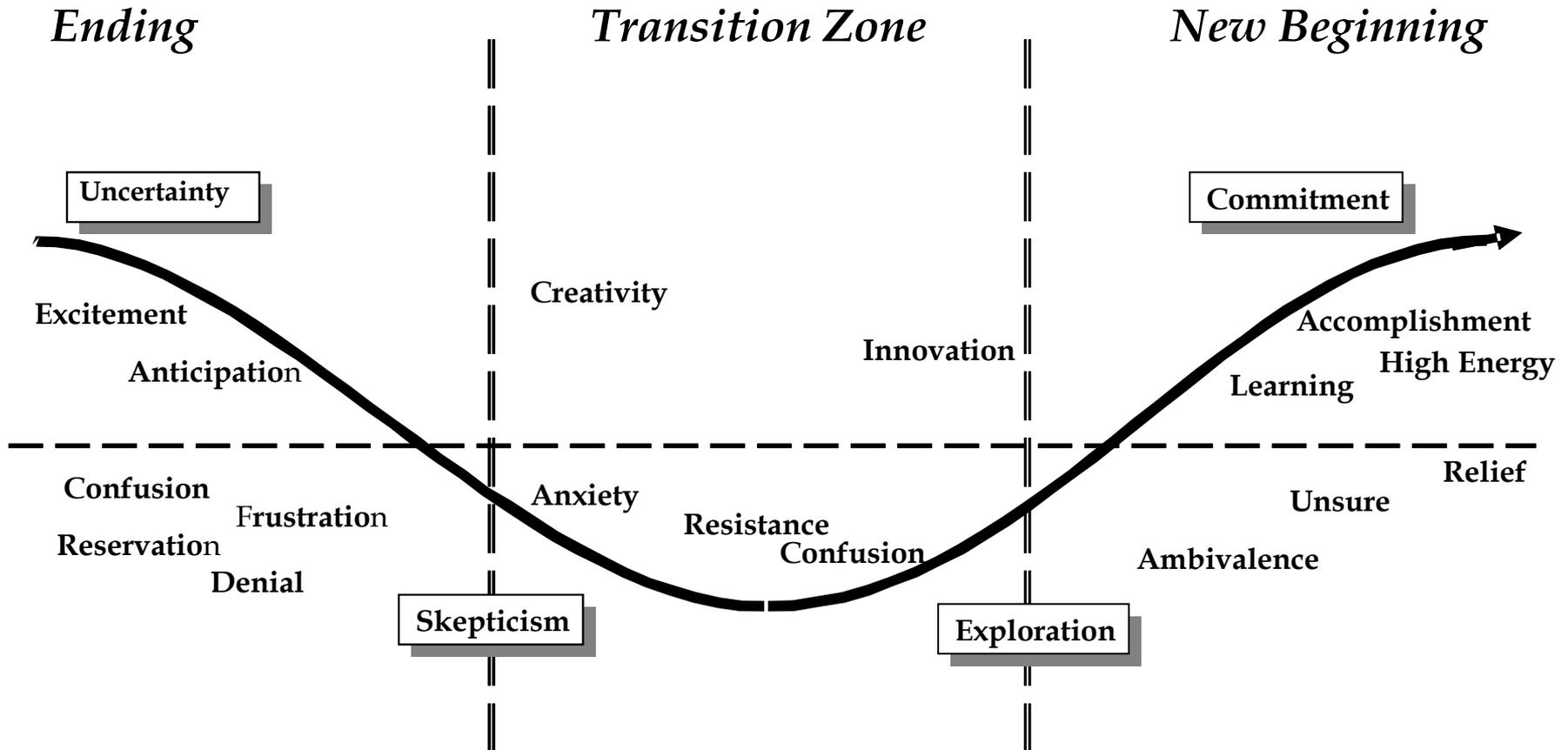
Adapted from Managing Transitions,

Helping People Through Endings

Ending

Uncertainty

Excitement

Anticipation

Confusion   Frustration
Reservation
Denial

Skepticism

- **Endings - Letting go**
  - *"You can't steal second base with your foot on first"*
  - People have to let go of
    - the old situation
    - ways that made them successful in the past
    - their sense of identity / reality
  - Before you begin something new, you have to end what used to be
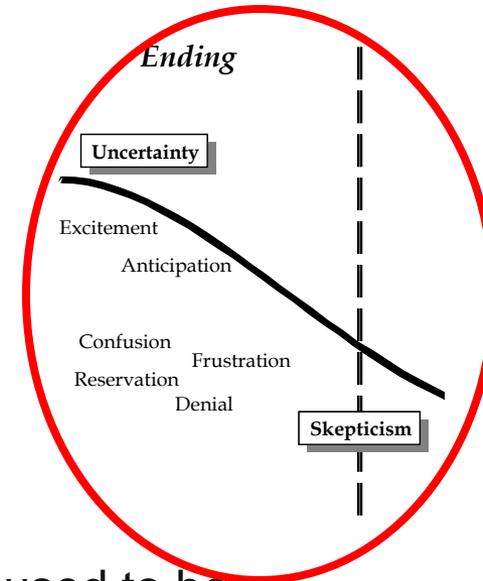
- **Behaviors during endings may include:**
  - Denial: People don't believe that the change will really happen
    - "Much ado about nothing"
    - "This too shall pass"
  - Frustration: People are angry that they have to change
   - "Are they out of their minds**?"**

What to Do - Endings

- **Endings**
  - Identify who's losing what
  - Accept the reality of subjective loss
  - Don't be surprised at overreaction
  - Acknowledge the loss
  - **Communicate, Communicate, Communicate**
  - Define what's over and what isn't
  - Mark the endings
  - Treat the past with respect
  - Let people take a piece of the old way with them
  - Show how endings ensure continuity of what really matters

Helping People Through Transition

- **Transition: A time of ambiguity, between old reality and a new reality**
  - Work may be unclear
  - Trust is very low
  - The unknown terrifies some people while others love it because it creates opportunities
  - Rules are vague; there is a high uncertainty and probably some emotional stress

- **Responses during the transition phase may be:**
  - Resistance - Superficial consent or early agreement - "Yes, yes, more or less, a nice idea"
 - Confusion - Many questions; Strong need to know

Transition Zone

Creativity

Innovation

Anxiety

Resistance

Confusion

Skepticism

Exploration
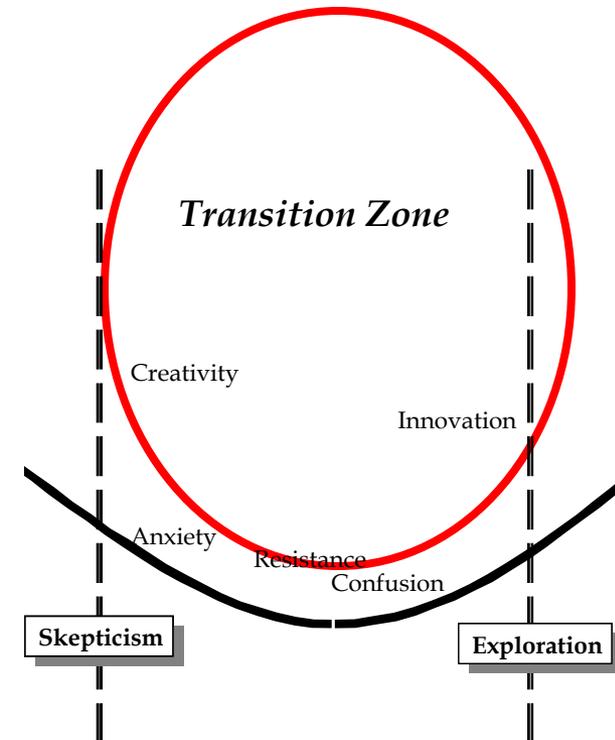
What to Do - Transition

- **Transition**

  – Acknowledge that confusion and ambiguity is "normal"
  – **Communicate, Communicate, Communicate**
  – Provide temporary structure
  – Strengthen intragroup connections

Helping People Through Beginnings

- **Beginnings - A new beginning can only occur when people are ready**

- **Responses during the beginning phase may be:**

  – Ambivalence

    - Beginnings reactivate some of the old anxieties that were originally triggered by the ending

    - People don't typically embrace the new way wholeheartedly

    - New beginnings also represent some risk

  – Relief

    - After the transition period, many people are greatly relieved to have some new structure and to have arrived in the "desired state"

New Beginning

Commitment

Accomplishment

High Energy

Learning

Relief

Unsure

Ambivalence
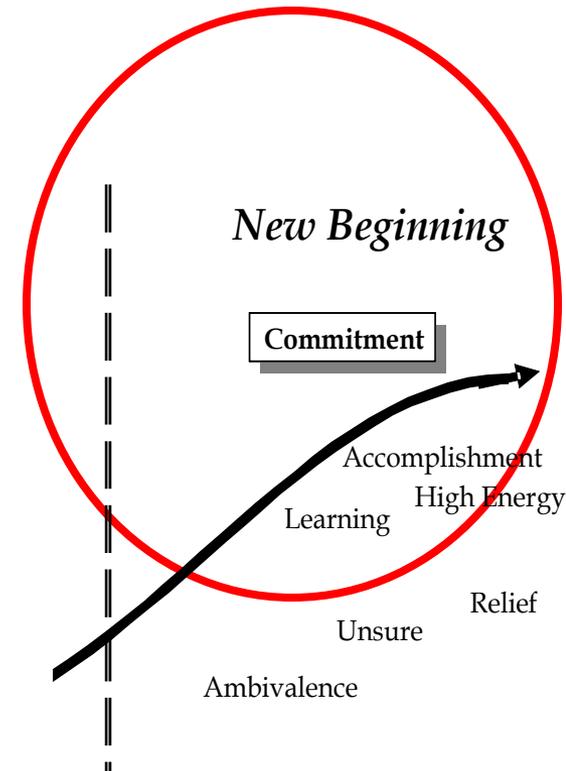
What to Do – New Beginning

- **New Beginning**
  - Clarify and communicate purpose
  - Create a new picture
  - Create a plan
  - **Communicate, Communicate, Communicate**
  - What is changing and what is staying the same
  - Involve people in the execution of the plan
  - Be consistent
  - Celebrate success
  - Make it real – reinforce that this is the way we do things now

Lessons Learned…

For change to be <u>effective</u> it is important that:

- – There is clear and strong leadership/sponsorship
- – There is a compelling case for change and it is communicated effectively
- – Communication is frequent and from a credible source
- – The change, especially expected new behavior's are measured and tracked
- – Training on technical and change management is provided
- – Resistance is acknowledged and managed
- – There is no such thing as a "one size fits all" change approach

Q & A

?

- Please step up to the floor microphone to ask a question

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Thank You

Closing thoughts…

Thank you for attending this session. We hope you found this presentation added value to your knowledge of Project Management.

- Take a few moments to complete the Session Survey. We appreciate and value your feedback.
- Hand in your completed survey to **Registration,** you will receive a free raffle ticket for one of the drawings to be held in the Vendor Expo (see Conference Program Guide for details).