

LISTEN, LEARN, RETAIN

It takes more than money to keep your best talent on board. Experts say zero in on other key issues.

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With volatility in the stock market, the unease following the Enron debacle and capital budgets under fire, it is critical for companies to concentrate on core operations and financial stability. But it takes the best talent to monitor progress in these areas. Research suggests that to replace an employee, it can cost more than 150% of that person's yearly salary, including lost productivity costs and time spent in searching, hiring and training a new employee.

What can be done to retain top performers, those who really add value, bring in customers, find oil and gas?

Most human resource experts in the energy industry agree that a company's culture and communication practices are much more important factors in retaining employees than compensation alone. By regularly listening, communicating and managing relationships with the people who are key to your success, you can dramatically decrease turnover rates and improve productivity levels cost-effectively.

"There is always a focus on pay in retention, but it's not the most important factor, and there are many other considerations in what engages an employee," says Lawrence Pope, Halliburton vice president of human resources. "If you focus only on the compensation side and lose sight of the other very important factors, then you're going to end up with a bad result. You can pay people very well, but if you don't develop their skills, provide training, or a work environment conducive to their needs, no matter how much you pay them, eventually, the dissatisfaction will catch up."

John Duncan, human resources for Apache Corp., says, "A company must remain competitive in its salary and incentive compensation because falling below competitive levels will drive people away, but money alone is not a retainer."

What is? Building a culture based on respect and teamwork, where employees can get involved through open communication. "In this day and time, talented people can go to many different places," says Tim O'Donnell, Southwestern Energy Co. vice president of human re-

sources and treasurer. "With all things being equal, if salary is the same, they're going to go somewhere they can make a difference."

Research indicates that business success works from the inside (internal staff) out (external customers).

"Relationship management requires ongoing communications, paying attention to things that are short-term tactical issues, and teaching managers how to communicate and build trust," states Theresa Welbourne, an associate professor of organizational behavior and human resource management at the University of Michigan Business School. She is also chief executive of eePulse Inc., an enterprisewide relationship management application service provider.

"Many employers are so afraid of what their employees will say that they don't ask, but you have to ask to collect systematic, representative and real-time data, and you need to be committed to respond to something."

Company culture

To help retain employees, try to create a work environment where employees are respected, involved with the business and feel like part of a team effort. "All employees require job satisfaction, which includes feeling they are a valued contributor to a team," says Anne Self, Quicksilver Resources vice president of human resources. "Conveying this as part of our company culture is a major factor, and after that comes the salary and benefits package, which must be competitive within the industry."

At Pioneer Natural Resources Co., relationship management is an important part of the culture and of retention methods. "Talk to your people and find out what they like and don't like about working in the company," says Larry Paulsen, Pioneer vice president of administration. "Consider that and make a concerted effort to build a culture that challenges people—and in our opinion, where you have some fun."

The Dallas-based company creates an enjoyable work environment and builds relationships

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by hosting special group outings away from the office and parties to celebrate successes. "We did a ski trip to Taos (New Mexico) so people would get to know each other and interact better," Paulsen says. "I think people need to feel like they can make a contribution and express their opinion, whether they agree or disagree, without any feeling of retribution. We've got a very open culture."

In addition to a pleasant work environment, give employees a certain level of responsibility. Apache involves employees in business decisions where they directly benefit from the company's success. "The best way to retain successful employees is to treat them with respect, listen to their ideas and input, involve them in the business and expect a lot from them," says Duncan.

Employees are given authority and opportunities for development. "I think our most successful retention factor is the level of accountability we expect from individual employees. We expect people to bring a lot to the party and to leverage their expertise every day. This makes people feel involved and like they own the business."

Long-term value plays a key role in Houston-based Southwestern Energy's retention methods. "The value aspect is very important to those who have been in the business awhile who see other companies make a deal just to make a deal," says O'Donnell. "We're trying to build something, and the employees recognize that and enjoy being a part of it."

Southwestern's main goal is to create value over time by ensuring that the "right people are doing the right things supported by the underlying assets of the company." Southwestern has organized specific teams of geographic interests which include geologists, landmen, production engineers, accounting people and reserve engineers who work together. They are given a set amount of capital to invest in projects and reach specific goals. The teams have the freedom to make recommendations on how to do things with centralized oversight by top management. "Employees are part of the team, and we've instituted a lot of team measures to make them feel like part of the process," says O'Donnell. "During the last few years of changes in the industry, we've been able to retain a vast majority of our people, and I think that's the primary reason."

Communication

Open communication is vital to having an energized culture and low turnover. "A key ingredient of high impact relationship management is constant, real-time communication with the people who are important to your success," Welbourne says.

Apache provides workers with clear expectations, and workers can see how they affect the

business. "Expecting a lot from people makes them feel like a part of the business," says Duncan. "When they feel like that, they naturally raise questions, initiate discussion and challenge each other to raise the performance bar. We are most successful when this occurs and least successful when it is stifled. From this standpoint, I agree that communication is critical in retaining employees."

Halliburton executives believe in proactive communication. On a regular basis, they conduct a worldwide employee satisfaction survey to solicit feedback and find out what employees think about company leadership, the equipment they've been provided with, compensation benefits, and various other topics to check the pulse of the organization.

"Based on the feedback received, we reinforce the things that we are doing well and fine tune the things that need minor improvement," says Pope. "We can really focus on some strategic activities and those items that get reported as needing significant improvement."

Halliburton promotes an open-door policy where every employee has the right to approach his or her supervisor with concerns, and if that person does not receive a satisfactory response, he or she can proceed up the chain of command. "I think Halliburton really promotes an open culture and dialog, and our management is trained in terms of receiving that objectively and taking necessary action," Pope says. "Our employees spend most of their waking hours at work, so it's got to be something they enjoy doing and a place that enjoy going to."

Employees at Fort Worth-based XTO Energy also have access to senior management, and senior management knows the employees. The company has regular meetings and an annual "Well Bore Review" in which they review every operated well bore in the company (about 4,100 in all). Lease operators are responsible for giving their thoughts to their foreman on well performance and enhancement recommendations. The foreman, production superintendents, division engineering personnel and division management then meet with reservoir engineers, geoscientists, the executive vice president of operations, the vice chairman and the president to determine how best to optimize each well.

"From these meetings come our priorities and budgets, and the lease operators have a real voice in what is done," says Bob Myers, XTO Energy vice president of human resources. "We try to promote a spirit of entrepreneurship and collegiality where relationships and prudent risk taking are important, and people feel free to express and sell their ideas to senior management."

Technology

Technology can tie teams in various locations and with different goals. Oil and gas producers use e-mail, the Internet, intranets, chat rooms, newsletters, online surveys, software programs, outsourcing and other technology to

provide employees with the quick and accurate information they need to do their jobs and share knowledge.

"Technology has been a way to open our lines of communication so people have a source for information and don't always have to seek out a person who might not be at their desk," says Elaine Weinstein, KeySpan Energy senior vice president of human resources. KeySpan uses online surveys and the Internet to find out how well they communicate within the company. It thus obtains current data, responds quickly and takes appropriate action.

"No matter what your level is, if you have an opinion, we'll listen to it," says Weinstein. KeySpan's online chat room enables employees to ask questions, check training developments and access program information.



One individual monitors the chat room for morale and other issues and can respond globally or to a specific individual. In addition, KeySpan has a quarterly HR newsletter and initiates group discussions on current issues. "We have a program called 'Straight Talk' in which our officers talk to small groups of employees and engage in dialogue on key issues," says Weinstein. "Because of this program, we have been able to value diversity, offer flexible work arrangements and childcare, respond to education concerns and update our benefit practices."

Anadarko Petroleum uses technology to connect employees with the company and offer necessary tools. "We provide Web-based training programs in both technical and business skills, financial assistance to employees who purchase personal computers, special technical labs, and remote computer access," says Richard Lewis, vice president of human resources. "The most powerful retention tools around involve creating a positive and energizing work environment where people know what is expected of them and are provided with the tools and space to get the job done."

Throughout the industry, e-mail is an important tool that helps with communication and retention. "People need to know what's going on, and we use e-mail technology to communicate

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throughout the organization," says O'Donnell.

In addition, Southwestern Energy uses a semi-annual newsletter and internal correspondence to provide industry and company information to employees every six to eight weeks. The company has a web site and a fairly sophisticated IT group that constantly improves, upgrades and purchases software to provide teams with the best tools available. "We have a significant amount of resources and dollars going to geographic work stations and other technology," says O'Donnell. "Value can definitely be created through the use of technology."

From an employee's standpoint, it is important to be able to voice suggestions and concerns and access information quickly. "E-mail provides a wonderful, open-door communications tool where employees can be honest and straightforward with their employers," states MaryAnn Labant, vice president of marketing, TerraSeer Inc., an Ann Arbor, Michigan-based provider of software tools and consulting for the spatial analysis market.

"Technology helps me to get the data and services I need as quickly as possible so I can be productive, do my job effectively and stay up-to-date with the constant changes in this industry," says Lafayette Herndon, storage facility analyst with ExxonMobil in Dallas. "I regularly communicate with my managers and coworkers via e-mail, and I use the services of www.techstreet.com to find updated tank-type information and learn about the latest standards updates."

It turns out the experts at Techstreet not only helped Herndon, they also improved retention by placing an importance on relationship management. Techstreet provides mission-critical information resources and management tools for technical professionals and boasts more than 500,000 technical information titles including one of the world's largest collections of industry standards and specifications.

"It's important to listen to your employees and take advantage of technology to provide them with the latest knowledge, training and communication tools they need to do their jobs and feel like part of the team," says Gregg Hammerman, Techstreet president.

With the oil and gas industry's constant fluctuations, it's important to know the needs of employees. By communicating with them on a regular basis, turnover may be significantly reduced, the work environment improved and productivity increased. "When you ask employees about their workplace, they give you feedback; if you are unwilling to respond, then productivity suffers, and when productivity suffers, customer service, retention rates, sales, and once again, company performance suffer," says Welbourne. □

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