Cultural Change Imperatives at ShawCor

The ShawCor Difference

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Human Resources
Organizational culture is the sum total of an organization’s past and current assumptions, experiences, philosophy, and values that hold it together.

Expressed in its self-image, inner workings, interactions with the outside world, and future expectations.

Based on shared attitudes, beliefs, customs, express or implied contracts, and written and unwritten rules that the organization develops over time and that have worked well enough to be considered valued.

Source: BusinessDictionary.com
While there are many common elements in the large organizations of any country, organizational culture is unique for every organization and one of the hardest things to change.

Source: BusinessDictionary.com
The ShawCor Challenge

- **Global Reach**
  - 70+ manufacturing & service locations

- **Large and Diverse Workforce**
  - 5,000+ employees working in 20+ countries
  - Base of long service employees and leaders

- **Unique Organizational Structure**
  - 7 autonomous operating divisions with full P&L
  - Mix of ‘plant-based’ and ‘service-oriented’ businesses

- **Business Performance**
  - Strong operating margins
  - Solid returns to shareholders and return on equity/capital employed
The Culture Change Imperative

Cultural change effort - HP2010 - was launched to position ShawCor as a dominant player in the energy services sector by:

- **Creating a ‘call to action’ for our leaders**
  - Build a compelling business case
  - Engage them as true leaders of the business

- **Building alignment to the challenges**
  - Gain acceptance for the need for change
  - Understand where we are today
  - Use baseline to establish the need to change

- **Concentrating our effort on the real value opportunities**
  - Focus on the high priority areas
**High Performance 2010**
Dominant Industry Players – Total Return to Shareholders

**Total Return to Shareholders (TRS)**
1999=100

<table>
<thead>
<tr>
<th>Year</th>
<th>ShawCor</th>
<th>Baker Hughes</th>
<th>Oil States Int’l</th>
<th>Cameron Int’l*</th>
<th>Halliburton</th>
<th>Schlumberger</th>
<th>S&amp;P 500</th>
<th>Oil Eq &amp; Svs Industry**</th>
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<td>2009</td>
<td>4.15</td>
<td>0.84</td>
<td>6.04</td>
<td>11.97</td>
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* 10-year TRS CAGR is based on 2002-2009, after IPO
** Based on 77 companies from 22 different countries

Source: Datastream
High Performance 2010
Dominant Industry Players - Revenue

Source: Company Annual Reports

Focus on increasing CAGR to the 15%+ level
Goals for High Performance 2010
Foundations of Effective Performance

- Mindset & Behaviors
- Organizational Culture
- Practices & Processes
- Market Presence & Reputation
- Manufacturing & Fulfillment Excellence
- Product Innovation & Value

$
## The Approach We Took

### A Compelling Case for Change
- What is our current culture?
- How do we compare to others?
- Where do we need to go?
- How do we need to behave to get there?

### Engaging Business Leaders
- What culture do we aspire to?
- What are we going to commit to?
- How are we going to act?

### Creating & Sustaining Momentum
- What are the paths to action that will result in meaningful and sustainable changes?
- How are we going to measure the change?

### Baseline Culture Assessment & Benchmark

<table>
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<tr>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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### Vision for High Performance

### Values to Guide Our Behaviors
- External assessment and benchmarking
- Business case for change
- Values alignment

### Executive/Leadership Workshops
- Feedback of benchmark results
- Executive review/validation/acceptance
- Passionate commitment
- Forging the way forward

### MEASURE MEASURE
- Defining the 'ShawCor' culture
- Defining key tracks (e.g. Talent Management) for change
- Scorecard & assessment process
- Accountability mechanisms
The Approach We Took
Survey Focused on 3 Key Areas


**Alignment**
Do people understand and agree with where the Company is going, how it will get there, and what it means for how they think and what they do?

**Execution**
Is the organization doing what it is supposed to in order to achieve the aligned direction? Is it doing it well and can it respond to challenges?

**Renewal**
Is the organization continuously finding new things (and new ways to do things) that create value?
The Approach We Took
Consolidated Self-Scoring Summary

Not Effective / Common / Superior / Distinctive

<50%  50-69%  70-84%  85% +

Alignment
- Direction
- Leadership
- Environment and Values

Execution
- Accountability
- Coordination and Control
- Capability
- Motivation

Renewal
- External Orientation
- Innovation

McKinsey Global Database Average

High performing organization
## Our Conclusions & Directions
### The Key Strategic Themes

<table>
<thead>
<tr>
<th>People:</th>
<th>The will to build a strong team, the processes required to make it happen, and the possibilities that open up when you do that</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth:</td>
<td>The three time-based horizons of growth and the three growth cylinders - how to build a balanced portfolio</td>
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<tr>
<td>Flawless Execution:</td>
<td>Benefits and components of executional excellence</td>
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<tr>
<td>Innovation:</td>
<td>What would a turbo-charged innovation engine look like, what would it take to do that (on both products and business processes)</td>
</tr>
<tr>
<td>Leadership:</td>
<td>The characteristics that leaders at ShawCor will need to lead change</td>
</tr>
</tbody>
</table>
The Approach We Took
Engaging our Leaders Worldwide

- Toronto Workshop
  [ShawFlex, DSG-Canusa, Canusa CPS, Corporate]
  November 2008

- Calgary Workshop
  [B. Shaw, Guardian, Flexpipe]
  November 2008

- Collingwood Leaders Workshop
  September 2008

- Houston Workshop
  [B. Shaw Division, B. Shaw US, SPS]
  November 2008

- Germany Workshop
  [DSG Canusa]
  December 2008

- Leith Workshop
  [B. Shaw]
  December 2008

- Dubai Workshop
  [B. Shaw ME]
  December 2008

- Singapore Workshop
  [B. Shaw AP]
  December 2008
Our Conclusions & Directions
Over Time We Need to Shift Focus to Improving the Future

Individual’s time spent (%)

Timeline (months or years)

Fighting fires

Improving the future
Our Conclusions & Directions
Key Strategic Themes

Flawless Execution

Can we build a reliable organization and execute consistently and flawlessly on our commitments?

- Manufacturing Excellence
- Low Cost Manufacturing
- Continuous Improvement
- HSE Performance
- New Product Introduction
- Low Cost Plant Mobilization
- Service Delivery
Driving Cultural Change

Positive Role-modeling
“...I see leaders, peers & subordinates behaving in the new way”

- ShawCor History & Values
- Service Recognition

Developing Talent & Skills
“...I have the skills, capabilities and opportunities to behave in the new way”

- Leadership 5R’s and 360 Feedback
- Executive ‘Training’
- Talent Review

Foster Understanding & Commitment
“...I know what is expected of me - I agree with it and it is meaningful”

- Aligned Objectives
- Lines communication

Reinforcement with Formal Mechanisms
“The structures, processes & systems reinforce the change in behaviour I am being asked to make”

- SMS Champion Program
- Engagement Survey (Gallup)
Executive Development Program

- **Business Culture Project (OPP)** ............................................... (2 days)
  (Leadership)

- **Coaching for High Performance** .............................................. (2 hours)
  (People)

- **Manufacturing Excellence** ..................................................... (4 days)
  (Flawless Execution)

- **McKinsey Growth Summit (GPI)** ............................................. (3 days)
  (Growth)

- **Mergers & Acquisitions Workshop** ........................................... (2 hours)
  (Growth)

- **Strategic Selling Skills** .......................................................... (2 hours)
  (Growth/Innovation)

- **Employee Engagement Workshop** ........................................... (2 hours)
  (People)

* Come with ratings on them
** Come with ratings on their business
Lessons Learned

- Culture and organizational performance is different than financial and operating performance.
- Denial is a major obstacle, not easily overcome - “I am high performing!”
- Requires introducing new perspectives/data, voices, skills and practices - people need to find it on their own.
- Culture change is ongoing - part of every conversation and practice/routine.
- Change must hit on ‘multiple levers’.
- Leaders can never give up - despite setbacks. Must always come back to ‘the GOAL’.
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