
view from the top



Why is the Piedmont Pride culture so important to Piedmont Natural Gas's long-term performance and success? Chairman, President and CEO Thomas E. Skains shares his insights on leading the culture transformation at the utility in this conversation with Nick Neuhausel, Senn Delaney partner, executive vice president and energy practice leader.

Mr Skains says the culture is the single most important factor in achieving stellar financial results, improving customer satisfaction and providing a Thriving work environment that engages workers and attracts the best talent.



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Featured client: Piedmont Natural Gas

Piedmont Natural Gas is a natural gas provider for more than 1 million residential and business customers in North Carolina, South Carolina and Tennessee. The utility has been in operation for more than 60 years.

Featured leader: Thomas E. Skains, chairman, president and CEO

Thomas E. Skains has been chairman, president and chief executive officer since 2003, and was previously senior vice president, Marketing and Supply Services. Mr Skains joined Piedmont in 1995 after nearly 15 years with Transcontinental Gas Pipe Line Corporation in Houston. He served as chairman of the American Gas Association in 2009 and as chairman of the Southern Gas Association in 2006. He currently serves on the board of directors for both organisations. In addition, he presently holds positions on the boards of directors of BB&T Corporation and the Gas Technology Institute (GTI), and on the Boards of Trustees of Johnson & Wales University and the American Gas Foundation.



Piedmont Pride: CEO's perspective on creating a culture of high-performance that positively impacts performance

The following interview is an edited transcript of a leadership video with Nick Neuhausel, Senn Delaney partner, executive vice president and energy practice leader and CEO Thomas Skains on shaping the culture and his insights about the journey.

Nick Neuhausel: I'm Nick Neuhausel, partner and leader of our energy practice at Senn Delaney. Senn Delaney is a global culture-shaping firm that's been in existence for about 35 years. Our purpose as an organisation is to have a positive impact on the world by inspiring leaders to create thriving organisational cultures.

One of the organisations we've worked with for a long time is Piedmont Natural Gas. With me today is Tom Skains. Tom is the chairman, president and CEO of Piedmont Natural Gas. It's such a pleasure to have Tom here today as the leader of the organisation.

In the energy business, a lot of change is going on. In a significantly changing environment, how do you really deal with some of the elements of that pressure of change? How do you handle it related to the culture and having the culture be a significant issue that you deal with in terms of the long-term impact for Piedmont Natural Gas?

So, Tom, welcome. I'm so glad that you would be willing to share your time with us. You've been in the natural gas business for a long time. Why don't you tell us a little bit about the industry.

Thomas Skains: It's an exciting time to be in the natural gas business. In my 32-year career in the industry, I've never seen better, more solid fundamentals for our industry. We have become a foundation fuel in a new energy economy in our nation and across the globe. Natural gas here in the United States is abundant. It's domestic. It's affordable. It's clean and efficient and our industry is safe and reliable.

When you look at what we offer to the economy and to our environment and to our national energy security, we're hitting on three very important pistons for the recovery of our economic growth in this nation, for our energy security, as well as making a huge impact on our environment in the terms of lower carbon emissions.

Nick Neuhausel: Piedmont is a key player in that industry. Tell us a little bit about the performance and what's occurred at Piedmont in the last number of years.

Thomas Skains: In 2011, we had another solid year of financial performance. We saw continued growth in our customer base, continued investment growth to expand our systems to serve a larger segment of the energy industry in the Carolinas and in Tennessee. We delivered

outstanding total shareholder returns to our investors, about 15 percent on the year compared to about eight percent for the S&P 500. And we look forward to the future. It is a very difficult economic climate as our nation recovers from this economic weakness, but I think natural gas can lead the way.

Our board, showing the confidence in our future growth opportunities, last week increased the dividend for our shareholders for the 34th consecutive year, and that's something we're very proud of. But what I focus on is not just annual performance but longer-term performance.

Since Piedmont entered into a relationship with Senn Delaney to focus on the cultural health and transformation of our organisation, over the nine years that I've been CEO, we have doubled our asset base. We have increased by 100 percent the value of our market capitalisation, the total value of the equity investors in our company, and we've delivered total shareholder returns over that nine-year period of 161 percent compared to 147 percent for the median of our peer group and about 69 percent for the S&P 500. This financial performance would not be possible without the transformational shift that we've embarked on for a healthy, high-performance culture.

You can't get those kinds of financial results without the teammates across the company pulling together in a healthy way that's focused on high performance. This is not something that occurs by itself. This is an intentional strategy that we've had with a lot of dedication and commitment and resources focused on the health of our organisation.

Three goals as the CEO

Nick Neuhausel: One of the things we like to do is share best practices. Would you share some goals that you set for yourself as the leader of the organisation?

Thomas Skains: I set three overarching personal goals for myself as CEO of Piedmont Natural Gas. Number one is to have Piedmont be the natural gas company where investors want to place their money. Two is to have Piedmont be the natural gas company customers and suppliers want to do business with. The

third is to have Piedmont be the company whose employees wake up every morning and can't wait to get to work. For me, that's the key to performance. That's the key that unlocks the discussion around culture and transformational culture differences within our organisation.

Defining the vision and values, then building the culture on that foundation

Nick Neuhausel: We define culture as the personality of the organisation. It's defined by the values, the behaviours, the way people operate even when nobody is looking. Tell us a little bit about how Piedmont looks at culture, the culture journey you've been on and how that shows up in the organisation.

Thomas Skains: Piedmont had a long history of excellent performance. It was focused on delivering really good results for shareholders and it was focused on the customers. I always had a customer-centric focus.

But, as you would expect, like many companies, and particularly those in the utility sector, there was a command-and-control-type corporate culture with obedience and obligations and silos both functionally and within departments. Communication could improve. There was a focus on expertise of individuals more so than management skill sets and there was resistance to change, which is not unusual. That is a key issue for most organisations.

When I examined that with our executive management team and Senn Delaney, we thought we could improve the health of the organisation by focusing on health and high performance.

We saw the need to address the changes that were occurring in business and in the marketplace and allow us to overcome and be successful in a rapidly changing market environment where we needed to be more nimble, we needed more empowerment, we needed more accountability, better communications for rapid and quality decisions and, again, a place where we could grow and develop our employees to thrive in an organisational culture for the long term.

As the springboard of the foundation for our cultural transformation, we needed

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to first define our vision, our mission and our values. Our vision statement is simple: To be the responsible energy choice in our growing southeast markets. It is really focused on the constituent groups that we serve. It's something that we thought our employees could really rally behind.

The value statement is really the principles, the bedrock of the culture to help support the mission and achievement over the long term of the vision. The value statement is all about integrity and respect and excellence and stewardship and health.

We embarked on a process first to define this — and it's been embellished over the years — with feedback from employees to gain further buy-in. We updated our values and our vision and our mission statement ever so slightly with some nuances through a process of focus groups by our employees where we had some excitement and some energy around the process.

To support this effort, we put in to place what we call the Piedmont Pride Leadership Development Program with Senn Delaney's consulting assistance. We first rolled that out focused on starting at the top with me and my executive management team in 2003 in order to cast that positive shadow.

Then, from 2004 to 2009, we rolled it out to the entire organisation through programs and workshops — experiential in nature — where employees really had an opportunity to take a deep dive into what healthy culture was all about and what our core values stand for. It's something that we did through an emo-



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tional connection, not just an intellectual connection, which is really important to change the thinking, which drives the behaviour, which drives the performance.

Nick Neuhausel: Piedmont Pride. Why did you come up with that name? What's the essence of pride and what does that mean for the organisation?

Thomas Skains: It's symbolic of the ownership and the accountability that we want our entire organisation to have in our organisational health and in our shared values and our leadership competencies.

We support our entire program here with the alignment of a lot of systems and processes, whether it be performance management, compensation related support, leadership training, career development, job rotation, succession planning, recruitment and retention efforts and workforce development. All aspects of what we do are centred around this process talking about the importance of organisational health and really walking the talk of our core values.

Nick Neuhausel: It sounds like culture is the core from which many of the other elements of Piedmont and how you treat employees emanates?

Thomas Skains: It is, absolutely. Just as our vision and mission statements are the core for our long-term strategies and our annual business objectives, we consider culture the core of how we get those results. So, for us, it's not only the work we do, it's how we do the work.

It's getting the right results the right way with the right people. And then the people aspect of this is critical. You can't get

performance, whether it be operational performance or financial performance, without the health of your organisation and your people really having pride, the Piedmont Pride, in what they're all about and what they want to accomplish.

A healthy cultural foundation on which to meet challenges

Nick Neuhausel: A CEO once told me that when times are good, it is very easy to live our values and live into the culture we're creating. When times are not so good and we have challenges in front of us, then it becomes a real test of what the culture is and being able to use that culture as a differentiator. What challenges in the industry and the company do you have and why is culture so important being able to deal with those challenges?

Thomas Skains: I think the largest challenge for companies, and ours is no exception, is growth in a very stagnant, slow-recovering economy. So, how do we change to stimulate additional growth in our business? How do we provide excellence in performance, both financial as well as operational performance? How do we continue to become more productive and efficient and lower cost of delivering great customer service to the communities that we serve? And how do we stay focused on safety and compliance when it matters more than ever before?

To achieve those results and those challenging marks that we've set for ourselves, culture makes all the difference. Culture makes the difference, for example, in being able to attract and retain the best talent. Within a reasonable band of compensation, employees are going

to migrate to great companies that have great organisational health. We think culture provides a competitive advantage to attracting and retaining the best talent to get excellent results for our customers and for our shareholders.

We look at the speed of quality decision making. If the culture is healthy and there's good communication and feedback and you have no silos and teams are working effectively together, you can get better, quicker, quality decisions to be nimble in an ever-changing marketplace.

So, there's a variety of different cultural attributes that will create performance. The ability to not only recognise the need to change, but to champion it rather than being resistant to change is key to good quality performance in tough economic times as well as good economic times. You can go down the list of every challenge that business has and tie it directly to a healthy cultural attribute that will help you get those results and create opportunities out of challenges.

The connection between a Thriving culture and brand

Nick Neuhausel: It sounds like culture is an important element of your brand image and how you get presented. How does the culture show into the brand?

Thomas Skains: Two years ago, you worked with our team of executives when we talked about Thriving, the concept of Thriving and purpose and a learning mindset and vitality of leadership and how all that comes together to create really something even better and greater than a healthy, high-performance culture

— a Thriving culture. And we talked a lot about purpose.

At that time, we were engaged in discussing the Piedmont brand, and we eventually rolled out a new logo, a new look, a new brand promise. What came out of that branding process, which was a collaborative effort across the company with employee focus groups and some customer focus groups, was that, at bottom, Piedmont wants to deliver peace of mind. That's our purpose as an organisation: to deliver peace of mind to our customers, to deliver peace of mind to our investors and to have peace of mind that this is a great place to work for our employees to come to every day.

Nick Neuhausel: I love peace of mind. In the natural gas industry, people don't often think of it that way. Can you elaborate on that purpose?

Thomas Skains: Well, it's an interesting concept because we also have a tagline related to our branding effort of "energy that shows." Natural gas and the infrastructure of natural gas are largely out of sight and out of mind to many of our customers. Our facilities are largely underground. We deliver a product again that's clean, affordable and efficient, but the customer turns on that range and you have the natural gas flame lit and it seems very simple and it's all underground. It's delivered reliably.

We provide a wonderful product and quality of life to our customers and we want to give them peace of mind at that. But, behind the scenes, we work really, really hard to deliver that product in a fashion that our customers want that's

safe, reliable, affordable and efficient.

Non-financial successes from Piedmont Pride culture

Nick Neuhausel: Piedmont has obviously done very well financially. Would you describe some of the other successes that you've been able to create within Piedmont?

Thomas Skains: There are a couple of categories I'd like to talk about on non-financial successes that are important. It's important to create this work environment that we want to have our employees thrive in. One is just simply employee satisfaction. This is a process that we use as a feedback loop on how we're doing with our culture, and that is having bi-annual employee satisfaction surveys at the company. It's a broad-based survey where we get rich feedback from our employees about how they enjoy their jobs they're working in, how they view their departments and their managers and how they view the company overall. We call this Piedmont Pulse to complement the Piedmont Pride program.

Coming away from these sets of inputs and feedback from our employees, we set action plans to drill down on components of our shared values that we want to continue to explore across the organisation. Our last Piedmont Pulse survey had 80 percent participation from employees across the company, which is a really high level of participation.

And I'm proud to say that the workforce commitment indicator, which is a standard that's used in these types of surveys,

was in the 97th percentile of national businesses and our industry.

It's something that we're proud of, but we're not going to be complacent because we identified some attributes of our culture that we need to continue to work on around trust, around communications from the top and visibility from the top of the organisation, around career development and around quality and excellence of performance and the tools our employees need to do a better job for our customers.

Another area of focus is employee safety and health, which is a key component of our shared values. We have an excellent safety track record at Piedmont. We had another year of no significant incidents of public safety or customer safety.

We had employees demonstrating a focus on safety and we had the lowest OSHA recordable employee injury rate in the history of the company by a keen focus on leading indicator approaches to safety and avoiding safety issues. We had two of our resource centres, one at Hickory, North Carolina, and one in Anderson, South Carolina, recognised by OSHA as leaders in safety standards for their local operations. These are all things that we champion and we glow about internally and praise our workforce for achieving these kinds of accomplishments.

Lastly, it's service to customers and it's our presence in the communities. We're very active in the communities that we serve. Several years ago, we set up the Piedmont Natural Gas Foundation to provide charitable giving in the communities we serve. We are also active as an



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employee base in the communities with a variety of different causes we champion.

And, of course, customer service is something that we constantly try to improve, for example, giving customers new tools, such as the energy analysis tool that we unveiled on our Web site last year. Customers can create information modules based on the size of their homes and how many energy appliances they have and look at the efficiency of natural gas versus other energy sources and the costs of natural gas service versus other energy sources so they can make quality life decisions of their own regarding energy consumption.

Nick Neuhausel: You also do customer service surveys. Are those integrated into the culture processes and programs?

Thomas Skains: Our annual performance management program is called MVP — mission, vision and values and performance. We have a balanced scorecard approach to the annual bonus opportunities that every employee in Piedmont has an opportunity to achieve. It's focused not just on financial performance, but on our safety record, our reputation in the communities that we serve, and on customer satisfaction and loyalty.

We conduct multiple surveys every year around how we're showing up in the communities that we serve and what our customers think about us and our product and our service. We use this as direct feedback from our customers for improvement. We also use it to rally our entire workforce around the importance of serving shareholders, of serving each other safely within the organisation and serving customers and being active in the communities that we serve. It's a key part of our shared values, but we reinforce that with programs, such as our MVP program, around our annual compensation.

Nick Neuhausel: Have your customer service statistics improved as the culture has shifted over time?

Thomas Skains: We have seen improvement over the years. We use multiple sources of input for that. Our internal source is these surveys we use through an independent consultant that give us rich, customer-specific feedback. But we also follow the J.D. Power scores.

This is something that is a rallying cry for our company now because we're not where we want to be on those J.D. Power scores. That's another opportunity to talk about the importance of customer focus in all of the different aspects of what drives good J.D. Power scores.

Nick Neuhausel: Another thing CEOs talk about is, 'how are we going to attract the kind of talent we're going to need for the future?' Would you comment on what you see as the value of the Piedmont culture in the attraction of talent, retention of talent over time and the development of that talent?

Thomas Skains: It's a key differentiator. All businesses need to be competitive in paying our employees and our teammates for the job that they're doing based upon the expertise and the skill sets that we need.

But, when it comes down to it, to attract the best and the brightest and the healthiest, you need a good strong culture within the organisation where, all things being equal, the talent pool wants to come to work for Piedmont Natural Gas versus some other company because they like the way our work environment shows up through the culture that we build and the culture that we're trying to sustain.

The way forward and a little leadership hindsight

Nick Neuhausel: What is on the horizon for the journey on culture?

Thomas Skains: Our view on this is getting the right results the right way with the right people. And the people part is key, and frankly, it's the most difficult. It's making sure you have the right leaders in the organisation. In terms of moving forward, we need to make sure that we allow our leaders to develop. We can all improve. We need to create an environment where that leadership can thrive.

We need to put the enablers that will push the culture movement forward in key leadership positions and move resistors out of the way to allow the company to move forward. This is never easy. When I look back at our nine-year journey through this process, those people decisions have been the most difficult. One of my lessons learned is you need to address those sooner rather than later.

The natural tendency is not to address a people issue when that's really the driver to future success.

Another lesson I've learned in terms of sustaining this program is to celebrate success. Many of us at the company are performance driven. We set a goal, we're going to drive a truck through that goal. And then, as soon as we accomplish that goal, we want to move to the next one. We need to take time as leaders to celebrate successes and celebrate people who created those successful outcomes. That's an important aspect of a healthy culture rather than always being driven.

Another lesson is learning from mistakes. We all make mistakes and we have wonderful leaders, myself included, who have made mistakes. The true hallmark of a leader is turning negatives in the terms of mistakes into positives for teaching and coaching.

Nick Neuhausel: The willingness of CEOs to really look at themselves is a significant part of the leadership that they present to the rest of the organisation. Would you share some of the things in your own personal growth along the way?

Thomas Skains: Life is simply too short to work or ask your employees to work in a job or at a company that they don't enjoy going to every day, that they don't have fun doing their work, that they don't have a sense of fulfillment in what they're accomplishing every day.

If you enjoy your work, if you have a sense of fulfillment and satisfaction, you'll do a better job. When employees do a better job, then we're going to deliver better results for our customers, better service to our customers and better performance for our shareholders.

But, for me, it's a personal thing. I believe in working hard. I believe in playing hard. I believe in celebrating successes. I believe in learning from mistakes because I think each one of us is a personal process improvement project.

From a leadership standpoint, if I want to make a change or an impact to an organisation to really talk about how we can grow and be high performers, it starts with me and it starts at the top. I have to show some humility about being willing to change and understanding that there

are things I can do better as a leader and as a performer. And, through that sense of vulnerability, to talk about each one of us as a process development project, then we can open the discussion on how we can all work together to achieve better results if we improve ourselves and improve the work environment for our teammates.

An “ah ha” moment for me in this journey was really stimulated by our discussion around Thriving, the principle of Thriving and talking about purpose, learning mindset and vitality.

And the one thing that I learned is about how I can show up better as a leader. I’ve learned I could be more effective if I let

people know not only what I think but how I feel. If I let them know how I feel about something, I open up a little bit of vulnerability about myself but it causes a connection. It causes a rapport. It causes trust and it causes respect because I show up as a human, which we all are. We all have frailties and we can all perform better and be better leaders.

The other thing I explored and learned was purpose. We’ve talked a lot about that — leadership and the difference it makes for a company as well as for individuals. I discovered what I consider my purpose to be, and it’s simply to make a meaningful difference in the lives of others through positive energy and authentic leadership.

The authenticity really comes down to letting people know more about me, again, how I feel as well as how I think, as well as sharing the positive energy that I think I share every day with the people I meet.

We all gravitate to people who emit energy rather than take energy. If we can all emit energy, we’re going to raise everyone’s effectiveness and the lives of everyone we meet and deal with everyday.

Nick Neuhausel: Thank you so much for your willingness to really share of yourself and your company so that others can benefit from that in an even larger arena. The journey continues! ■

The Piedmont Pride culture is built on five key values

Integrity

- communicate openly, honestly and directly
- protect our reputation
- show consistency between actions and words
- seek help when needed
- express opinions and support decisions
- foster a culture of accountability and compliance

Respect

- place interest of team above self
- encourage collaboration
- give and receive feedback to improve results and effectiveness
- foster mutual trust
- celebrate each others’ contributions
- recognise and value diverse backgrounds, experiences, styles, approaches and ideas

Excellence

- strive for quality in work-related processes
- embrace openness to learning and change
- encourage professional and personal development
- take responsibility for achieving desired results
- seek to continually improve in all we do

Stewardship

- champion environmental responsibility
- encourage employee engagement on the job and in the community
- protect and enhance shareholder value

Health

- encourage a healthy balance between work and personal life
- provide initiatives that support a healthy lifestyle
- maintain a safe work environment for employees and customers

ourvalues

- > integrity
- > respect
- > excellence
- > health
- > stewardship



corporate offices

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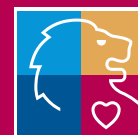
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