

## The Inverted Pyramid of Management

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With the development of unconventional resources of oil and gas across North America, the energy sector is experiencing substantial growth. Well-established companies are expanding and hiring at historically high rates, and startup companies are forming seemingly daily across shale plays such as the Eagle Ford. A 2013 study by the University of Texas at San Antonio revealed oil and gas activity was responsible for a \$6.1 billion economic impact and 116,000 jobs across the 20-county Eagle Ford area at that time.

With continued high demand and tight global supplies, oil and gas production will likely only increase. Thus, while business owners and managers are benefiting from the domestic energy boom, they are also faced with the challenges of rapidly growing customer rosters and employment rolls. These challenges extend to both operators and services companies—whether large or small.

One such company managing incredible growth is CDM Resource Management, a subsidiary of Regency Energy Partners, LP (NYSE: RGP), and the world's third-largest natural gas contract compression provider. It offers operators across the United States a turnkey service—including the compression equipment and personnel necessary to gather and process natural gas for sale.

Since 1997, CDM has grown from four gas compressors in one location to more than one million operating horsepower (the metric used for gas compression fleets). During this time, the company has also maintained its focus on employees and customer service.

CDM was founded by three veterans of the oil and gas industry, including Randy Dean, Randy Craft and David Marrs. The trio had extensive field and management experience, and they were determined to form a better compression company rather than simply another market competitor.

"We set out to create a better compression company than had existed in the industry until that time," Dean, the former president and CEO of CDM, said. "From the beginning, I always said we were in the problem solving—not the compression—business."

This problem-solving approach forms the basis of Dean's management philosophy, which he refers to as the "inverted pyramid." Unlike traditional hierarchical models of management (with senior management at the top directing subordinates below), the inverted pyramid features entry-level workers (those individuals most likely doing the work of the company and interacting with customers) at the top and the senior management supporting their efforts from the bottom.

The key to good management, Dean said, is nothing novel or innovative. Instead, it is simply remaining humble and facilitating the needs of others so they can focus on their own work and successes. This empowers employees to support customers, and satisfied customers benefit the entire enterprise. In other words, in a successful company everyone works for everyone else, even the president and CEO. Dean credits the inverted pyramid approach with his successful management of CDM's growth for a decade—many years during which it doubled in size.

During his career in gas compression, Dean observed tools and strategies that made for satisfied customers and employees, and he and CDM's early management employed

much of what he had learned during his career.

For example, CDM account managers painstakingly assess each installation to determine customer needs. Account managers visit every site before installing equipment and anticipate likely complications and future developments. CDM then installs quality, reliable equipment, and CDM technicians physically evaluate the operating equipment on a daily basis. All of this due diligence allows CDM to offer a 98 percent run time guarantee with 24-hour monitoring and response. This guarantee continues to be offered today with the CDM operating fleet now exceeding one million horsepower and stretching from the Marcellus Shale to California.

"Our fleet is unique in this industry. It is one of the youngest, most uniform fleets, and it is made up of Caterpillar engines and Ariel compressors," said Trey Shaddox, a senior VP who has managed the CDM fleet for more than a decade. "The fleet is also one of the largest-per-unit fleets with an average of 850 horsepower per unit."

Furthermore, CDM management made an effort to care for their employees as if they were family. CDM instituted pay rates and structures to ensure CDM workers would be incentivized to work efficiently but thoroughly and to spend time with their families. CDM also provided extensive benefits packages for

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*The principles we founded CDM on have nothing to do with the size of the company, but have everything to do with the heart of the company!*

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~ Randy Dean

employees and their families including health, life and disability insurance. CDM management additionally actively promoted from within—creating a sense of upward

mobility, challenge and growth for everyone in the company. By providing such financial and other certainty and opportunity, Dean said, you remove distractions and allow employees to focus on their work. Additionally, it creates a sense of purpose and loyalty among workers, and the attrition rate among CDM personnel remains very low.

"Our employees are the face of our company, and compressors are merely tools they use to provide their solutions," said Chad Lenamon, CDM's current president. "Since I was hired on in the early days, the founding partners always made us feel important, and I have continued that tradition today because our employees are truly the ones who make us or break us."

Lenamon was one of CDM's first ten hires, and he rose through the ranks to now lead the company's more than 500 employees. The founders sold and retired from the company in 2008, but Lenamon remains determined to maintain their focus on employees. Lenamon said he utilized much of what he has learned when CDM integrated Zephyr Gas Services, a contract gas treating provider, into its operations earlier this year.

"It truly has been an honor to watch this company grow from the beginning," Lenamon said. "I have been blessed to have been mentored by the founding partners and witness their philosophy work even today. It's simple: Take care of your people, and they will take care of you."

CDM currently has extensive compression and treating operations in the Eagle Ford. In the region, CDM operates more than 200,000 compression horsepower (18 percent of its compression fleet) and 70 percent of its treating fleet, employs dozens of residents, and maintains two offices. To learn more about CDM, visit [www.cdmm.com](http://www.cdmm.com).