



Malcolm Baldrige National Quality Award Application

2012



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ORGANIZATIONAL PROFILE

HIGHLIGHTS

- Sales have increased almost 120% since 2006, growing total revenue from \$26 million to over \$56 million in 2012.
- MESA leads its competitors in customer satisfaction, according to a third-party survey. In 2012, MESA led its closest competitor in 20 out of 20 attributes.
- MESA focuses on the development of preferred relationships with both customers and suppliers. In 2011, key customer retention was 98%. Latest supplier satisfaction results were 83%.
- MESA leads its industry in quality and performance improvement. As the only ISO 9001 certified full-line North American cathodic protection company, MESA bests all competitors in quality and performance, according to third-party customer satisfaction surveys.
- Employees share in financial success through a profit-sharing program, which historically results in individual cash distributions of between 7% to 10% of annual compensation. 79% of employees are “highly satisfied,” compared to a top ten benchmark of 70%.

MESA was founded in 1979 as a service company with a focus on the technology of cathodic protection (CP). CP is an electrochemical form of corrosion control commonly applied to underground or submerged steel structures such as pipelines and tanks. The primary target markets are energy-related companies with underground steel assets.

In 2006, MESA’s five-year journey of continuous improvement resulted in being honored with the Malcolm Baldrige National Quality Award. The recognition confirmed that its model for running a business – “the MESA Way” – was indeed a world-class model that was being executed at world-class levels. “The MESA Way” is, at its core, grounded in the Baldrige criteria. And just as that criteria has evolved significantly since 2006, so has MESA.

In 2006, MESA was a company of seventy employees with

\$26 million in revenue. Most of that revenue was generated by its Materials Operations, which is primarily manufacturing-based and focused solely on the CP market. In 2012, MESA projects it will have 140 employees and \$56 million in revenue. Approximately half will be generated from Service Operations, due mostly to expansion into the asset integrity markets. But although MESA has changed in size and scope, it has not lost focus on its most valuable assets – the qualities that make it world-class. “The MESA Way” allows MESA to continue its journey of quality and continuous improvement.

This application is the next chapter in the story. In its first Baldrige journey, MESA went from being a good company to being a great company. Since then, MESA has not only maintained world-class levels of performance in Materials Operations, but has applied “the MESA Way” to new markets, new customers, and a new generation of employees. MESA is evolving and adapting to meet a new environment and is poised to transition from a great company to an enduring company— one that is built to last.

P.1a(1) Products, Services, and Delivery Mechanisms

MESA provides engineering, installation, and materials for CP systems, as well as specialty technical and construction services focused on asset integrity of underground pipelines. MESA’s primary offerings are generally defined as materials, construction, and technical service.

Over the past ten years, MESA has experienced a significant increase in service-generated revenue, growing from 15% to its current level of 46% of total sales. This shift is largely a result of recognition and identification of market opportunities and MESA’s subsequent strategic initiatives to capitalize on them. Recent expansion into the asset integrity market is reflected in the Construction and Technical Service offerings. The offerings’ relative importance, as measured by revenue, profit margin, and projected growth, is shown in Figure P.1-1, along with delivery mechanisms for each of these offerings.

Offerings	Revenue	Profit Margin	Growth Rate	Delivery Mechanisms
CP Materials	54%	5%	3%	Direct sales and shipping Component of installation/service project Incorporating into future project specifications through relationships
CP Construction	24%	10%	5%	Direct sales
Specialty Construction	13%	10%	15%	Indirect sales through subcontractors
Technical Services	9%	15%	15%	Component of CP material sales

Figure P.1-1 MESA’s Main Product Offerings, Relative Importance, & Delivery Mechanisms

P.1a(2) Culture

MESA has consistently focused on providing quality service for a fair price. Customer service is a key part of MESA’s strategy, balanced by the knowledge that MESA’s people are its most important asset. Initially, MESA had few written rules. MESA’s culture developed through experiences and events more than a formal set of policies. Over the years, MESA has refined its approach, becoming more disciplined. Nevertheless, the bottom line is that MESA’s culture is based on a few very basic and simple principles:

- MESA values its stakeholders, including customers, employees, suppliers, and the community.
- MESA creates and maintains great relationships based on respect, integrity, and mutual benefit.
- MESA desires to excel and achieve world class performance.
- MESA operates honestly.

Purpose (Vision) Lead the corrosion control industry through world-class performance.
Path (Mission) Deliver superior value through our people, passion, products, processes, profitability, and professionalism.
Principles (Values) Integrity Respect Fun Community
Figure P.1-2 MESA’s Purpose, Path, and Principles

MESA’s Purpose, Path, and Principles provide the foundation for its culture. Employees describe MESA’s environment as “friendly,” “fair,” “fun,” “safe,” “supportive,” and “stable,” which is demonstrated through two phrases:

ONE MESA—we’re a team.

THE MESA WAY—this is the way we operate.

Core Competencies	Relationship to Path
Great Customer Service	People, Passion, Processes, Professionalism
Great Relationships	People, Passion, Processes, Profitability, Professionalism
World-class Performance	People, Passion, Products, Processes, Professionalism
Great Place to Work	People, Passion, Processes, Profitability, Professionalism
Opportunistic Growth	People, Passion, Products, Processes, Profitability, Professionalism
Figure P.1-3 MESA’s Core Competencies & Relationship to Path	

During MESA’s first formal strategic planning, Senior Leaders identified five critical competencies that they believed were critical to long-term success and sustainability. These are regularly reviewed, but have not changed since 1997. MESA’s core competencies are directly related to its path, as shown in



P.1a(3) Workforce Profile

MESA’s workforce is comprised of 139 full-time employees, including a diverse group of professional, administrative, technical, sales, construction, and manufacturing personnel in a close-knit, non-union environment (Figure P.1-4). MESA’s general hiring philosophy is to attract, recruit, and retain high-quality employees, resulting in a stable workforce without seasonal adjustment. Individual learning and development is encouraged through annual development plans, tuition reimbursement, and targeted training opportunities. MESA has never experienced a planned workforce reduction, other than involuntary, performance-related terminations.

Race	Caucasian	African-Am.	Native-Am.	Hispanic	Other	
	77%	6%	10%	5%	2%	
Age	18-30	31-40	41-50	50-65	65+	
	27%	24%	27%	18%	4%	
Tenure	0-5 yrs	5-10 yrs	10-15 yrs	15-20 yrs	20+ yrs	
	63%	16%	6%	6%	9%	
Educ.	High Sch.	Some College	Bach.	Graduate	Industry Cert	
	57%	28%	13%	2%	25%	
Class	Exempt	Non-exempt	Gender	Male	Female	
	28%	72%		85%	15%	
Job	Mgmt	Admin	Sales	Mfg	Tech	Const
	9%	14%	15%	20%	7%	35%
Figure P.1-4 MESA’s Workforce Profile						

MESA offers a comprehensive benefit program for all employees, including health insurance (75% paid by MESA), disability insurance, paid holidays, paid time off, a 401K plan, tuition reimbursement, and inclusion in the profit-sharing plan. Unique benefits include the opportunity to improve skills and capabilities through company-provided or other training. MESA ensures a safe working environment through its safety program. There are no unique health or safety requirements, other than DOT-mandated driver, drug/alcohol, and Operator Qualification (OQ) requirements for construction and technical service personnel. MESA developed a People Strategic Plan to systematically address and manage workforce issues. The plan is aligned and integrated with MESA’s Strategic Plan (Figure 2.2-1).

P.1a(4) Assets

Most of MESA’s capital assets are located at company headquarters in Tulsa. Additional facilities and equipment are distributed among the other six locations (Figure P.1-5). Unique technologies include online CP design programs at cpdesigncenter.com and a proprietary software tool (*N-LINE*), which processes, integrates, and analyzes pipeline integrity data.

Location	Facilities	Technology/Equipment
Tulsa, OK	Owned manufacturing plant/office/warehouse—40,000 sq.ft. space on 5 acres, including outdoor training field	Product assembly processes/knowledge Manufacturing/assembly equipment CP design and installation Cpdesigncenter.com N-LINE – proprietary software Excavation equipment Horizontal directional drilling Trucks/trailers
Ft. Worth, TX	Owned office/warehouse—5,000 sq.ft. on 2 acres	
Houston, TX	Leased office/warehouse	
Tallahassee, FL	Leased office/warehouse	
Wapakoneta, OH	Leased office/warehouse	
Huntington Beach, CA	Leased office/warehouse	
Charleston, SC	Leased office	
Figure P.1-5 MESA's Major Facilities, Technologies, & Equipment		

P.1a(5) Regulatory Requirements

Cathodic protection is required by federal and state regulations governing underground transmission pipelines and natural gas distribution systems. These requirements include installation, monitoring, and maintenance. The federal Department of Transportation has jurisdiction over interstate operators. State agencies such as the Oklahoma Corporation Commission assume jurisdiction for intrastate operators. Similar regulations regarding underground tanks fall under the jurisdiction of the EPA and/or state regulatory agencies. The net result of these regulatory requirements is a relatively stable base market for CP materials and services.

Beyond the usual OSHA regulations, MESA operations are significantly impacted by DOT regulations in three primary areas. In order to perform services for DOT-regulated pipeline customers, MESA is required to maintain anti-drug and alcohol programs and meet Operator Qualification requirements for any employees working directly on regulated pipelines. Additionally, MESA complies with DOT regulations in the operation of its mobile construction equipment. Other regulatory agencies with which MESA interacts include the EPA and state agencies dealing with excavation and groundwater quality. Specialized safety training is often required by clients, including excavation and confined space entry. Although not a mandated requirement, MESA is audited twice annually to maintain ISO 9001 certification.

Several states have adopted licensing requirements for CP contractors; MESA is licensed in ten states. Additionally, MESA is registered to operate in over twenty-five states, including for tax reporting, Workmen's Compensation insurance, and annual franchise reporting. Additional regulatory agencies requiring regular reporting include the IRS, Department of Labor, and Department of Commerce.

P.1b(1) Organizational Structure

MESA is incorporated in Oklahoma and has income tax status as an S corporation. All stock is privately owned. Terry May holds the position of President/CEO.



There is no active Board of Directors. MESA is organized in five operating groups: Material Operations, MCC Operations, Specialty Services, Business Development, and Administration. Each group is led by a director who reports to Cary Hill/COO. Cary Hill reports to Terry May/CEO. The Senior Leadership Team consists of fourteen people, including eleven managers.

P.1b(2) Customers and Stakeholders

MESA's primary market is the energy industry, with a smaller opportunity in other infrastructure-based markets. MESA's market strength is in the mid-continent U.S., although it has had significant growth in other regions, such as the Southeast and upper Midwest. The primary market segments are energy-related companies with underground steel assets (Figure P.1-6). The customer base includes gas distribution companies, pipeline transmission companies, petroleum terminal operators, production companies, contractors, and equipment distributors. Additional markets include storage tank, underground propane tank, power generation, offshore structures, refineries, and petrochemical.

Whether the offering is a manufactured product or a service, the ultimate target for CP or integrity services is the owner (end-user) of the metallic asset. This target is accessed directly and through intermediaries like contractors, resellers, or engineering/construction firms (Figure P.1-7). In many cases, the intermediaries become competitors for either service or materials provided by MESA. For example, a key segment of MESA's material customers are CP contractors who essentially compete with MESA's Service Operations.

Industry	Revenue %	Regional	Revenue %
Transmission PL	65	Southwest	57
Distribution PL	12	Midwest	15
Production	8	Southeast	9
Tanks/Terminals	7	Northeast	6
Water	2	West	4
Power	3	Northwest	7
Other	3	Intern'l	2

Figure P.1-6 Key Market Segments

Type	Group	Revenue %
CP Materials	End-user	40
	Contractor	47
	Re-seller	13
CP Construction	End-user	90
	Engineering./Constr.	10
Specialty Construction	End-user	90
	Key Partner	10
Technical Services	End-user	80
	Engineering/Constr.	10

Figure P.1-7 Key Customer Types/Groups

Successful implementation of MESA’s strategy positions MESA to take advantage of multiple market opportunities. Other key MESA stakeholders include employees, suppliers, and owners. Based on results from the Employee Satisfaction and Supplier Satisfaction Surveys, there are no significant conflicts or gaps with MESA’s Purpose, Path, and Principles (Figure P.1-2).

Beyond the obvious value-creating characteristics, MESA differentiates itself through a focus on quality, service, and relationships, targeting high-valued customers who define value in the context of an entire relationship and are less price sensitive. Through third-party surveys, MESA has identified the value-creating preferences for its various customer

Customer Groups	Materials		Service
	Operations	Procurement	
End-user	Quality Service Price	Price Service Quality	Safety Relationship Performance Risk reduction Service
Contractors/ Key Partners	On-time delivery (service) Accurate deliver (quality) Relationship Price		Relationship Service Capabilities Price
Intermediaries (Re-sellers, General Contractors, Eng. Firms, Other)	Price Service Quality		Price Capabilities Competence

Figure P.1-8 Customer Requirements & Expectations

segments. Differences and requirements for these segments are provided in Figure P.1-8, in the order of preference.

P.1b(3) Suppliers and Partners

Key suppliers are generally segmented by material suppliers and service subcontractors. Material suppliers are further segmented by raw material and finished goods.

One of MESA’s core competencies (Great Relationships) includes preferred relationships with Key Suppliers, which open market opportunities. MESA’s suppliers and subcontractors often have direct contact with the customer, providing additional opportunities to assist MESA in delivering products and services. Preferred relationships with these suppliers enhance MESA’s development of relationships with customers through commercial, technical, and construction support.

Key communication channels include telephone, e-mail, and personal contact. Additionally, MESA’s requirements and expectations are communicated in an annual letter to suppliers. Performance reviews with Key Suppliers occur annually, at a minimum and a formal supplier satisfaction survey is performed every two years. Key Supplier relationships are important to innovation because they help identify and define new products, services, and equipment.

Two recent examples are the application of vapor phase inhibitor technology for under-tank corrosion control and the development of an automated wire-winding machine in MESA’s manufacturing facilities. MESA’s supply chain requirements mirror those of its high-valued customers. Although MESA’s material suppliers must be competitive in price, quality and service are the most important requirements. For service subcontractors, MESA’s first and most vital requirement is safety, with service and quality following closely behind. Price is the least important requirement across all markets.

P.2a(1) Competitive Position

Primary target markets for competitors include CP materials, CP construction, and technical/specialty integrity services (Figure P.2-1). MESA estimates the size of the national CP market at \$300 million/year, excluding CP-related offshore applications. Competitor A is MESA’s only national competitor, dominating the market with estimated annual CP sales of \$100 million. The remainder of the market is fragmented by regional companies (Figure P.2-1). MESA believes that it is second nationally in the CP market. The pipeline integrity market in which MESA now competes is a much larger market, with an estimated annual value of over \$1 billion. The two primary competitors are Competitor A and Competitor B, which both have a national presence.

P.2a(2) Competitive Changes

MESA’s primary target markets are driven by federal safety regulations, which are expected to increase over time. Pending regulation proposals would result in significant expansion of the current requirements, creating larger market opportunities. Over the past two years, MESA developed a unique software tool (*N-LINE*) that processes, integrates, and analyzes various types of pipeline integrity data. This tool creates a significant competitive advantage for MESA.

Company	Primary Market	CP Market		Pipeline Integrity Market		Primary Regional Markets
		Market Share	Growth Rate	Market Share	Growth Rate	
A	M, C, I	33%	<5%	10%	>5%	National
B	I	NA	NA	10%	5%	National
MESA	M, C, I	12%	5%	2%	15%	SW, MW, SE, NE
C	M, C	10%	<5%	<1%	Unknown	W, SW, NE
D	M	3%	<5%	<1%	Unknown	SW
E	C	3%	<5%	NA	NA	SW
F	M, C, I	5%	<5%	NA	NA	SE
G	M	5%	5%	NA	NA	NE

Figure P.2-1 Estimated Market Share Positions in CP & Pipeline Integrity Markets

Additionally, MESA is currently developing, in collaboration with a key partner, an innovative application technique for a vapor phase corrosion inhibitor in pipeline and tank applications. Lastly, a substantial increase in cathodic protection as applied to production well casings is anticipated as a result of drilling in the emerging shale areas. MESA is strategically positioned for five of the shale markets.

P.2a(3) Comparative Data

MESA operates in an environment dominated by small, privately-held competitors and suppliers. Little comparative data is publically available within the industry. MESA depends heavily on its three commissioned surveys for comparative data both inside and outside the industry. Sources of comparative data are provided in Figure P.2-2.

Type	Within Industry	Outside Industry
Product Process	Customer Satisfaction Survey Personal Communication	Industry Week Baldrige recipients
Workforce-Focused	NACE Personal Communication	Employee Satisfaction Survey Bureau of Labor statistics Dun & Bradstreet Insurance providers
Leadership	Customer Satisfaction Survey	Employee Satisfaction Survey
Govern-ance	Supplier Satisfaction Survey Personal Communication	Customer Satisfaction Survey Organizational recognition
Financial Market	NACE Personal Communication	Dun & Bradstreet Financial organizations

Figure P.2-2 Comparative Data Sources

P.2b Strategic Context

MESA updates an analysis of strategic advantages and challenges during management review meetings. This analysis is an integral part of the ongoing strategic planning process for MESA. Major results of the most recent **SWOT** analysis are shown in Figure P.2-3, denoted by Business (B), Operational (O), Societal Responsibility (S), and Human Resources (HR). The challenges associated with organizational sustainability are shown in bold. Strategic challenges are systematically addressed by specific initiatives.

P.2c Performance Improvement System

MESA’s Performance Improvement System is embedded and managed through the Quality Management System, primarily through ISO 9001:2000 certification. MESA’s Quality Policy is summarized by the acronym **ACT**: *Accurate – Continuous Improvement – Timely*.

All employees are trained and audited to ISO standards. MESA primarily uses the LEAN improvement methodology. Although performance improvement is an ongoing focus, a systematic evaluation of key processes occurs during management review of key performance metrics. The processes and metrics are reviewed for relevance, including importance and alignment with changing business needs. As other improvement opportunities are identified, these are included in the Strategic Planning Process to be prioritized for possible action. In addition, key process maps are periodically reviewed and updated. Process improvement and innovation initiatives are generated by management review, employee suggestions, customer/supplier feedback, and quality feedback reports. Organizational learning and knowledge sharing occurs through a variety of means, including training programs, team-building efforts, cross-departmental improvement teams, and general focus on process improvement. Communication and knowledge sharing systematically occur through implementation of MESA’s Communication Plan.

Advantages		Challenges	
Strengths	Weaknesses	Opportunities	Threats
Reputation/Culture B,O,S,H	Managing a service business O	Top Ten/Next Ten customer relationships B	Loss of key position O
People H	No long-term plan B	Higher margin technical and specialty services B	Major accident S
Preferred Relationships B	Role of business development O	N-LINE B	Major ethical incident S
Quality and Safety Program O	Inconsistency in service delivery O	Key partner relationships B	Loss of major customer relationship B

Figure P.2-3 Key Business (B), Operational (O), Societal (S), Human Resources (H) Challenges/Advantages



LEADERSHIP

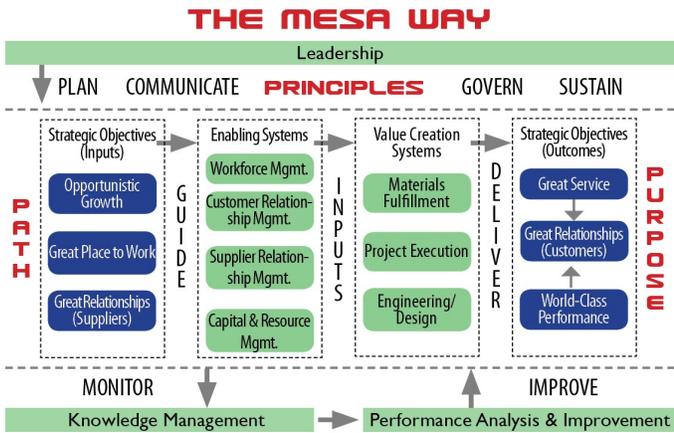


Figure 1.1-1 The MESA Way Enterprise Model

The MESA Way aligns and integrates resources and operations into a professional, highly effective team committed to achieving strategic objectives.

1.1a(1) Vision and Values

The MESA Senior Leadership System (Figure 1.1.2) summarizes how organizational vision and values are set, deployed, and communicated to employees, key suppliers, and customers, beginning with the Strategic Plan. This systematic approach incorporates input from stakeholders in developing a long-term strategic plan, creating an environment of continuous improvement. As role models within the MESA community, Senior Leaders demonstrate commitment to MESA values through role model behavior and regular reinforcement.

Systems and measures are fully deployed and reviewed at management review meetings to ensure they are current with business needs and trends. The Senior Leadership System has undergone multiple cycles of refinement. Senior Leaders set and deploy MESA's Purpose and Principles through the strategic planning process and management review, as described in Category 2. Examples include the Code of Conduct, Standards of Behavior, Quality Policy, and customer guarantee. Additional examples of deployment to various stakeholder groups are listed in Figure 1.1-3. Senior Leadership actions reflect a commitment to MESA's principles in the manner in which they treat employees, customers, and suppliers. Senior Leaders are expected to be role models. Evaluation of performance related to MESA's Principles is included in the quarterly review process.

Workforce	President's Message SharePoint postings MAP Card Signage Code of Conduct Standards of Behavior	Quality Policy Performance review Staff meetings Lunch and Learn "Lessons Learned"
Key Suppliers & Partners	Annual letter from President Supplier Satisfaction Survey	Code of Conduct Personal contact
Customers	Customer guarantee Customer Satisfaction Survey	Personal contact Corrective action
Other Stakeholders	Owner involvement	

Figure 1.1-3 Deployment of Purpose and Principles

SENIOR LEADERSHIP SYSTEM

- ✓ Setting & Deploying Values, Direction, Performance Expectations
- ✓ Creating Environment
- ✓ Communicating

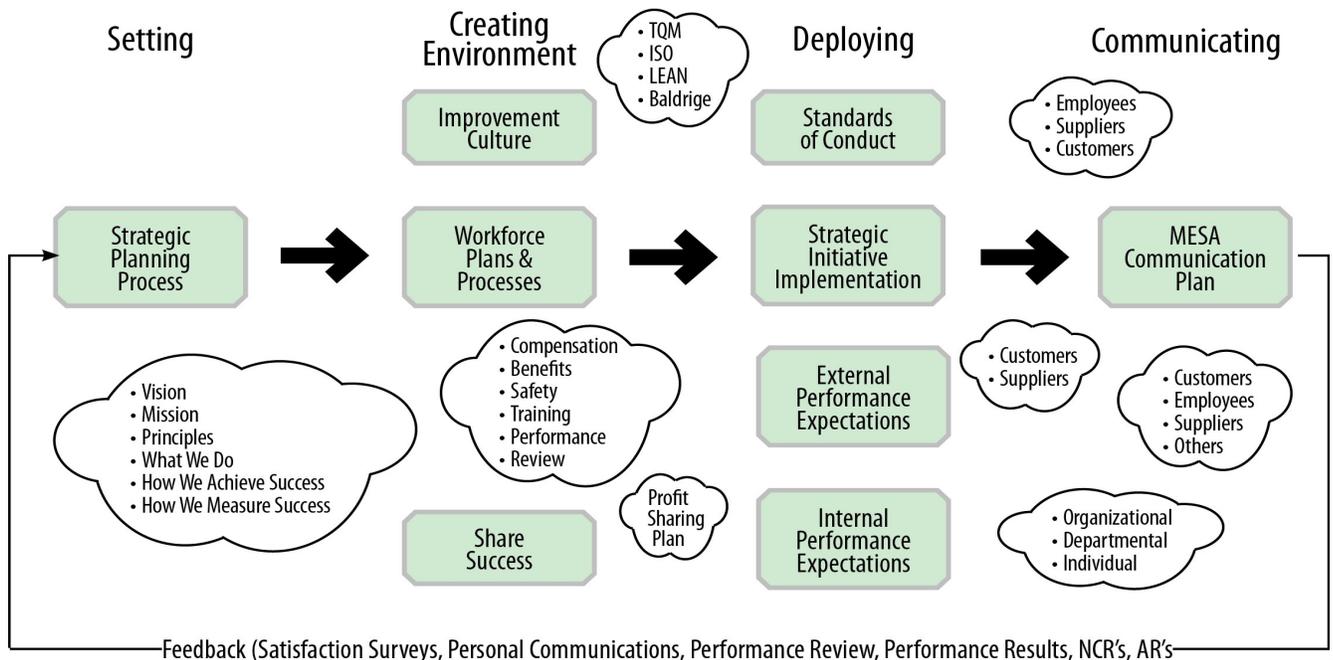


Figure 1.1-2 MESA's Senior Leadership System

1.1a(2) Promoting Legal and Ethical Behavior

Responsibility for legal and ethical behavior begins with Senior Leaders, who demonstrate commitment to legal and ethical action by continuously setting examples of appropriate behavior, including up-to-date knowledge of applicable regulations and requirements and constant awareness of ethical concerns in the workplace and the industry. Figure 1.1-4 lists several methods in which leadership demonstrates and promotes desired behaviors.

Demonstrating Commitment	Taking advantage of opportunities Setting an example – role model
Promoting Organizational Environment	Communication Plan Education Discipline Reward/recognition
Figure 1.1-4 Senior Leadership Demonstration of Legal & Ethical Behavior	

1.1a(3) Creating a sustainable organization

Senior Leaders create a sustainable organization by identifying risks and opportunities, mitigating risk, and developing an effective workforce with appropriate levels of succession planning.

Through the Strategic Planning process (Figure 2.1-1), Senior Leaders developed a Business Continuity Plan (Figure 1.1-5) addressing identified risks and events. Written plans were developed for the major risks.

Senior Leaders participate in succession planning for their own positions and development of future leaders through MESA’s Performance Review System. In order to ensure stability and direction, a succession plan is vitally important to a privately- owned company like MESA. Employees need to feel that the company is stable and has a long-term plan for continuing operations. As part of senior management’s responsibility to ensure on-going operations of the company, succession plans are in place for key positions (Figure 5.2-3), should vacancies occur for any reason. The plan covers management roles and extends to the President of the company. A ten-year personal plan has been communicated to the management team by the President to inform them of his personal goals and the future direction of the company.

The Senior Leadership System (Figure 1.1-1) identifies methods used to create an environment for performance improvement, accomplishment of strategic objectives, innovation, agility, and learning. These include a culture of improvement, numerous human resource plans (further discussed in Category 5), and a shared reward system. Employee participation and empowerment is encouraged through the Quality Management System, Action Request process (where employee suggestions for improvement are received), and LEAN improvement teams. All employees, including Senior Leaders, are expected to improve their skills. As a part of the performance review process, annual development plans are created for each employee. The prevalent positive environment at MESA is largely a result of Senior Leaders’ role model behavior, with the effectiveness measured by annual employee satisfaction surveys (Figure 7.3-9). Employee empowerment is communicated through MESA’s Principles (Figure P.1-2).

Event	Impact	Probability	Plan	Possibilities	
Succession	High	High	Yes	TMay death/incapacitation Loss of key position	TMay planned transition
Disaster/Emergency	High	Moderate	Yes	Damage/loss/Utility disruption in Tulsa	Regional emergencies
IT System	High	Moderate	Yes	Security break Data loss	System crash
Major Accident	High	Moderate	Yes	Plant	Field
Litigation	Moderate	Moderate	Yes	Accident-related Product liability	Employment
Workplace Violence	High	Low	Yes	Include in emergency plan No weapons allowed on premises	Pre-employment background checks
Event	Impact	Probability	How Addressed		
Supply Chain Disruption	Moderate	Moderate	Maintain secondary sources		
Loss of Key Customer	Moderate	Moderate	Customer Contact Plan		
Customer Default	Moderate	Moderate	Credit Policy, Financial Plan		
Financial Reversal	High	Low	Financial Plan		
Major Unexpected External Event	Moderate to High	Low to Moderate	Manage/balance debt Shorten information cycles Surround yourself with smart people	Optimize resource effectiveness Watch for opportunities	

Figure 1.1-5 Business Continuity Plan

1.b(1) Communication

Senior Leaders are responsible for actively communicating and engaging the workforce. Two-way communication is encouraged through formal and informal methods like town hall meetings, group meetings, open-door policies, and satisfaction surveys. Formal processes employed by Senior Leaders include the Communication Plan, the Profit-Sharing Plan, the Recognition and Rewards process, the Employee Performance Review System, and other Human Resources plans discussed in Category 6. Although MESA strives for constant communication, a minimum of three one-on-one conversations between an employee and his supervisor occurs annually through the Performance Review System and the annual salary review process. These methods are designed to reinforce high performance in those areas identified on the Strategic Plan (Figure 2.2-1). These methods are fully deployed and have been employed for a number of years through multiple cycles of refinement.

1.1b(2) Focus on Action

Senior Leaders create a focus on action through the Strategic Planning process (Figure 2.1-1). The planning process incorporates a focus on creating and balancing value for customers and stakeholders. Through this process, Senior Leaders evaluate and develop corporate objectives, incorporate continuous improvement, define strategic initiatives, and establish ownership and schedules. The Strategic Plan (Figure 2.2-1) guides leadership discussion, decision-making, and accountability. Monthly, quarterly, and annual management review aids in maintaining focus and accomplishment of strategic objectives.

1.2a(1) Governance System

MESA's small size and flat management structure result in direct management accountability for company actions. Senior Leaders report directly to the President or COO, who have primary responsibility and accountability for any action or inaction of MESA.

Key Factors	Methods
Management Action accountability	Strategic Plan Open-book management Standards of Conduct Employee Performance Review
Fiscal Accountability	Outside accounting review External tax return preparation Lending institution review Internal controls
Audit independence (results shared at multiple levels)	ISO 9001 system audits Income, franchise, sales tax audits Anti-drug/alcohol programs Environmental reporting DOT driver/OQ audits
Stakeholder/Stockholder Protection	Owner/President involved to protect personal interests Standards of Conduct Employee/Customer/Supplier annual surveys

Figure 1.2-1 Organization Governance Process

The MESA Strategic Plan (Figure 2.2-1) provides a defined framework to assess whether a manager's efforts are consistent with MESA's Purpose, Principles, and Path (Figure P.1-2). Key factors are addressed through various methods, listed in Figure 1.2-1. These methods are fully deployed, with multiple cycles of refinement since 1999.

1.2a(2) Performance Evaluation

Leadership effectiveness is a key component in accomplishing strategic initiatives, targets, and departmental goals. Leadership performance evaluation includes internal and external methods (Figure 1.2-2).

CEO	Senior Leaders
Employee Satisfaction Survey The Alternative Board (TAB)	Employee Performance Review Employee Satisfaction Survey Third-party coaches

Figure 1.2-2 Performance Evaluation Methods

Leadership performance is a key factor in annual compensation review and adjustment. Leadership capabilities and procedures are continually improved through on-going performance assessment and personal development programs. As weaknesses are identified through performance evaluation, individualized improvement programs are developed. Leadership improvement for managers is included in the development programs identified through performance review processes. Performance evaluation of the governance system is not applicable to MESA.

1.2b(1) Legal and Regulatory Behavior

Identification and anticipation of public concerns and impacts on society for both current and future products, services, and operations are an integral part of the SWOT analysis and strategic planning process (Figure 2.1-1). Information used as a basis for evaluation includes regulatory changes, education/training results, and current industry practices. If these concerns are determined to be significant, they are addressed through the development of strategic initiatives.

The process of cathodic protection does not pose a known risk to the public when properly designed and installed. Corrosion protection of underground or submerged structures actually provides a benefit to society in maintaining the long-term integrity of structures such as pipelines and storage tanks. The result of MESA's operations, services, and products is a positive impact on the environment and increased public safety. Any risks to the public are protected by both state and federal regulating bodies which impose parameters of operation on MESA customers. The products used in the installation of cathodic protection systems are non-hazardous to the public. The primary risks associated with MESA's operations are during installation and maintenance of CP systems. The three primary risks are driving, excavation, and technical expertise (Figure 1.2-3). MESA addresses these risks by training, qualification, and certification of employees engaged in these activities.

Risk	Description	Probability Ranking	Impact Ranking	Risk Reduction Processes	
Driving	Cars Trucks	High	High to Moderate	Pre-employment background check Commercial Drivers License Safety Program	Insurance Training
Excavation	Backhoes Trenchers Drill trucks	High to Moderate	High	Training/Operator Qualification Preventive Maintenance	Safety Program Insurance
Technical Expertise	Defective design Defective Installation Interference	Moderate	Moderate	Training NACE Certification	Operator Qualification In-Service Forms
Environment	Stormwater Runoff Deep Anode Drilling Subcontractors	Moderate to Low	Low	Training Permitting Installation process	
Hazardous Materials	Epoxies Solvents	Low	Low to Moderate	Training Hazcom Program Quantity Control MSDS	

Figure 1.2-3 Societal Risks of Products/Services (with Mitigation Methods)

MESA is committed to maintaining the personal safety and health of the public, along with employees, by meeting or exceeding regulatory requirements appropriate to MESA operations. Requirements are primarily associated with regulations from DOT and OSHA in areas such as Hazardous Material Communication, Hazardous Material Shipping, Anti-Drug and Alcohol Misuse Prevention, Workplace Safety, Operator Qualification, and Commercial Driving. MESA annually undertakes a due diligence analysis of operations as part of the Environmental Quality Management Program. Appropriate actions are taken to ensure compliance with EPA requirements and compliance reporting under the Superfund Amendments and Reauthorization Act (SARA) of 1986 and the Emergency Planning and Community Right-to-Know Act (EPCRA) of 1986. MESA has appointed a Pollution Prevention Team and complies with the Oklahoma Pollution Discharge Elimination System (OPDES) by systematically reviewing and monitoring potential pollution sources. MESA pursues a proactive Environmental Quality Management Program and addresses any questions or concerns aggressively and thoroughly. MESA tracks its progress monthly in meeting regulatory reporting deadlines through a calendar maintained by the Administrative Department. Key compliance processes, measures, and goals for addressing regulatory and legal requirements is provided in Figure 1.2-4.

1.2b(2) Ethical Behavior

The CP industry is a relatively small, mature market. Retention and growth of existing customer and vendor relationships is critical to MESA's long-term success. MESA recognizes that its reputation is one of the most important assets in developing these critical relationships.

Since 1979, MESA's business practices have been based on a foundation of trust, honesty, and ethics. MESA communicates this philosophy to employees, customers, suppliers, and the public through a Principles Statement in its Strategic Plan (Figure 2.2-1). The Principles Statement reflects MESA's ethical foundation, which MESA demonstrates by its consistent ethical behavior.

Integrity and ethical behavior is woven through MESA's Purpose, Path, and Principles statements (Figure P.1-2), as well as MESA's Standards of Conduct and Standards of Behavior. These guiding documents set MESA's expectations and are reviewed as initial agenda items at senior leadership meetings. A comprehensive set of listening mechanisms (Figure 1.2-5) assists in constantly monitoring the landscape with primary stakeholders and identifying any perceived or actual incidents where a lack of integrity or a breach of ethics may be possible. Immediate feedback from Senior Leaders occurs when questionable behavior or action is reported or observed.

Ethical behavior is measured by incident occurrence and is monitored through an incident log. Ethical risk reduction processes, measures, and goals are listed in Figure 1.2-5. Quarterly Performance Appraisals encompass a demonstrated understanding of MESA's rules, policies, and culture, and provide a consistent forum for discussing expectations related to integrity and ethical behavior. They also provide coaching and development to managers in order that they demonstrate the standards and conduct that is expected from all employees at MESA. Unethical behavior and significant gaps in personal integrity will result in appropriate disciplinary action, up to termination.

Regulatory/Legal Rqmts	Risk Reduction Processes	Measures	Goals	Figure
Regulatory Reporting	Monthly Reporting Calendar	Submitted On-Time	100%	7.4-3
Regulatory Compliance	Audits & Training	Violations	0	7.4-4
Safe Workplace	Safety Program	Lost Time Accidents	0	7.3-6
DOT Compliance	Anti-Drug/Alcohol Program	Incidents	0	On-site
	Operator Qualification	Qualified People	50%	On-site

Figure 1.2-4 Management of Regulatory and Legal Requirements



Risk	Description	Risk Reduction Processes	Listening Mechanisms	Measures	Goals	Figure
Employee	Theft, harassment, kickbacks, illegal behavior, fraud	Employee Hiring Process New Employee Orientation Communication Plan Training Standards of Conduct Insurance	Employee Satisfaction Survey Great Place to Work Survey Town Hall meetings Quarterly Performance Review Open Door Policy Exit interview process	Major Incidents	0	7.4-5
Suppliers	Kickbacks, preferential treatment, gifts	References/referrals Standards of Conduct Communication Plan	Supplier Satisfaction Survey Personal contact	Major Incidents	0	
Customers	Kickbacks, preferential treatment, gifts	References/Referrals Standards of Conduct Communication Plan	Customer Satisfaction Survey Complaint Process (NCR) Personal contact	Major Incidents	0	
Corporate	Fraud, ignore legal requirements, software licensing	Standards of Conduct Training Regulatory reporting	Open Door Policy Quarterly Performance Review Management review	Major Incidents	0	

Figure 1.2-5 Ethical Risk Reduction Processes

1.2c(1) Societal Well-Being

MESA’s Purpose, Path, and Principles (Figure P.1-2) establish the foundation for MESA’s Strategic Plan (Figure 2.2-1). Protecting and supporting the community means more than simply meeting regulations.

MESA’s business is built on a basic technology focused on asset preservation. These assets are commonly used in the transportation and storage of hydrocarbon gases and liquids. Consequences of asset failure can be catastrophic, resulting in human, environmental, and economic disasters. These consequences are emphasized with each major pipeline failure.

MESA considers societal well-being during the development of strategy through its SWOT analysis and its implementation of key strategic objectives. MESA believes it has the right business approach. A focus on quality and service contributes to the preservation of environmental, social, and economic systems by preventing corrosion failures of critical infrastructure.

MESA also considers societal well-being through its societal risk reduction processes (Figure 1.2-3). MESA endeavors to protect the public and the environment through a focus on safety and the technical and construction expertise of its people.

1.2c(2) Community Support

MESA encourages and supports volunteer community activities by its employees. MESA’s Purpose and Principles (Figure P.1-2) address this commitment.. MESA actively supports and strengthens key communities through the Key Community Support Process (Figure 1.2-6). This process defines the logistics of how it supports key communities. Key communities are defined as:

- The industry (corrosion and pipeline)
- The local geographical communities
- Causes and organizations with personal connections

KEY COMMUNITY SUPPORT PROCESS

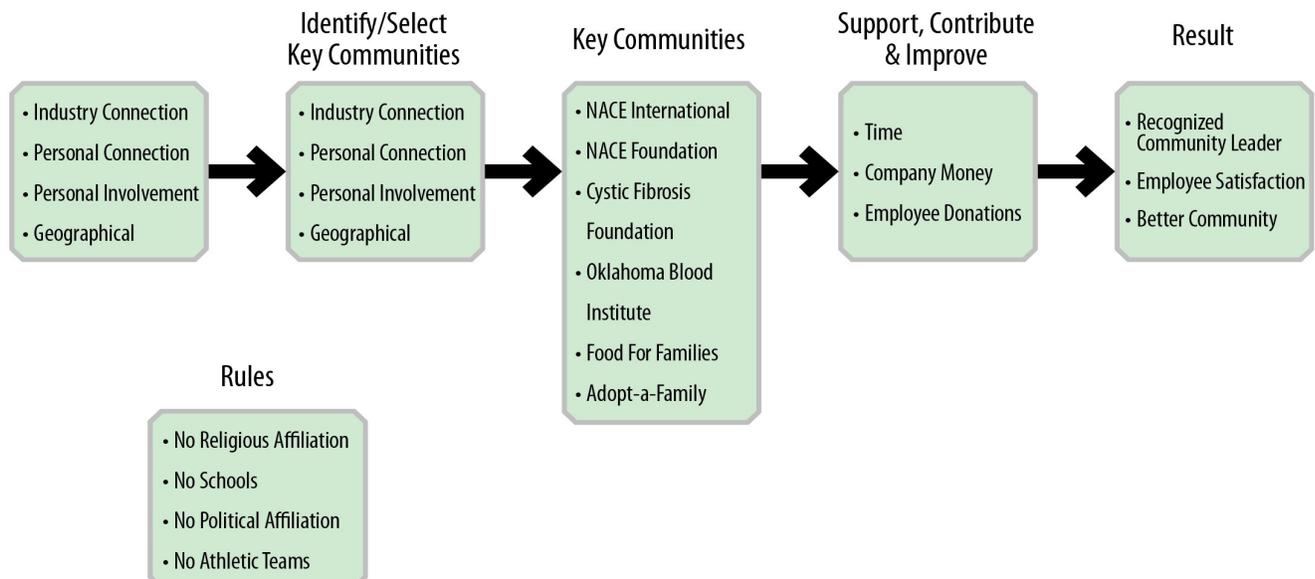


Figure 1.2-6 MESA’s Key Community Support Process

Support of industry and industry groups is a decision made by Senior Leadership. Support includes both financial and personal commitment. Although MESA supports a number of organizations and activities annually, its primary efforts are directed to a limited number that it supports every year. In this way, MESA believes that focused contributions have more impact in advancing their causes. MESA often involves key suppliers in this community support. As a role model organization, MESA assumes the responsibility of community leadership within the industry. Many of MESA's community support activities are related to its core competencies (Figure 1.2-7).

Great Customer Service	Industry Leadership
Great Relationships	Industry Leadership
	Networking via industry events
World-class Performance	NACE educational support
Great Place to Work	NACE educational support
	Employee engagement
Opportunistic Growth	Networking via industry events

Figure 1.2-7 Community Support & its Relationship to MESA's Core Competencies

Deployment of key community support activities extends to all groups. All offices are active in local, area, and national industry group support. Volunteer activities associated with non-industry communities are primarily coordinated in the Tulsa headquarters. MESA's return on investment is the recognition of leadership in local and professional communities, increased employee satisfaction, and enhanced communities. A summary of community support activities is provided in Figure 7.4-8. An abbreviated listing of community support activities is provided below:

Cystic Fibrosis Foundation: MESA has actively supported the Cystic Fibrosis Foundation (CFF) for over fifteen years through financial and volunteer contributions. MESA has been a Premier Corporate Sponsor for thirteen years, donating between \$5,000 and \$10,000 annually. Two of MESA's Senior Leaders also provided leadership to the Sooner Chapter of Cystic Fibrosis Foundation. MESA's President served as Vice-President and President of the Sooner Chapter in 2000/2001. MESA's Vice-President of Business Development served as Vice-President and President 2003/2004. Both of these employees, along with their wives, received the Henry Zarrow Award for Leadership, demonstrating continued leadership over a sustained period. Other employees have contributed time and energy volunteering at events that support finding the cure to Cystic Fibrosis.

Food for Families: MESA organized a food drive in 2002 that collected \$930, as well as 779 cans of food for needy families in Tulsa. In 2004, MESA was recognized as the largest Tulsa contributor in the category of organizations with 50-300 employees and having the highest per employee contribution rate.

MESA has, since then, been recognized as the largest Tulsa contributor in the category of companies with 50-300 employees. In 2010, MESA held a drive where employees were asked to bring in certain items each week during the drive. MESA collected one of the largest inventories of peanut butter in Tulsa. MESA literally filled its office with food! Donations have increased to \$6,176 contributed in 2011. MESA has also donated funds to support the Backpack for Kids program, which ensures that children in the community have food to take home over the weekend.

MESA continues the Food for Families tradition annually, involving both employees and suppliers in supporting. Raffles, contests, bake sales, and garage sales are held in order to encourage employee involvement. MESA employees cook meals on-site in Tulsa, selling breakfast and lunch to other employees and charging a nominal fee that all goes toward the charity.

NACE International: MESA has supported this organization at local, regional, and national levels for over thirty-one years. MESA is a Platinum Corporate Member and provides additional financial support through sponsorships, advertisements, education courses, and trade show exhibits. MESA hosts three NACE certification classes annually at its Tulsa training facility, increasing the technical knowledge of over 500 students over the past ten years.

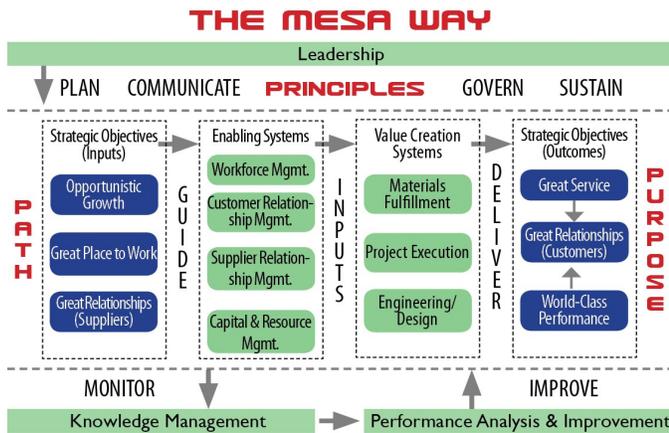
MESA employees have provided leadership at local, regional, and national levels of NACE, including five local sections, the Central Area, and Eastern Area. Two employees have served on the national Board of Directors over a period of time from 1999 to present. Two other employees have served in leadership roles at the national level.

MESA's commitment was recognized in 2000 when MESA received the NACE Distinguished Organization Award. Three employees have received the Distinguished Service Award. Terry May received the R.A. Brannon Award in 2006, one of NACE International's highest awards. MESA employees actively participate in a number of other NACE-affiliated educational programs, including the annual Appalachian Underground Corrosion Short Course and the Oklahoma University Underground Short Course.

NACE Foundation: MESA was one of the founding supporters of the NACE Foundation in 2002. The NACE Foundation was established as educational outreach organization arising out of NACE International. MESA's leadership and financial contributions led the effort to grow this organization from a startup group to a national resource with a mission "to excite and educate students and the public about corrosion science and engineering." Outreach programs now reach both elementary and university-level students, through a combination of both science camps co-sponsored by ASM International and annual scholarships to deserving students. Additionally, MESA has contributed over \$50,000 to the NACE Foundation. Terry May served as the founding President in 2002 and was subsequently elected for four terms. In 2006, he received the Founders Award in recognition of his efforts.



STRATEGIC PLANNING



The Strategic Planning Process (SPP) is a Key Work Process within the Leadership System component of the MESA Way enterprise model. This is the process in which MESA operationalizes its Purpose, Path and Principles. The SPP receives inputs from the Knowledge Management System and the Performance Analysis and Improvement System. The output of the SPP drives operation of, and improvement to, Key Work Systems and Processes.

2.1a(1) Strategic Planning Process 2.1a(2) Strategy Considerations

MESA's SPP (Figure 2.1-1) has been the driving force behind its growth and improvement since implementation in 1998. Utilizing the SPP, MESA has achieved world-class levels of performance, as evidenced by its receipt of the Baldrige Award. MESA has also been able to enter new markets, which resulted in a 20% growth rate in Services Operations since 2006, and maintain world-class performance in all of its strategic objectives.

Key participants in the process are MESA's Leadership team, which has doubled, from a group of seven in 2006 to fourteen in 2011. The team represents over 250 years of collective industry experience, ranging from five years to over thirty individually. Additionally, a broad set of information and analysis are included as inputs to the process (Figure 4.1-1), and, where appropriate, outside experts are invited to help identify opportunities and blind spots. For example, such outside input was considered in 2008 when MESA analyzed the opportunity to engage in the pipeline integrity market by launching its Engineering Operations.

Key process steps within the SPP, as well as the strategy considerations included within each, are as follows:

Step 1 – Define and Build Foundation: In this step, MESA affirms who it is, what it does, and the manner in which it operates – its Purpose, Path, and Principles. These goals define the long-term direction of the company and the ground rules for the journey. They are reviewed each year as the starting point of the SPP, and have gone through multiple cycles of improvement. In 2005, through a series of “Lunch and Learn” sessions, a voluntary group of employees participated in a complete revision of what was then called MESA's Vision and Mission. In 2009, MESA expanded its Vision to align with a broader focus on corrosion control and asset integrity, rather than the more limited cathodic protection (CP) market that had been its focus in the past. Recognizing that more than half of employees in 2012 had been with the company for less than five years, the CEO updated these guiding statements and drew increased attention to the words used and the meaning behind those words. Subsequently, the Vision, Mission, and Values transformed into the current Purpose, Path, and Principles.

Step 2 – Situation Analysis: This is a multi-step process that results in a thorough assessment of Strengths, Weaknesses, Opportunities, and Threats.

In the **Environmental Scan**, MESA analyzes market drivers and customer buying preferences, and conducts a competitive analysis across all market offerings. It is in this step that MESA identifies early indications of shifts in technology, markets, products, customer preferences, competition, the economy, and the regulatory environment. In the **Market Positioning** step, MESA evaluates opportunities to differentiate itself in the market and the key success factors needed to achieve those areas of differentiation, including needed core competencies. MESA then defines the Major Market Offerings that it will pursue, before evaluating the long-term potential of each, defining a differentiation strategy, and identifying the key success factors needed to achieve that strategy. In this step, MESA addresses long-term sustainability and projections of future performance by evaluating the potential of Major Market Offerings in which it can excel.

STRATEGIC PLANNING PROCESS



Figure 2.1-1 MESA's Strategic Planning Process

In the **Internal Assessment** step, MESA evaluates its Key Work Processes and workforce capabilities and capacity in light of its differentiation strategy and the key success factors for achieving that strategy. MESA evaluates its existing core competencies and any need for a new or improved core competency.

The final step is to conduct a SWOT analysis based on the considerations previously mentioned. Strengths identified are Strategic Advantages, while the Opportunities, Weaknesses, and Threats are Strategic Challenges (Figure P.2-3). In the original 1997 planning session, MESA identified five areas where it would achieve success in the marketplace if it excelled. These five areas became the five strategic objectives around which the planning has evolved, and they represent the core competencies within the company that allow MESA to reach continuously-improved levels of performance. MESA evaluates these every year, and, while the wording has changed over time, its five core competencies continue to be: Great Service, Great Relationships, World-class Performance, Great Place to Work, and Opportunistic Growth.

MESA next identifies blind spots, a factor that is a crucial aspect of the planning process considering the growth of the business and the new markets that have emerged. The depth of experience and breadth of perspectives among the Leadership team is the foundation. The “Great Place to Work” strategic objective resulted in the addition of a high level of talent and industry knowledge in the Leadership team. These personnel additions brought a fresh perspective of market and competitive issues, and have challenged some of MESA’s long-held practices and beliefs. This experience is supplemented by the data and information captured in the Knowledge Management System (Figure 4.1-1), which includes a variety of information concerning the external environment and the competitive environment. MESA’s CEO participates in The Alternative Board (TAB), an organization of entrepreneurs and senior management of local businesses. The group meets with a facilitator once a month to discuss relevant issues. Members share successes and challenges in a group setting and receive feedback from other members based on their personal experiences and those of their respective organizations. The diverse range of expertise within the group, along with a facilitated approach to the monthly sessions, provides a rich perspective on strategic issues. MESA leverages participation in TAB as an input in the SPP to help identify blind spots within its strategy and operations. MESA’s success in 2006 brought with it the opportunity to interact with venture capital firms, which bring a macro view of the market and industries in which MESA participates. MESA utilized this as an input to the SPP.

In 2011, MESA added a series of Operational Planning Sessions, the format of which mirror the SPP, which were held before the corporate planning meeting so that the Leadership team could take a closer look at each individual Operations group to identify potential blind spots that might be missed in the larger, corporate-level session.

Step 3 – Develop Strategy: The results of the first two steps allow MESA to develop the strategies and action plans needed to capitalize on its strategic advantages and address its strategic challenges. The short-term planning horizon is one year, which represents those action plans that can be addressed immediately, while the long-term planning horizon is five-years, providing the perspective to consider the impact of strategic objectives on performance over time and the ability to execute the strategic plan effectively with all available resources. The outcome of the SPP is presented in a one-page document that is easily communicated to all stakeholders (Figure 2.2-1). The presentation clearly establishes the linkage between the Purpose, Path, and Principles to the strategies and actions required to accomplish them. The simplicity of the presentation enables MESA to assess the impacts of change and evaluate potential responses without re-creating the plan. The document serves as the driving force behind MESA’s operational planning and resource allocation.

Step 4 – Implement: MESA’s implementation efforts include the assignment of overall responsibility for strategic initiatives to specific leaders. These may be individually performed or addressed by inter-departmental teams. Assigned managers are responsible for successful implementation and reporting results to the Leadership Team. As priority decisions are reached, the implementation process includes developing specific action plans, balancing resources, and finalizing the time frames for accomplishing the objectives. The Communication Plan ensures that employees are aware of their part in accomplishing the plan.

Step 5 – Manage and Renew: The Leadership Team meets quarterly via conference call to review the strategic plan and to update status on action plans. Before 2011, the review structure included monthly Leadership Team conference call meetings and a face-to-face meeting in the middle of the year. The Quarterly Strategic Plan Review results in a complete update of the strategic plan, along with operational/organizational performance results. To enhance the focus on strategies and action plans of highest priority, MESA establishes 90-day goals in its the review sessions that must be achieved by the next quarterly session, with a Leadership Team member assigned to each. Before the December

planning sessions, MESA evaluates the SPP for effectiveness and identifies any opportunities for improvement. Ultimately, the evaluation is to determine whether MESA is achieving its strategic objectives (Figure 2.2-1) through feedback from the Knowledge Management System. Improvements to the SPP include the addition of Operational Planning Sessions before the corporate session, team-building exercises to deepen the level of trust required for honest debate, and the addition of external subject matter experts to help clarify opportunities and identify blind spots.

2.1b (1) Key Strategic Objectives

Key strategic objectives are identified under the heading “What We Do” on MESA’s Strategic Plan document (Figure 2.2-1) as the things it must excel at – its core competencies. These competencies become MESA’s Purpose: **Great Service, Great Relationships, World-class Performance, Great Place to Work, Opportunistic Growth**. MESA evaluates these each year as part of the SPP, considering additions and modifications. The section of the plan labeled “How We Measure Success” indicates the timetable for achieving the strategic objectives. While the context of the strategic objectives may change based on current or potential markets– requiring modifications to the process of measuring success – MESA considers the objectives in terms of ever-increasing levels of performance, rather than in terms of finite completion milestones. The section of the plan labeled “How We Achieve Success” represents the most important goals for each strategic objective for the current year in order to achieve the levels of performance associated with each.

2.1b(2) Strategic Objective Considerations

Figure 2.1-2 illustrates how the strategic objectives address the strategic advantages and challenges, which include both

Strengths	Objective
Reputation – Culture	1,2,3,4
People	1,2,3,4,5
Preferred Relationships	1,2,3,5
Quality & Safety Program	2,3,4,5
Weaknesses	
Learning how to manage a service business	3,4
No long-term growth & financial plan	1,2,3
Role of Business Development	1,2,5
Inconsistency/variation in Service delivery	3,4
Opportunities	
“Top 10/Next 10” customer relationships	1,2,3,4,5
Higher margin technical and specialty services	1,2,3,4,5
N-LINE	2,3,5
Key partner relationships	2,5
Threats	
Loss of key position	3,4
Major accident or ethical incident	2,3,4
Loss of major customer relationship	1,2,3,4,5
Strategic Objectives: 1= Great Service; 2=Great Relationships; 3=World-Class Performance; 4=Great Place to Work; 5=Opportunistic Growth	

Figure 2.1-2 Key Strategic Objectives Related to SWOT



short- and long-term challenges and opportunities. As discussed, the five strategic objectives were identified as MESA’s most important objectives to achieve short- and long-term success, and, since 1997, it has considered these objectives its core competencies, integral components fulfilling its Purpose and providing an advantage in the marketplace. The strategic objectives are designed to work in an integrated manner, considering and balancing the needs of key stakeholders:

- Customers – Great Service, Great Relationships, World-class Performance
- Supplier / Partners – Great Relationships, World-class Performance
- Employees – Great Place to Work, World-class Performance, Opportunistic Growth
- Owners – Opportunistic Growth

Opportunities for innovation can come from any of the five strategic objectives. For example, as a result of the “Opportunistic Growth” objective, MESA identified the pipeline integrity market as an opportunity, and subsequently developed the N-LINE data gathering and analysis software, providing a competitive advantage with an innovative, industry-leading service offering. Further, MESA recently developed an innovative application to use a vapor phase corrosion inhibitor product to address pipeline casing remediation in conjunction with a key partner and a key customer, resulting from the “Relationship” objective.

2.2a(1) Action Plan Development

The most important action plans for the current year are summarized on the Strategic Plan. (Figure 2.2-1). These may be short-term in nature – such as “Implement wire winding machine” - or long-term - such as “Define and operationalize role of Business Development Group.” Action Plans are developed in Step 3 of the SPP to address those items in the SWOT analysis.

Key planned changes include the following: **Products & Services:** elevating the level of service – particularly in Service Operations - such that the “MESA Experience” is a clear differentiator in the industry; marketing N-LINE to the pipeline integrity market; continued proliferation of vapor phase corrosion inhibitor in applications developed for corrosion control and remediation. **Customers & Markets:** becoming much more focused in its markets and customer relationships, particularly in Service Operations. MESA clearly identified the Major Market Offerings that it would pursue, and the potential of each, in order to focus operations. In Service Operations, MESA created a “Top 10/Next 10” scorecard to gauge performance in deepening the relationship with those customers considered most important to success. **Supplier & Partners:** continued enhancement of partner relationships in Specialty Services Operations that extend capabilities in these markets. **Operations:** MESA underwent a major organizational change in 2011 to better align with its Key Work Systems and will continue to manage the transition. Across the board, MESA set profitability expectations in order to solidify sustainability into the future.

2.2a(2) Action Plan Implementation

Once action plans are developed, MESA deploys and implements them through multiple mechanisms. The Leadership team has a final confirmation meeting every January. It then communicates that year's strategic plan. The one-page strategic plan document is displayed at multiple locations throughout the facilities, as well as on the MESA Portal intranet site. The CEO and COO conduct Town Hall meetings at each of MESA's locations in January and February in order to communicate the key focus areas. Weekly messages from the CEO highlight areas within the plan that deserve extra attention. Deployment to suppliers and partners occurs through the Supplier Relationship Work System. Through the Workforce Management Work System, MESA deploys plans to individual employees through MAP Card goals, Personal Development Plans, and performance expectations. For each action plan, a member of the Leadership Team is assigned ownership and responsibility for achieving that action plan. Plans specific to each operating group are included in their respective "Operating Playbook," which summarizes key action plans and performance measures.

2.2a(3) Resource Allocation

Once MESA has developed the year's strategic plan, it then creates a Financial Plan that includes projections of revenue, profitability, equipment needs, and workforce additions. MESA evaluates the financial risks associated with the action plans and the Financial Plan, and, through an iterative process, allocates resources among the operating groups in order to most effectively achieve the plans manage the financial risks identified. The Knowledge Management System includes key financial indicators that are monitored to ensure financial viability, and the work systems include processes to ensure that those financial indicators are achieved. For example, as the Services Operations continued to grow, MESA recognized the risks of tying up cash flow in Work-in-Process (WIP). In the Project Execution Work System, MESA emphasized the importance of invoicing and managing WIP, and included two indicators on the Monthly Report Card – Invoice Turnaround and Average WIP – in order to monitor the effectiveness of those portions of the work systems and to manage the associated financial risks. The "Relationships" strategic objective extends to MESA's banking partner, with which it has an excellent relationship. MESA communicates with this partner throughout the year to discuss forecasted capital needs. Because of that relationship and MESA's excellent financial performance, MESA has grown its working line of credit and capital financing limits to accommodate the growth in business and provide capital to achieve the action plans.

2.2a(4) Workforce Plans

As Service Operations grew, MESA faced two challenges inherent with this business – a higher turnover rate than it had experienced before, and a shortage of qualified talent. Because people have always been the key to MESA's success, these two challenges raised the personnel issue to a strategic level. In 2010, MESA created its first People Strategic Plan (PSP) to raise the level of performance in the Workforce Management Work System. Following the format of the corporate strategic plan, MESA created five strategic objectives for the PSP, key measures for each objective, and current year action plans for each objective that flow from the corporate strategic plan and operating plans. Potential changes to workforce capability and capacity are identified in the SPP, which are then incorporated into the PSP, including objectives for Strategic Training, Knowledge Management, and Talent Management.

2.2a(5) Performance Measures

Key performance measures for tracking the achievement and effectiveness of action plans are included on the strategic plan under the heading "How We Measure Success" (Figure 2.2-1) and are incorporated into the Performance Measurement System (Figure 4.1-2). Measures are aligned and integrated across four levels of the organization: 1. Corporate; 2. Operational; 3. Work System; 4. Individual.

2.2a(6) Action Plan Modification

Through the structure of the Performance Analysis and Improvement System, MESA identifies any modifications needed to the action plans through monthly operations reviews and quarterly strategic planning reviews (Figure 4.1-3). In the quarterly strategic planning review, the Leadership Team establishes areas of focus for the next ninety days. Should a rapid change in plans be required, the leadership structure is agile enough to develop plans and deploy the information through the action planning process and multiple communication methods.

2.2b Performance Projections

Aligned with the planning time horizons, one-year and five-year performance projections are included on the Strategic Plan for each of the key performance measures. (Figure 2.2-1). In deriving projections, MESA considers the impact of its strategies and improvement efforts in the context of its projection of the market and competitive landscape. Past performance, as well as comparative performance to benchmarks, is reflected in the respective results noted for all performance measures in Figure 4.1-2. As discussed in Category 4.1a(2), comparative and benchmark information is used to identify opportunities for improvement and innovation that are then included as inputs into the SPP and the Performance Analysis & Improvement System (Figure 4.1-3).

WHO WE ARE

2012

PURPOSE

Lead the corrosion control industry with world-class performance

PRINCIPLES

INTEGRITY - We conduct business with the highest integrity at all times.

FUN - We want our workplace to be an enjoyable and fun work environment, communicating with all our stakeholders in an effective, friendly, and personal manner.

RESPECT - We recognize that people are our most important asset and treat each other as we would like to be treated.

COMMUNITY - We promote and support employee participation in community activities.

CODE OF CONDUCT

Create a safe and enjoyable workplace, producing and installing safe products. Obey laws and support and protect our community and environment

Deal respectfully with people, just as we would like to be treated.

Have ethical and honest relationships with our stakeholders; neither asking, accepting nor offering anything more than quality products and services for a fair price

PATH

Deliver superior value through our:
People
Passion
Products
Processes
Profitability & Professionalism

WHAT WE DO

EXTERNAL FOCUS

1. Great Service

Provide our customers with world-class service and quality, while remaining price competitive.

2. Great Relationships

Develop and maintain relationships with key customers and suppliers.

3. World-Class Performance

Operate the CP industry's most efficient organization at world class level.

INTERNAL FOCUS

4. Great Place to Work

Develop and maintain a culture that attracts, develops, and retains high quality people, embedding key principles of safety and continuous improvement.

5. Opportunistic Growth

Be a profitable and financially stable company; identifying, evaluating, and developing growth opportunities.

GOALS/OBJECTIVES

LONG RANGE SUCCESS PLAN

HOW WE MEASURE SUCCESS

LONG TERM - 2016

On Time Shipping >96.5%
 3 Day Shipments >75%
 AW SHUCKS Major NCRs <20
 Key Supplier On-Time >98%

MP Key cust. retention 1 yr >95%
 5 yr >90%
 MP: # of Key customers >350
 MCC Key customer retention >95%
 Supplier satisfaction >90%
 Customer Satisfaction >95%

Fab. order cycle time <3.5 days
 Inventory turns >12.5
 Major NCR rate <24 (excluding MCC)
 Major NCR rate - MCC <24
 Cost of Quality <\$100,000/yr
 Average Project Profitability >40%

Employee turnover <10%
 Voluntary turnover <5%
 Key position turnover 0%
 EMR <0.80
 Employee satisfaction >85%
 Annual training investment (cost + time) \$2000/employee
 Major Ethical Incidents 0
 Bench Strength TBD

Annual Sales \$65 MM
 Materials Net pre-tax, pre-bonus profit 7%
 Service Net pre-tax, pre-bonus profit 10+%
 Return on Equity 5 yr avg - 25%

SHORT TERM - 2012

On Time Shipping >97.5%
 3 Day Shipments >75%
 AW SHUCKS Major NCRs <20

MP Key cust retention 1 yr >95%
 5 yr >90%
 MP: # of Key customers >250
 MCC Key customer retention >90%
 Supplier satisfaction >85%
 Customer Satisfaction >90%

Fab. order cycle time <3.5 days
 Inventory turns >12
 Major NCR rate -MP <24
 Inventory Value <\$2.2MM/avg
 Cost of Quality <\$100,000/yr
 Major NCR rate - MCC <24
 WIP - MCC/E <\$1MM/avg
 Service Labor Utilization >75%
 Average Project Profitability >35%

Employee turnover <15%
 Voluntary turnover <7%
 Key position turnover 0%
 Lost Time Accidents 0
 Employee satisfaction >80%
 Annual training investment (cost + time) \$2000/employee
 Major Ethical Incidents 0
 Bench Strength TBD

Annual Sales \$45 MM
 Material Revenue \$25 MM
 Service Revenue \$20 MM
 Net pre-tax, pre-bonus profit \$3.15 MM

HOW WE ACHIEVE SUCCESS

1A Define and operationalize the "MESA Experience" service culture positioning MESA as the clear leader in service & professionalism in the corrosion industry.
1B ECDA software fully functional

2A Proactive Key Customer Relationship plan developed and operational
2B Proactive Key Supplier Relationship plan developed and operational
 Corlec
 Structural Integrity
 MGI

3A Transition to new organizational structure in the service operations
3B Apply for Malcolm Baldrige Award
3C Implement wire winding machine
4C 5 LEAN events

4A Execute People Strategic Plan
4B Sharepoint migration fully completed
4C Groundbed Estimating Application implemented and fully functional

5A Achieve 2012 Financial Plan for each Operations
5B Develop and operationalize plan to achieve MCC Groundbed Construction long-term profitability expectations
5C Define and operationalize role of Business Development Group
 Bidding Decision Process
 Contract Review Process
 Customer Relationship Management

WHO LEADS

1A Terry / Managers
1B Rick

2A JC / BD Team
2B Rick/Charlie/Mark

3A Cary
3B Cary
3C Pat
4C Richard

4A Jami / Terry
4B Cary
4C Cary

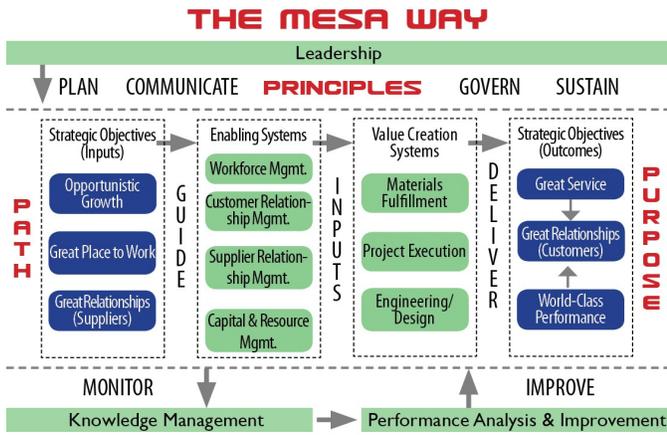
5A Cary / Directors
5B Cary
5C John

INITIATIVES/ACTIONS

MEASURES/TARGETS

SHORT TERM SUCCESS PLAN

CUSTOMER FOCUS



The MESA Way ensures that the voice of the customer is heard, considered, and acted upon. Three of the core competencies - Great Service, Great Relationships, and World-class Performance - are customer-focused. MESA has consistently surpassed its competitors in providing superior customer service, as can be seen from the results in Category 7.2. MESA’s culture of teamwork, continuous improvement, and shared success begins at the leadership level and flows down to individual department employees, who are held accountable for their role in ensuring customer satisfaction.

3.1a(1) Listening to Current Customers

MESA employs a number of methods to proactively listen to customers (Figure 3.1-1). A key method and one which obtains actionable information is a commissioned quarterly Customer Satisfaction Survey (CSS) (Figure 3.1-2). This survey not only facilitates an insight into how well MESA is doing in the eyes of its customers, but also identifies weaknesses, threats, and opportunities for improvement. Implemented in 1999, this process is fully deployed and has undergone numerous cycles of refinement to reflect ongoing concerns identified during industry, competitor, and company environmental scans, as well as to align with MESA’s Purpose and Path.

Another program that enables MESA to listen to customers about performance and service issues is the Customer Complaint Process. For example, if a shipped order was incorrectly, a Non-Conformance Report (NCR) is generated based on feedback from the customer. After investigating and verifying alignment and relevance, corrective measures are taken to fix the issue. If major gaps are identified during review and analysis of the NCR, the information is shared in the Strategic Planning Process. Secondary and less formal sources of gathering actionable data include interactions with customers, competitors, and suppliers at trade shows, sales calls, or routine telephone conversations.

Nearly 50% of the sales force and business development team is comprised of industry veterans with over one hundred years of combined CP sales experience. Strong relationships developed with customers over the years and thorough technical knowledge (including industry’s regulatory requirements) is crucial in obtaining actionable information related to the quality of products and customer service. Information is shared within the organization verbally or by e-mail. Through extensive connections in the customer, supplier, and competitor arenas, MESA quickly becomes aware of industry events, market changes, and competitor moves. This listening and learning capability results in the ability for quick analysis and decision-making.

Current Customers	Former Customers	Potential Customers	Competitor Customers
CSS NCRs Sales order processing Follow-up calls to A and B customers Project job sites Customer relationship events (golf/fishing tournaments, other fundraising charitable initiatives)	Trade shows Industry conferences NACE training seminars Proactive sales/business development contacts Customer relationship events (golf/fishing tournaments, other fundraising charitable initiatives)	Trade shows Industry conferences NACE training seminars Proactive sales/business development contacts customer relationship events (golf/fishing tournaments, other fundraising charitable initiatives)	Trade shows Industry conferences NACE training seminars Proactive sales/business development contacts customer relationship events (golf/fishing tournaments, other fundraising charitable initiatives)

Figure 3.1-1 Listening Methods

As described above, MESA’s listening methods vary across customers, customer groups, and market segments. Furthermore, these methods differ across customer life cycles based on longevity of customer relationship and sales volume. Customers are categorized from ‘A’ through ‘D’ and a contact schedule is defined by the Customer Based Sales Plan. The primary factors in establishing the contact schedule is developed. Once a year, the sales group prepares a listing of customer contact requirements and communicates these requirements to personnel involved in the customer response chain. Deployment throughout the sales group is reinforced through regular meetings.

Over the past seven years, MESA has recognized the need for an online presence and has consistently positioned itself to remain web-relevant. MESA advertises in several industry-related online Buyer’s Guides that share technical material and also give customers an opportunity to connect with MESA for further information.

Historically, MESA has used SharePoint to communicate internally. During the 2010 strategic analysis, MESA identified opportunities to use this web-based technology in order to listen and share data with customers. Driven by that finding, MESA is currently upgrading and deploying SharePoint 2010 to facilitate online sharing and communication of the drawing library. MESA’s communications and marketing department monitors and maintains MESA’s social media presence. The team receives alerts whenever new comments are posted or keywords relating to the MESA Way are used. Additionally, the communications team screens search engines to investigate and validate customer reviews of products and services on third-party sites. MESA’s commitment to providing easy access to information and expediting the ordering process is evident through crosslinks embedded on its webpage with suppliers and other technical websites.

3.1a(2) Listening to Potential Customers

MESA’s core business (cathodic protection services and materials) is historically focused in the pipeline industry. This is relatively a small, mature industry. MESA’s extensive connections in the supply chain enable it to obtain actionable information on products, customer support, and transactions. Figure 3.1-1 lists different listening methods as they relate to former customers, potential customers, and customers of competitors.

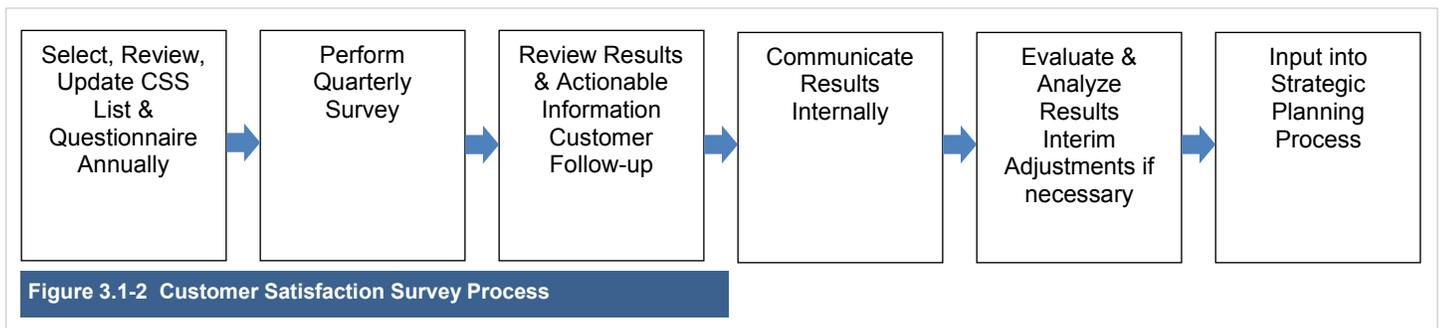
3.1b(1) Determination of Customer Satisfaction and Engagement

MESA has always focused on measurable customer satisfaction, as it is critical to long-term success. The primary method used to determine customer satisfaction and engagement is an independent, third party CSS (Figure 3.1-2). This assessment is a comprehensive statistical examination of

customer experiences, comments, opinions, complaints, and suggestions. Surveys are conducted quarterly, with fifty randomly-chosen respondents in each quarter. This sample size covers a full range of sub-groups to accurately represent various aspects of customer types. Questions for the survey are developed with input from the research firm The Leadership Factor Inc. (TLF), the sales team, administrative staff, and results from previous surveys. The questionnaire covers a variety of aspects, including satisfaction, customer loyalty, and customer motivation, and is designed to assess the experiences of customers and their relationship with MESA as a supplier. Customers are asked to score the level of their overall satisfaction on a 10 point scale, where 1 represents ‘Completely Dissatisfied’ and 10 represents ‘Completely Satisfied.’ Overall results provide a value score used for monitoring trends and comparison to competitors in twenty attributes.

The answers to several of the questions specifically help MESA make business decisions and improvements in service and performance. Actionable feedback received from the survey is analyzed and assigned to the appropriate sales division for follow-up. The information provided through the survey process is representative of all customer groups and market segments. Careful consideration is given to the selection process of the fifty respondents so that they include a diverse cross-section of customers, representative of MESA’s key customer types and groups (Figure P.1-7).

The information sought, gathered, and analyzed through the CSS helps in structuring the Performance Analysis and Improvement System and elements of the Knowledge Management System. This distillation process enables continuous improvement and sharing of best practices within the whole organization that contributes to customer satisfaction and engagement through aligned goals, behaviors, and processes.



3.1b(2) Satisfaction Relative to Competitors

According to the third-party research firm, the Customer Satisfaction Index uses a comparable rating scale to the American Customer Satisfaction Index. Further, the customer interviews from quarterly research studies ask the customer for a direct comparison of customer satisfaction of MESA and its competitors in each of the performance attributes. In addition to comparison of satisfaction scores, customers are asked to compare MESA to its primary competitor on the basis of value when judging product and service quality against the total cost of doing business. This information is used to monitor performance in each of these areas and to identify areas in which an advantage is changing. These changes are evaluated and used in the development of strategic initiatives. Although there are no published customer satisfaction benchmarks for the CP industry or for specific competitors, the third-party research firm compares MESA's performance overall and on individual attributes in order to identify how MESA is performing in relation to the firm's worldwide database of clients. Such an approach ensures that MESA is on top of its game in quality, safety, service, and price, worldwide.

3.1b(3) Dissatisfaction

When it comes to customer dissatisfaction, MESA takes a proactive approach, not waiting for complaints or grievances to be filed. Through the comprehensive CSS and scheduled customer contact process, MESA solicits actionable information that is used to meet requirements and exceed future expectations for all customers. In the CSS, respondents are asked what improvements MESA should address as a precedence to moving forward. This list translates into priorities and is incorporated in the SPP.

3.2 Customer Engagement

The Strategic Planning Process (SPP) is key in helping MESA engage customers to serve their needs and build great relationships. Since its implementation in 1998, the SPP has aided MESA in receiving the Malcolm Baldrige Award, directed market positioning policies, and identified new growth opportunities. MESA has continued its journey using the Baldrige criteria and honed its processes through the Plan-Do-Check-Act (PDCA) cycle.

3.2a(1) Product Offering

MESA's primary market is the energy industry. What began as a small company offering CP services evolved into a major turnkey provider of CP solutions. Situation Analysis performed as Step 2 of the SPP where an environmental scan, market positioning, and internal assessments

are completed to identify customer and market requirements for product offerings and services. The SPP outlines a roadmap for market sustainability, growth, innovation, and resulting penetration. For example, over the past ten years, there has been significant growth in MESA's service-generated revenue, from 15% of total sales to its current level of 46%. As the service side of business began to grow, MESA observed a need to develop software that would process, integrate, and analyze various types of pipeline integrity data. The result was N-LINE, a software product that was developed over the course of two years and gave us a significant competitive advantage. Another application that is an outcome of identification and innovation of product offerings is the vapor phase corrosion inhibitor technology in pipelines and tanks that is currently being developed in collaboration with a key partner. MESA's market positioning during the SPP development sets the tone of how it will differentiate itself and the core competencies needed to sustain and succeed. Subsequently, a list of major market offerings that MESA will pursue is drawn along with key success factors. Long-term sustainability and potential to exceed the expectations of market groups and segments is forecasted.

A significant part of the SPP is the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis, which helps in building strategic objectives. Based on its strengths and opportunities, MESA identifies new markets to attract new customers, and thus creates opportunities for expanding relationships with existing customers. Additionally, MESA performs internal market surveys of the CP industry relative to sales and competitor position. Supplementary market information is acquired and identified through general industry sources, including technical magazines, cost of corrosion studies, TAB sessions, and independent consultants.

3.2a(2) Customer Support

The Customer Relationship Management System in the Key Work systems and Key Processes (Figure 3.2-1), supplemented by a dynamic Communication Plan, outlines a robust customer support program through approach, deployment, learning, and integration. Aligned with the MESA Way, the value proposition of superior performance and world-class quality echoes MESA's commitment to being the industry leader in customer satisfaction.

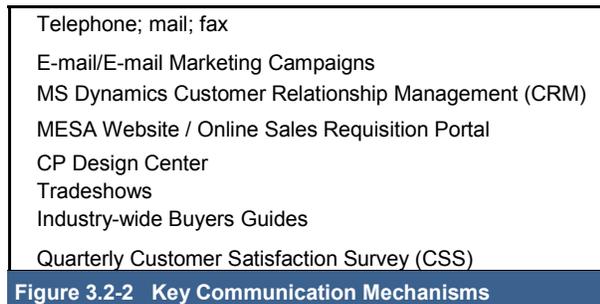
Work System	Requirements	Key Work Processes	Measures
Customer Relationship Management	Breadth and depth of key customer relationships	Opportunity Management Proposal / Estimating Relationship Building Communication Marketing & Advertising	Key Customer Retention Customer Satisfaction Materials Gross Margin Project Profitability Revenue Volume

Figure 3.2-1 Key Work Systems and Processes



MESA's key communication mechanisms (Figure 3.2-2) enable customers to seek information, customer support, and conduct business. Each of these mechanisms is utilized with a heavy reliance on personal contact to aid in the development of special relationships. The MESA website is a key customer resource for technical and material data. Customers are encouraged to access this information by sales personnel at trade shows and other opportune moments. The easy-to-navigate site provides comprehensive information, including product data, Material Safety Design Sheets (MSDS), credit information, and terms of conditions. MESA's cpdesigncenter.com is a key communication tool that provides technical information to assist customers in the design stages of CP projects. Based on these designs, the CP requirements are communicated to the sales team for ordering.

Besides the regular mediums, feedback on products and customer support is gathered by the quarterly third-party CSS, as described in Category 3.1. Due to market size and make-up, there is no need for a wide variety of customer service approaches. Customers' key support requirements are determined through direct contact during the customer contact schedule based on the Customer Sales Plan. The primary factors in establishing the contact schedule are sales volume and the length of the relationship.



The sales group prepares a listing of customer support requirements every year and communicates them to the personnel involved in the customer response chain. Deployment throughout the sales groups is reinforced through regular meetings.

3.2a(3) Customer Segmentation

Current customers are segmented primarily by sales information (Figure P.1-7). Inputs received from the environmental scan, market positioning, internal assessments, and the Performance Analysis and Improvement System assist in determining customer segmentation. Such information is obtained through market research, surveys, industry organization membership, and systematic management of the customer database (CRM). Customer information is effectively used to identify and anticipate future customer groups.

For example, within the materials group customers are segmented based on the sales volume and length of relationship. In the service and operations groups, MESA identified the market offerings it would pursue and the potential of each. A new approach was introduced by creating a "Top 10/Next 10" scorecard to maintain and nourish important customer relationships. Continuous improvement of this process will strengthen the relationship with those clients. MESA anticipates that two or three new clients will be added to the list each year.

Although no formal information is retained for competitor clients, data compiled within the CRM is considered comprehensive enough to identify current and future customer groups and market segments. Target markets and customers are selected after an analysis and comparison with MESA's capabilities and strengths. These opportunities are prioritized, with the highest-ranked opportunities considered during SWOT analysis and monthly manager meetings. SWOT Analysis results are assigned to the appropriate sales group and action plans are developed for select customers/markets. MESA's acquisition strategy begins with a comprehensive knowledge of the industry and positioning to respond to opportunities. As opportunities arise, MESA balances resources to target and build relationships with key identified prospects.

3.2a(4) Customer Data Use

Customer, market, and product offering information enable MESA to effectively strategize marketing campaigns, exceed customer needs, and create solutions for emerging markets. For example, MESA participates in trade shows, conferences, golf tournaments, and other sponsored events because of the face-to-face interactions with customers, potential customers, and customers of competitors. This direct interaction provides an opportunity to build deeper relationships and foster a more customer-focused culture. Another example is the media planning process.

Based on customer demographics, MESA advertises either through an online campaign or a print advertisement in an industry trade journal, each grounded on a good return on investment. Market and product offering information creates opportunities. As MESA has grown into a full-service CP solutions provider, it has identified openings for innovation. N-LINE, a unique software tool that processes, integrates, and analyzes various types of pipeline integrity data, is the result of market information. Several other opportunities, like well casing solutions in the shale market, and the vapor phase corrosion inhibitor technology, are consequences of customer, market, and product data use.

3.2b(1) Relationship Management

Creating great relationships is one of MESA's core competencies. MESA appreciates that relationship management is vital to its sustainability and growth. The MESA Way reinforces the culture of building positive relationships and creates a clear vision of communicating with customers in a manner leading to high satisfaction and happy customers. The Communication Plan, key work processes, and the CSS identify strategic initiatives aimed at increasing loyalty, repeat business, and positive referrals.

Since 1979, MESA's reputation has been built on service, quality, safety, and integrity. It has acquired loyal customers and built increased market share through the success of this focus, which is seen in feedback from the quarterly CSS results. MESA has consistently surpassed its competitors in offering superior total quality of relationship. The motivation in building strong and honest relationships with customers is evident through its receipt of the 2012 Oklahoma Ethics Compass Award.

MESA does not usually compete on price, but on the value of quality and service. Several processes are deployed that safeguard customer retention and help meet customer requirements while exceeding expectations. A routine process is the weekly departmental employee meetings, where the mantra of providing excellent customer service is reinforced. MESA employees understand that customer service means responding quickly - in a matter of hours, not days. Dedicated team members are assigned to key accounts and are responsible for maintaining communication on a defined schedule and ensuring that all needs are met.

A focus on key performance metrics like on-time shipping and NCR rate reinforce MESA's commitment to the development of strong customer relationships. Follow-up and resolution of all customer complaints is also instrumental in customer retention and loyalty. Prompt and accurate responses to customer inquiries are important to maintaining positive relationships and increasing engagement. MESA supports current, potential, and former customers in selective community development initiatives by co-sponsoring golf tournaments, barbeques, and food drives, thereby creating goodwill and strategically engaging and managing relationships.

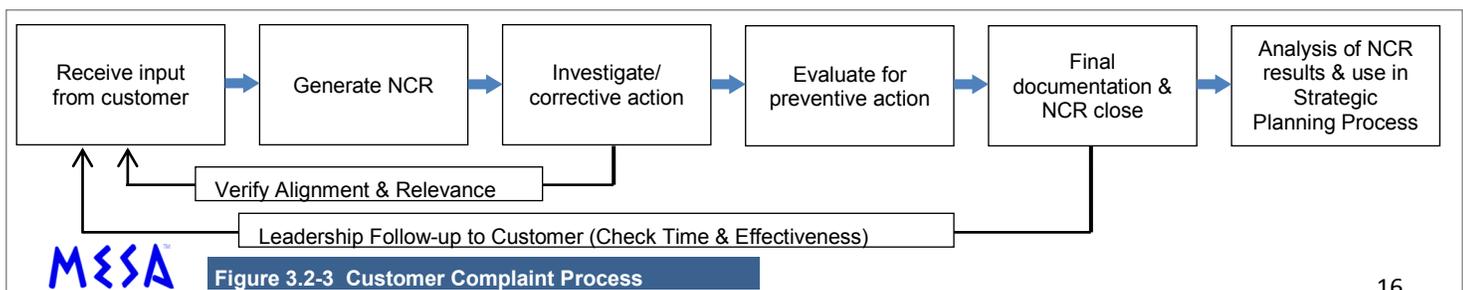
“ MESA set the bar high and distinguished itself by demonstrating strengths and good fundamentals, which included establishing standards of conduct, embedding and reinforcing those standards through communication and training, and reaching out to all stakeholders for feedback on their performance. . .”
Carla Brockman, Devon Energy

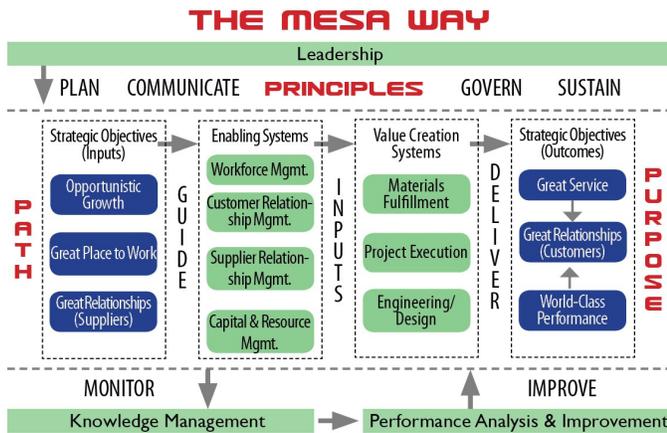
3.2b(2) Complaint Management

Customer complaints are managed through a corrective and preventive action known as the Customer Complaint Process (Figure 3.2-3). A key part of MESA's Quality Management System, CCP is aligned and incorporated into the ISO 9001:2008 standards. This process is the outcome of aggregating information from key work systems like Customer Relationship Management (including CSS), Knowledge Management System and Performance Analysis and Improvement System (Figure 4.1-3).

When MESA receives a customer complaint, a NCR is generated. This might translate to a NCR for a late delivery, faulty materials, incorrect quantities, or an incorrect invoice that directly impact a customer. Grievances, comments, and suggestions received by e-mail, fax or online through the sales portal are dealt with in the same manner as verbal or written complaints. Information received is entered into an NCR form and logged into the complaint system. When an investigation is initiated, actionable information from the customer is sought to fix the problem. Employees are empowered to make decisions concerning immediate corrective action for quick complaint resolution.

Upon completion of the investigation, processes are analyzed to avoid recurrence. Preventive actions are put in place and the NCR is closed. Based on the severity of the incident, the CCP initiates a leadership follow-up with the customer to confirm a positive resolution. NCRs are included in the Monthly Report Cards that are a part of the PAIS. These cards show the overall health of each department. The Knowledge Management system, along with the CRM process, provides performance feedback. With such integrated workflow embedded in the CCP, MESA is able to quickly recover customer confidence, satisfaction, and engagement.





The Knowledge Management System is the component of The MESA Way Enterprise Model where MESA manages the data and information for monitoring the effectiveness of key work systems in achieving its Purpose, Path, and Principles. The Performance Analysis & Improvement System analyzes the data and information provided by the Knowledge Management System, identifies opportunities for improvement and innovation, and deploys those improvements to the proper work systems.

4.1a(1) Performance Measures

The selection, collection, alignment, and integration of data, information, and performance measurements are managed through the Knowledge Management System.

Selection: Data and information are selected to support key work system needs – to include inputs into the Strategic Planning Process (SPP) within the Leadership System and VOC data and information within the Customer Relationship Management System - as well as for performance measures used for tracking progress relative to MESA’s Strategic Plan (Figure 2.2-1).

In selecting data and information to support performance measures, MESA first defines what success looks like, brainstorms measures that best represent the picture of that success, and determines the best fit among alternatives.

Collection: MESA next defines the measurement frequency, determines what data is available to support the measure, and develops the collection process to meet requirements.

Alignment: Figure 4.1-1 represents the manner in which MESA aligns data and information to support key work system needs. **Integration:** Finally, the data and information are integrated into the appropriate performance measures to be used in the Performance Analysis & Improvement System.

Figure 4.1-2 illustrates the alignment and integration of the Performance Measurement System. Performance measures are integrated and aligned across four levels of the organization: **Corporate, Operational, Work System, and Individual.**

1. Corporate Measures: MESA’s primary set of corporate measures are the Strategic Plan Measures, from the Strategic Plan, under the heading “How We Measure Success” (Figure 2.2-1). The data is used to measure performance relative to strategic objectives, including short- and long-term projections. To maintain frequent visibility, a subset of the Strategic Plan Measures, along with key operational and financial measures, is captured on the Monthly Report Card. The Monthly Report Card uses a Balanced Scorecard approach, with leading and lagging indicators for financial, operational, customer, and human resources. The third set of Corporate Measures are those included in the People Strategic Plan, used to measure performance to key strategic objectives for workforce strategies (Figure 5.1-1).

2. Operational Measures: Operational plans for the three primary operating groups - Materials, Groundbed Construction, Specialty Services - are developed to support the overall corporate strategic plan. Included are the key performance measures specific to each operating group that will best gauge the success in managing the key work systems and achieving corporate plans and strategies. These are monitored and reviewed during monthly operations review meetings.

3. Work System Measures: Work system performance measures are those listed in Figure 6.1-1, and are included as part of the set of corporate and operational measures mentioned above. The ISO Quality System is the primary mechanism for managing key work systems/processes (see Section 6.2b(3)). Within the ISO process, Non-Conformance Reports (NCRs) capture measures at a transactional level, including Cost of Quality. The Quality System audits measure effectiveness at a work system/work process level. Additional measures include those captured in the Action Request process as part of the DMAIC analyses, those captured in Lessons Learned meetings, and measures captured as part of LEAN process improvement events.

External Environment	Conferences and trade shows Industry publications Market analysis reports Venture capitalists TAB monthly meetings
Competitive Environment	Public competitor information Information from customers and suppliers Feedback from employees on competitors Industry publications Conferences and trade shows Quarterly Customer Satisfaction Survey
Voice-of-the-Customer	Quarterly Customer Satisfaction Survey Conferences and trade shows Sales order processing Project job sites Customer relationship events Proactive customer contacts Customer complaints (NCRs)
Workforce Capability Capacity & Engagement	Annual Employee Satisfaction Survey Annual "Great Places to Work" Survey Quarterly Performance Reviews Town Hall meetings Exit interviews NCRs Open Door conversations Employee turnover results
Work Systems & Processes	NCRs "Lessons Learned" sessions ISO Quality System audits Voice-of-the-Customer feedback
Suppliers/Partners	NCRs Supplier Satisfaction Survey Key supplier facility visits Conferences and trade shows Project job sites Purchase order processing

Figure 4.1-1 Breadth & Depth of Information

4. Individual Measures: Corporate and operational performance measures are integrated with individual employee performance through Employee Performance Management processes (Category 5.2a(3)) and Learning and Development processes (Category 5.2c(1)). Quarterly Performance Reviews assess individual performance in support of the Purpose, Path, and Principles, as well as the strategic objectives. Managed Approach to Performance (MAP) cards are used to align individual performance improvement goals with key corporate and operational action plans, while Personal Development Plans target improvement in individual capability and capacity aligned with strategies and action plans.



4.1a(2) Comparative Data

Comparative data is used to identify opportunities for innovation and improvement. For certain key data sources, such as the Customer Satisfaction Survey and Employee Satisfaction Survey, MESA selects comparative data from the survey company's database, comparing it to both the norm and to Top 10 performance. In other areas, MESA selects comparisons and benchmarks to help understand its relative position to objective "World-class Performance" and to identify strategies to achieve such levels. For example, MESA benchmarks On-Time Shipping rates against former Baldrige recipients, since no one in the industry compares with MESA's current levels. On the other hand, MESA employed benchmarks against industry competitors to identify gaps in the profitability expectations of Service operations and developed action plans in the current strategic plan to address those gaps.

4.1a(3) Customer Data

MESA collects a variety of data and information (Figure 4.1-1) to support Voice-of-the-Customer (VOC) processes. The selection of that data and information is part of the Knowledge Management System and follows the selection approaches described in Category 4.1a(1). The use of VOC data and information to improve satisfaction and engagement with customers is more fully described in Category 3, but includes VOC data and information as inputs in developing the SPP, as tools to review and analyze the Quarterly Strategic Plan Reviews and monthly Operational Reviews, and ultimately as aids in identifying opportunities for improvement and innovation in products, services, and customer-access mechanisms.

4.1a(4) Measurement Agility

MESA monitors the external and internal environment through Organizational Performance Review processes. As unexpected changes are identified, MESA translates those changes into modified action plans as needed (see Category 2.2a(6)) and evaluates the need for modification in performance measures due to those changes, using the process for selection, collection, alignment, and integration discussed in Category 4.1a(1). MESA's leadership structure is agile enough – because of its size and the availability of effective communication methods - that it can effectively respond to any need to modify performance measures. Over the past five years, MESA's performance measures have undergone multiple changes to address the growth in Service operations, adding key work system measures such as Work-in-Process (WIP), Invoice Turnaround, Service Labor Utilization, Average Project Profitability, and Bench Strength.

Strategic Plan Measures	Monthly Report Card Measures	People Strategic Plan Measures	Operational Measures
GREAT SERVICE			
On-Time Shipping (W) (7.1-1) 3 Day Shipments(W) (7.1.1) AW SHUCKS Major NCRs (M) (7.2-4) Key Supplier On-Time (M) (7.1-7)	On-Time Shipping (M) (7.1-1) 3-Day Shipping (M) (7.1-1) AW SHUCKS Major NCRs (M) (7.2-4) AW SHUCKS Rate % (M) (7.2-4) Key Supplier On-Time (M) (7.1-7)		On-Time Shipping (M) (7.1-1) 3-Day Shipping (M) (7.1-1) Key Supplier On-Time (M) (7.1-7) Sales Order Processing Cycle Time (M) (7.1-5)
GREAT RELATIONSHIPS			
MP A/B/C Customer Retention (A) (7.2-7) MP # of A/B/C Customers (A) (7.2-9) Service Key Customer Retention (A) (7.2-7) Supplier Satisfaction (B) (7.1-8) Customer Satisfaction (Q) (7.2-1)	Customer Satisfaction (Q) (7.2-1) MP New Customer Ratio (M) (7.2-8)		Top 10 / Next 10 customer activity (M) (AOS) A/B/C customer activity (M) (AOS) Proactive customer contacts (W) (AOS)
WORLD-CLASS PERFORMANCE			
Fab order cycle time (W) (7.1-6) Inventory turns (M) (7.1-9) Inventory value (M) (7.AOS) Major NCR rate (M) (7.1-13) Cost of Quality (M) (7.1-14) WIP (M) (7.1-10) Labor Utilization (M) (7.1-11) Avg. Project Profitability (M) (7.1-12)	Fab order cycle time (M) (7.1.6) Non-fab order cycle time (M) (AOS) Inventory turns (M) (7.1-9) Inventory value (M) (AOS) Major NCR rate (M) (7.1-13) Cost of Quality (M) (7.1-14) WIP (M) (7.1-10) Service Invoice Turnaround (M) (7.1-3) Receivable Collection Days(M) (7.5-5) Receivables > 90 days \$/% (M) (AOS) Payables Avg Pmt Days (M) (7.5-4) Revenue per FTE (M) (7.3-3)		Fab order cycle time (M) (7.1.6) Non-fab order cycle time (M) (7.1-6) Mfg Dept Cycle Times (W) (AOS) Inventory turns (M) (7.1-9) Major NCR rate (M) (7.1-13) Total NCR rate (M) (AOS) Cost of Quality (M) (7.1-14) WIP (M) (7.1-10) Service Invoice Turnaround (M) (7.1-3) Backlog\$ (M) (AOS) Labor Utilization (M) (7.1-11) Project Profitability (M) (7.1-12) Service Labor Cross-Resourcing Hours (M) (AOS) Productivity per FTE (M) (AOS)
GREAT PLACE TO WORK			
Employee turnover (M) (7.3-11) Voluntary turnover (M) (7.3-11) Key position turnover (M) (7.3-11) Lost time accidents (Q) (7.3-7) EMR (A) (7.3-5) Employee satisfaction (A) (7.3-9) Annual training \$ (M) (7.3-13) Major Ethical incidents (M) (7.4-5) Bench strength (A) (New)	Employee turnover (M) (7.3-11) Voluntary turnover (M) (7.3-11) Training \$ (M) (7.3-13) Training Manhours (M) (7.3-13) Avg Qtrly Performance Score (Q) (AOS)	Employee Satisfaction – less than 1 year employed (A) (7.3-10) Satisfaction w/ Onboarding (A) (AOS) Turnover within 1 st year (M) (AOS) Key positions filled internally (M) (AOS) Customer satisfaction w/ trained, qualified personnel (Q) (AOS) Internal promotions / transfers (M) (AOS) Employee satisfaction (A) (7.3-9) Voluntary turnover – high performers / key positions (M) (7.3-11)	DOT Driving Scorecard (M) (AOS) NCRs – Safety (D) (AOS)
OPPORTUNISTIC GROWTH			
Total Sales (M) (7.5-5) Material Revenue (M) (7.5-5) Service Revenue (M) (7.5-5) Net pre-tax, pre-bonus profit (M) (7.5-2) Return on Equity (M) (7.5-1)	Total Sales (M) (7.5-5) Gross Profit \$/% (M) (AOS) Operating Profit \$/% (M) (AOS) Net Profit \$/% (M) (7.5-2) Return on Equity (M) (7.5-1) Current Ratio (M) (7.5-3) Debt to Worth Ratio (M) (7.5-3) Net Worth (M) (AOS)		Total Sales (M) (7.5-5) Gross Profit \$/% (M) (AOS) Net Profit \$/% (M) (7.5-2)
WORK SYSTEM / PROCESS MEASURES: NCR / Cost of Quality – transactional level – multiple levels of segmentation Project Lessons Learned – at project completion, as appropriate LEAN Event Results – as part of Event summary Quality System Audits – after each internal / external audit Action Requests – as part of DMAIC process for AR		INDIVIDUAL MEASURES: Quarterly Performance Review Score (Q) Personal Development Plan Completion % (Q) MAP Card Goal Completion % (Q)	
Figure 4.1-2 MESA Performance Measurement System Aligned and Integrated Throughout the Organization			
Measurement frequency: D = Daily; W = Weekly; M = Monthly; Q = Quarterly; A = Annually; B = BiAnnually AOS = Available On-Site			

4.1b Performance Analysis and Review

The Performance Analysis & Improvement System (Figure 4.1-3) includes an integrated series of organizational reviews across all levels of the company. With input from the Knowledge Management System – using key performance measures (Figure 4.1-2) as a central focus - MESA analyzes and reviews the data at varying intervals throughout the year. As performance gaps are noted, MESA employs a series of improvement tools to address those gaps (Category 6.2-3(b)). MESA then uses its planning structure (see Categories 2.1, 2.2) and connects through a series of systematic communication methods. As discussed in Category 6.2-3(b), the MESA Way Enterprise Model is designed to follow a Plan-Do-Check-Act cycle.

4.1c(1) Best-Practice Sharing

The Performance Analysis & Improvement System provides a mechanism for sharing best practices. Through performance reviews, MESA identifies best practices within the company and rapidly assimilates those actions into other areas as appropriate, establishing modified action plans as needed in order to take advantage of best practices in different operations groups. For example, a best practice in project control and forecasting was identified within the Specialty Construction group and subsequently deployed to other service groups in 2012. Best practices are further facilitated through the Action Request process (Category 6.2b(3)), where improvement suggestions are considered for application to other groups. MESA's involvement in a local business group (TAB - see Category 2.1a(1)) provides opportunities to benchmark performance against other businesses. MESA's SPP originated as a result of participation in TAB. Best-practice sharing also results from benchmarking visits with other organizations.

PERFORMANCE ANALYSIS & IMPROVEMENT SYSTEM

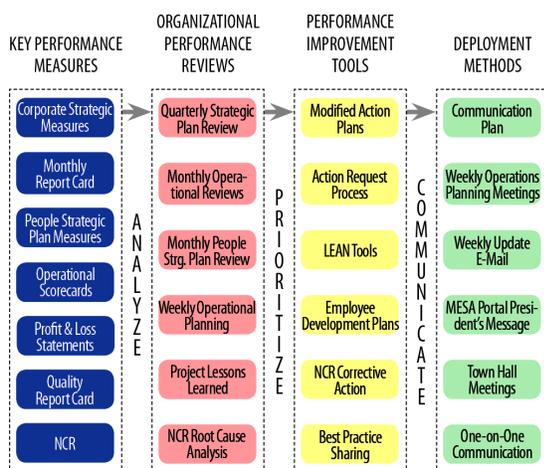


Figure 4.1-3 Performance Analysis & Improvement System



For example, MESA implemented a new wire-winding machine based on a tour of a vendor's facility. Through active participation in industry events, conferences, seminars, and continuing education, MESA identifies best practices that can then be applied internally. Examples include key learnings from Baldrige and Oklahoma Quality.

4.1c(2) Future Performance

Through the Quarterly Strategic Plan Review and monthly Operational Reviews, MESA receives feedback on its position relative to plans and goals. MESA evaluates what this position represents in terms of short- and long-term objectives and constantly updates the forecast and projections, either financial or operational. Competitive data is incorporated into MESA's organizational review system as well. For example, as MESA becomes aware of competitive moves in the marketplace, it evaluates the likelihood of success for competitors and also evaluates the potential impact on MESA's own operations. The forecasted performance is next updated based on the evaluation. MESA then develops strategies and plans to counter such moves or take advantage of opportunities.

4.1c(3) Continuous Improvement and Innovation

Within the Performance Analysis & Improvement System, when gaps in performance or opportunities are identified, they are prioritized for further consideration. Commonly, the improvement opportunities result in modified action plans and are assigned an "owner" from the leadership team. An improvement opportunity might also be channeled through the Action Request Process or targeted for a LEAN improvement event. Where workforce competencies are involved, the improvement opportunity might become part of a modified Employee Development Plan. At a transactional level, NCR corrective actions address the improvement opportunity. Various improvement mechanisms are described in Category 6.2-3(b).

4.2a(1) Data, Information, & Knowledge Management

Critical properties of data, information and knowledge are addressed through multiple mechanisms, as illustrated in Figure 4.2-1.

4.2a(1) Data & Information Availability

MESA systematically ensures that data and information are available to key stakeholders through the Communication Plan, including the broad set of communication methods illustrated in Figure 4.2-2.

PROPERTY	METHOD
Integrity	Maintaining source documents electronically Systematic, repetitive processes Comparing historical data Hardcopy backups
Timeliness	Establishing reporting deadlines Monitoring performance
Reliability	Updating software/hardware Licensing software Tracking NCRs Limiting access to system changes
Security	Limiting access to system changes Firewall, anti-virus, NTFS
Accuracy	Designing the collecting process Systematic collection processes Comparing historical data
Confidentiality	Restricting access to assigned individuals

Figure 4.2-1 Ensuring Key Data Properties

4.2a(3) Knowledge Management

MESA manages organizational knowledge through key work systems and processes (Figure 6.1-2). Specifically, through the design of the Value Creation Work System, Workforce Management System, the Knowledge Management and Performance Analysis & Improvement Systems. The Communication Plan is another key aspect of managing organizational knowledge.

In the design of the Value Creation Work Systems, MESA embeds organizational knowledge within the systems and processes. The ISO Quality System is the primary vehicle for accomplishing this. It provides for standardized forms, documents, checklists, work instructions, and process control documents (PCDs), through which workforce knowledge is collected and transferred. MESA is currently implementing an estimating application as part of the Project Execution Work System for construction projects. Where best practices are identified, MESA incorporates those practices into the work systems and processes. For example, during a benchmarking visit with a supplier, MESA identified a best practice for manufacturing an item with a growing demand. MESA incorporated that best practice into its own manufacturing process.

The design of the Value Creation Work Systems also included elements for transferring relevant knowledge between stakeholders. For example, the Project Execution

Work System includes a process for developing a communication plan to be used during the course of the project for collecting and transferring knowledge to all project stakeholders. The Action Request Process (Category 6.2b(3)) is another mechanism within the ISO Quality System for identifying, sharing, and implementing best practices and sharing organizational knowledge. The Workforce Management System provides for the collection and transfer of workforce knowledge through orientation of new employees, mentoring processes, succession planning, and training and development.

The Performance Analysis & Improvement System (Figure 4.1-3) includes an integrated series of organizational performance reviews, through which MESA transfers workforce knowledge and knowledge from customers, suppliers and partners. MESA identifies and shares best practices among the operating groups, as well as implements best practices through a series of improvement tools included in the system. It is within this system that MESA assembles and transfers relevant knowledge for use in the SPP. The information systems included in the Knowledge Management System allows MESA to collect and transfer organizational knowledge.

The MESA Portal is the centerpiece of the information systems architecture. Built on the Microsoft SharePoint 2010 foundation, it allows employees to collect and manage documents, communicate information, and deploy organizational knowledge to key work systems and processes in a systematic manner. The Customer Relationship Management (CRM) system captures systematic information about customers.

Externally, MESA's website provides for the transfer of knowledge to customers – current, former, and potential – as well as to suppliers and partners. Cpdesigncenter.com allows MESA to transfer knowledge of CP system design, at no charge, to customers and partners. MESA also uses social media (like Facebook) as a means of transferring knowledge.

The Communication Plan includes multiple tools for transferring relevant knowledge. Customer, supplier, and partner knowledge is captured and transferred via trade show conferences, product literature, and routine personal contact. MESA employs a shared knowledge base to serve customers efficiently, allowing for shared information across teams and departments.

4.2b(1) Hardware and Software Properties

Hardware and software reliability are addressed through the three levels of information systems architecture: technical infrastructure, application infrastructure, and enterprise gateway.

MESA has a full-time IT specialist on staff to manage all elements of the information system. At the technical infrastructure layer, MESA utilizes an outside firm to conduct a monthly systems audit, which ensures that network security and reliability is maintained at a high level. At the application infrastructure and enterprise gateway layers, MESA partners with outside consultants to again ensure reliability and security with applications. Industry-standard security processes are used, including segmentation of security based on roles, firewalls, and data encryption.

Reliability is maintained through a disciplined approach to maintaining licenses, upgrades, patches, and maintenance plans.

4.2b(2) Emergency Availability

The Tulsa network is the hub for all of applications within the information systems architecture. Continued availability is therefore critical to effectively serve customers and business needs. When an ice storm struck the Tulsa area in 2007, MESA identified several opportunities to improve emergency preparedness, including its IT systems. Electricity was out during the storm, which emphasized the need for power reserves.

MESA subsequently installed a dedicated natural-gas generator for its IT systems. MESA routinely maintains and tests the operations of that generator weekly. Further, MESA configured an off-site server that is available in an emergency and allows the IT systems to be operational within hours.

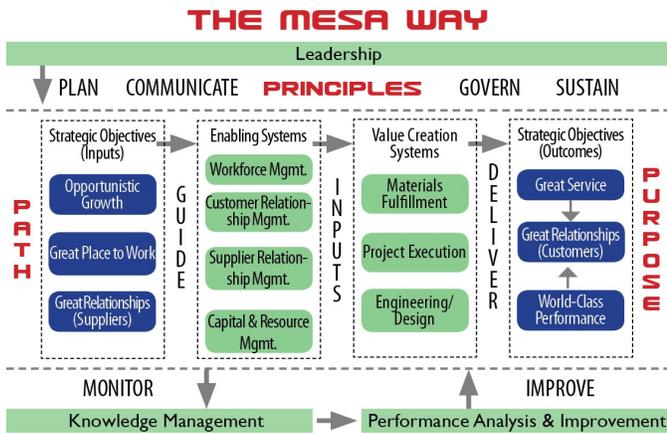
With the growing amount of data in the systems, MESA's old backup process was no longer effective. MESA re-designed the process, moving to a virtual server environment that made the backup process more efficient. MESA also configured its Houston server as an additional backup. MESA has a disciplined routine of maintaining a daily backup off-site, and a full copy of all machines is backed up monthly and stored off site. All backups are stored on encrypted files.

During the 2007 ice storm, the Tulsa internet service provider was unable to provide service, which was a significant problem because remote offices and users connect with MESA's Tulsa branch online. MESA switched to a fiber optic carrier, whose lines are stored underground, maintaining its cable internet source. MESA routinely tests its recovery processes to ensure all are operational. When a blizzard struck Tulsa several years after the major ice storm, MESA had no interruption in availability of its IT systems.

COMMUNICATION TECHNIQUE	FREQ	OWNER	STAKEHOLDER	PURPOSE
Weekly e-mails	Weekly	CEO	SL,E	Communicate status and share events and recognition
Operational Reviews	Monthly	COO	SL,E	Progress review with adjustments
Strategic Plan Reviews	Quarterly	COO	SL	Strategic Planning and progress review
All-company staff meetings	Bi-annually	CEO	SL,E	Communicate strategic direction, share information, answer questions, address benefits/compensation issues
Lunch & Learn	Periodic	CEO	SL,E	Technical, Baldrige training, general
Telephone	Varies	Varies	SL,E,C,S,CM	Obtain and share information
E-mail	Varies	Varies	SL,E,C,S,CM	Obtain and share information
MESA Website	Continuous	Admin	SL,E,C,S,CM	Share information
MESA Portal	Continuous	Admin	SL,E	Share information
Social media	Continuous	Sr. Comm	SL,E,C,S,CM	Share information
Bulletin boards	Continuous	Varies	SL,E	Share information
Satisfaction Surveys	Annually	President	SL,E,C,S	Obtain information
Conferences/Shows	Periodic	Varies	SL,E,C,S,CM	Obtain and share information
Face-to-face meetings	Periodic	Varies	C,S	Obtain and share information
Employee Benefits Letter	Annually	HR	SL,E	Share information
Supplier Letter	Annually	Matl Mgr	S	Share information, VMV
Supplier Qualification	Annually	Matl Mgr	S	Share information, current status, performance
Subcontractor Qualification	Annually	HR	S	Obtain information
Employee MAPs	Annually	HR	SL,E	Share VMV, strategic plan, department and personal role
LEAN events	Periodic	President	SL,E	Improve processes
MESA newsletters	Quarterly	Admin	SL,E	Communicate, share, recognize
Departmental meetings	Wkly/Mtly	Dept Mgrs	E	Develop action plans, review progress
Special training events	Periodic	Various	SL,E	Team building, sales, communication skills, leadership, safety, etc.
Employee Performance Reviews	Quarterly	Mgrs/ super- visors	SL,E	Conversations regarding performance, recognition, areas of improvement
Key supplier meeting	Annually	Matl Mgr	SL,E	Share information and current status, goals
New Employee Orientation	Bi-annually	HR	SL,E	Share vision, values, culture

 Figure 4.2-2 Communication Methods

WORKFORCE FOCUS



5.1 Workforce Environment

In 2006, MESA had seventy employees, the majority of whom were employed in the Manufacturing, Sales, and Administrative divisions. 80% of those employees worked out of the Tulsa office. Today, MESA has 139 employees residing in thirteen different states, with only 66% in the Tulsa area. One-third of the current workforce is comprised of construction and technical field personnel, as opposed to less than a quarter five years ago.

5.1a(1) Capability and Capacity

During the internal assessment of the corporate Strategic Planning Process (SPP), MESA evaluates key work processes and workforce capabilities and capacities in light of differentiation strategy and key success factors for achieving that strategy. As the Service Operations continued to grow, MESA faced two challenges inherent to the industry – a higher turnover rate than that in Materials Operations and a shortage of talent. These challenges raised the human resources issue to a strategic level, which led to MESA’s first People Strategic Plan (PSP) (Figure 5.1-1). The Plan addresses challenges and opportunities related to the workforce.

Following the format of the corporate Strategic Plan, MESA created five strategic objectives, key measures for each objective, and current-year action plans for each objective that flow from the corporate Strategic Plan and the operating plans. Key work processes and activities to support the PSP are illustrated in Figure 5.1-2.

The PSP ensures that MESA has the workforce capability and capacity to achieve not only current business goals, but also projected goals, with a focus on long-term sustainability.

Potential changes to workforce capability and capacity are identified in the corporate Strategic Planning Process. The changes are then incorporated into the PSP. The PSP is evaluated on an ongoing basis through the Quarterly Strategic Reviews and monthly Operational Reviews. It is additionally embedded in key work processes. For example, the PSP is initially incorporated in the sourcing, recruiting, and hiring processes through behavior-based interviews and personality profiles, and subsequently through the talent management process by way of Performance Development Plans and Quarterly Reviews.

5.1a(2) New Workforce Members

Unsurprisingly, the first objective in the PSP is sourcing, recruiting, and hiring. That process ensures that MESA’s workforce has values consistent with that of the company.

The first option in sourcing for any position at MESA is to consider current employees and their qualifications for alternative positions. It is these employees with whom MESA is most comfortable with their values and character. Where an internal candidate is not available, the next preferred source is a referral from a current employee. As the saying goes, “birds of a feather flock together.”

When it becomes necessary to utilize agencies to identify candidates, MESA chooses agencies with which it has a relationship and that understand MESA’s culture and values. Other sourcing methods include college recruiting, national job board postings, industry-specific websites and publications, recruiting agencies, state agencies, and local publications.

The formal external selection process ensures that candidates are considered not only for technical capabilities, but also for values and behaviors that align with those of the company. When a candidate interviews, he interviews with multiple employees who have been trained in behavior-based interviewing techniques. After each interview, the interview team meets to discuss any areas of concern and to determine whether to extend an offer of employment. For key positions, MESA utilizes a validated assessment tool called ProfileXT to further identify characteristics and behaviors that are consistent with MESA’s goals.

Any offer of employment is conditional upon a criminal background check and successful drug test. For positions falling under DOT regulations, additional pre-employment testing is required to ensure compliance.

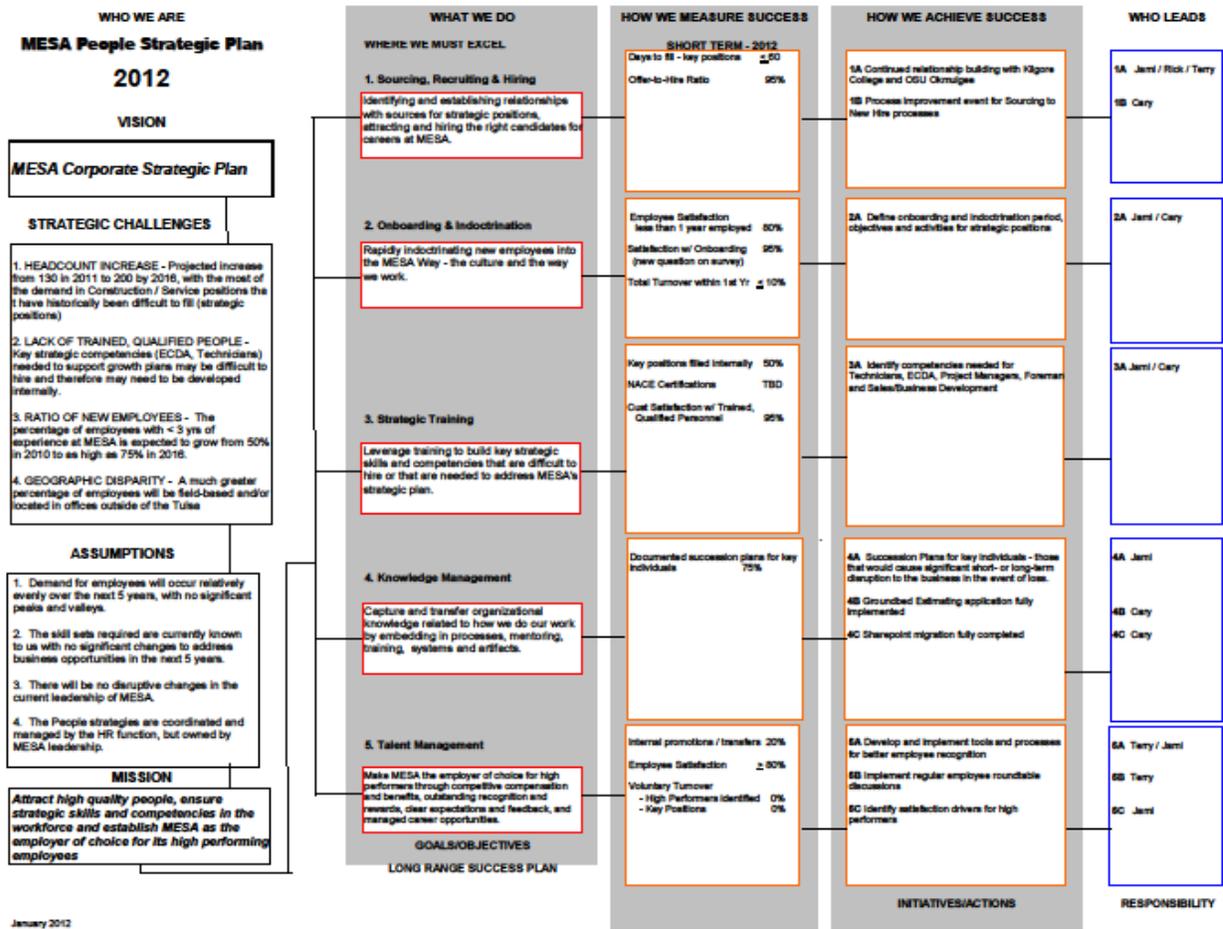


Figure 5.1-1 People Strategic Plan

The second objective in the People Strategic Plan is onboarding and indoctrination, which strives to help new employees adapt to MESA’s culture, including:

Initial Orientation – New employees travel to the Tulsa branch for several days of events during their first few of weeks of employment, there they are introduced to the Purpose, Path, and Principles, Standards of Conduct, Standards of Behavior, and other policies and procedures. Employees meet co-workers that they may not otherwise interact with frequently and experience MESA’s family-like atmosphere.

Ninety-day Follow Up – MESA’s Human Resources department contacts new employees after ninety days to address any questions or concerns. Using a standard set of questions, the new employee is asked to describe their employment experience thus far. The HR representative then appropriately addresses any concerns that could not be addressed through the set of questions.

New Employee Group Orientation – Twice annually, the employees who have been hired within the previous six months travel to Tulsa for a one-day session conducted by the President/CEO. Employees learn the history of the company and the principles that have made MESA successful. Employees learn more clearly the rationale underlying MESA’s Purpose, Path, and Principles, Standards of Conduct, Standards of Behavior, and the expectations for all employees.

5.1a(3) Work Accomplishment

MESA employs a diverse workforce of professional, administrative, sales, technical, construction, and manufacturing employees to support MESA’s organizational structure through key work systems and key work processes (Figure 6.1-1).

Key work systems are designed to achieve MESA’s Purpose by providing a link between the strategies and action plans developed in the Strategic Planning Process (SPP), the resources required to execute those strategies, and the delivery of World-class Performance and Great Service, which lead to Great Relationships with customers.



SOURCING, RECRUITING, & HIRING	ONBOARDING & INDOCTRINATION	STRATEGIC TRAINING & DEVELOPMENT	WORKFORCE KNOWLEDGE MANAGEMENT	TALENT MANAGEMENT
Sourcing: Hiring from within Employee referrals Sourcing relationships Recruiting & Hiring: Behavior-based interviewing Personality profiles Background investigation	Initial Orientation 90-day follow-up New employee group orientation	Leadership training Skills training Soft Skills training Technical training/certification	SharePoint Mentoring Succession planning Employee satisfaction & engagement	Performance Development Plans Quarterly reviews Rewards & recognition Career paths

Figure 5.1-2 Key Work Processes of the PSP

Key work processes are designed to support the achievement of key work systems. Job descriptions for each position include the skills, knowledge, and attributes necessary to successfully achieve the goals of the key work processes.

5.1a(4) Workforce Change Management

Cross-training and cross-resourcing are critical to operations. It is not uncommon, due to scheduling or weather delays, to have excess resources at a particular location or department while other areas are, for largely the same reasons, short on resources. The Services Operations management team meets weekly via telephone conference to discuss demand and availability of resources. Manufacturing Operations also meets weekly to discuss workloads and availability of resources. Due to cross-training efforts, MESA can shift service employees between locations and projects, and manufacturing employees are able to shift into other departments, as required, to satisfy demand. MESA's employees are its most valuable asset. Although MESA experiences seasonal variations in workloads, it has never experienced a planned reduction in force. Because MESA invests in its employees and values them, not only as workers, but as people, it is important to maintain their trust and confidence. Through the Quarterly Strategic Planning Reviews and monthly Operational Reviews described in Category 2, MESA regularly reviews and forecasts workforce growth to guarantee availability of necessary resources to meet demand.

5.1b(1) Workplace Environment

MESA extends the same emphasis of caring to its employees that it does to its customers. Workplace health, safety, and security issues are vital in workplace design. These considerations include safety stations located in the manufacturing areas, handicapped access to buildings, and visitor check-in requirements.

MESA retains an outside safety consultant to perform periodic site visits. Improvements are made as necessary to insure a safe environment for all employees. There are three primary environments in which employees perform work: office, manufacturing, and field operations. Significant differences exist between these environments, including operation of specialized equipment and machinery, driving, excavation, and mental or physical exertion. Specific training is provided to employees exposed to unique environments.

During the 2004 Strategic Planning Process, the current safety infrastructure was identified as an actionable weakness, but was also considered a potential opportunity. With an increased focus on safety in the core pipeline market, converting that weakness to a strength was a positive differentiator for MESA. Improving the current safety infrastructure became one of the key strategic initiatives. One result of this initiative was the hire of a full-time Safety Coordinator to address increasing regulations in the areas of OSHA and DOT in its construction and technical services arenas. Lost-time accidents (Figure 7.3-7) is MESA's key performance measure, with additional targets shown in Figure 5.1-3.

FACTOR	OFFICE	MFG	FIELD	RESULTS
Health	-0- issues	-0- issues	-0- issues	On-site
Safety	-0- lost time accidents	-0- lost time accidents	-0- lost time accidents	Figure 7.3-6
Security	-0- incidents	-0- incidents	-0- incidents	On-site
Ergonomics	-0- issues	-0- issues	-0- issues	On-site

Figure 5.1-3 Performance Targets for Key Workplace Factors

5.1b(2) Workforce Policies and Benefits

MESA has developed a Total Rewards Package (Figure 5.1-4) to address compensation, benefits, work-life balance, performance, recognition, development, and career opportunities.

BENEFIT	DESCRIPTION
Salary	Competitive with industry and market; increases based on individual performance.
Personal Time Off (PTO)	14 days/yr for new employees and up to 25 days/year for >15 years of service
Scheduled Time Off (STO)S	Available to construction and technical services personnel
Paid holidays	9 paid holidays/yr
401(k)	Company matched contributions – 50% rate up to 8% of salary
Profit sharing plan	100% employee participation in plan funded by 35% of pre-tax profit in year-end distribution; allocations based on individual performance.
Health insurance	Company funds 75% of cost
Annual health screen	Free annual health screen for employees and spouses, including full blood tests
Short- and long-term disability	Provides 60% of salary benefit; cost paid by MESA.
Employee Assistance Program	Referral to third-party provider
Service awards	Recognition of years of service for 1, 3, and 5 years, and then 5-year increments – gift selection for 3 years and higher
Tuition reimbursement	Reimbursement of college tuition toward degree programs
Training	MESA pays all external training costs related to employee's position
Career opportunities	Promotion and transfer opportunities
Civic involvement opportunities	Paid time off, dues, and expenses for professional organizations

Figure 5.1-4 Total Rewards Package

As the construction and technical field personnel groups have grown, MESA has seen a higher turnover rate. This change was expected and is inherent to the industry. To minimize turnover in this area, however, MESA implemented a Fluctuating Workweek Policy, which guarantees non-exempt field employees a standard weekly salary, regardless of the number of hours actually worked. Overtime compensation is paid for all hours worked over forty; however, even if the employee does not log any hours, he or she still receives their regular salary. Due to the extensive travel requirements of this group, employees are available for Scheduled Time Off (STO), in addition to the standard amount of Personal Time Off (PTO). A consistent salary and sufficient time away from work are key factors for employee retention in field services area. Through segmentation of Employee Satisfaction Survey results, MESA can assess areas of dissatisfaction in policies and benefits by workforce segment or group. MESA addresses areas of concern by establishing cross-departmental improvement teams and action teams.



A Human Resources representative conducts annual salary surveys to ensure that the base compensation ranges are aligned with the geographic market for each position. Other benefit offerings are reviewed annually by the President, the COO, and a Human Resources representative to address opportunities for improvements or adjustments, as a result of employee feedback or business needs.

5.2 Workforce Engagement

5.2a(1) Elements of Engagement

MESA determines key elements of engagement and satisfaction through various communication methods, such as ONE MESA events, Town Hall Meetings, Open Door Policy, Coffee with Terry sessions, exit interviews, and the Employee Performance Review process. The most formal method, however, is the annual Employee Satisfaction Survey Program. This process statistically identifies the elements that are most important and provides specific results for those elements. Data is segmented across departments, tenure, age, gender, role, income, ethnicity, and education.

5.2a(2) Organizational Culture

MESA promotes a positive and caring environment that allows employees to contribute to shared success. Senior Leaders set the tone for this culture through role model behavior and guidance. In 2008, MESA held its first ONE MESA event, where employees traveled to Tulsa for a day of community interaction. During this first event, employees had a chance to describe the work environment at MESA. The most common and consistent adjectives were “friendly,” “fun,” “safe,” “supportive,” and “stable.”

The Key Community Support process (Figure 1.2-6) reinforces MESA’s commitment to the community and encourages employee involvement. MESA sponsors employee softball and volleyball teams, as well as an annual golf tournament. Communication methods, such as ONE MESA events, the Open Door Policy, Town Hall Meetings, and Coffee with Terry sessions allow employees to engage and interact with Senior Leadership and other co-workers about concerns and issues in the workplace. New employees are quickly introduced to the Standards of Conduct and Standards of Behavior, which clearly establish the expectations of employees and encourage high performance. Within six months, employees are able to meet with the President in small groups and learn MESA’s history, culture, and high expectations. Respectful workplace training is an important part of employee development. MESA’s workforce profile (Figure P.1-4) demonstrates the diversity of employee demographics across the company. MESA capitalizes on diverse ideas, cultures, and thinking by establishing cross-departmental improvement teams and action teams with representation from all employee groups.

COMMUNICATE	PROVIDE FEEDBACK	ASSESS	MEASURE
Strategic Plan Standards of Conduct Quality System MESA Value Promise	Quarterly Performance Review aligned with business needs Identify opportunities for improvement Identify training needs	Annual salary review Annual COLA Annual benefits review Annual compensation survey Profit sharing program	Profit-sharing pool (25% Net, pre-tax profit Individual share based on performance Service/tenure awards Birthday/anniversary recognition

Figure 5.2-1 Employee Performance Management System

5.2a(3) Performance Management

The Employee Performance Management System consists of four areas (Figure 5.2-1). A key process is the Employee Performance Review. Performance is based on technical competence and capability, as well as a demonstration of the behaviors that are valued at MESA. The process was converted to a quarterly review in 2004 to promote better communication with employees. Although an employee's performance typically does not change dramatically on a quarterly basis, the quarterly process promotes regular two-way communication between employees and supervisors.

Each employee receives a score with his quarterly review, which is reflected in the merit review process of calculating annual increases. High performance is recognized and rewarded through this merit increases, along with additional incentives – “thank you” cards, gift cards, and “atta-boys.”

MESA shares financial success with employees through a profit sharing plan. Since 1979, management has shared profits with employees through a year-end distribution. Until 2000, profit-sharing distribution was a discretionary amount, typically resulting in an average equal to one month's salary. In 2001, a more formal plan was developed that provided for a cash profit-sharing pool equal to 25% of pre-tax profit. All employees except the President are eligible for profit-sharing distribution. The purpose is to individually reward employees with a portion of company profits and to link an employee's performance to his or her distribution. Results of the profit sharing pool are announced monthly. The Profit Sharing Plan has historically resulted in individual cash distributions of 3% to 10% of annual compensation.

Annually, supervisors and employees complete a Managed Approach to Performance (MAP) wallet card. The MAP card lists MESA's Purpose, Principles, Path, and Code of Conduct, along with organizational strategic goals and measures. Together, employees and supervisors create individual goals for the employee that aligns with corporate and departmental objectives. Those goals are reviewed throughout the year to maintain focus on strategic goals and measures.

INDICATOR	FIGURE
Lost time accidents	7.3-6
Voluntary turnover	7.3-11
Ethical incidents	7.4-5
Productivity	7.3-3
Cycle time	7.1-3, 7.1-5, 7.1-6

Figure 5.2-2 Engagement/Satisfaction Indicators

5.2b(1) Assessment of Engagement

In 2001, Senior Leadership implemented an Employee Satisfaction Survey program to more accurately assess employee satisfaction and engagement and create a process where negative trends could be detected at an early stage. The survey investigates sixty-three attributes in eleven general areas related to employee satisfaction and engagement and compares the data to a normative database. The survey was repeated in 2002 and is now an annual evaluation tool for measurement of employee satisfaction and engagement. The survey is completed online and is administered by a third-party research firm to guarantee anonymity. The response rate of employees continuously exceeds 80%.

In 2011, MESA submitted its first application for the “Great Place to Work” competition. The first step of the process included a Culture Audit survey of employees. Of ninety-two respondents, 95% agreed to the statement “taking everything into account, I would say this is a great place to work.” Although MESA did not make the list in 2011, this process provided another formal mechanism to evaluate employee satisfaction and engagement while providing comparative data from some of the best companies in the nation.

5.2b(2) Correlation with Business Results

Results of the Employee Satisfaction Survey are analyzed and reviewed by Senior Leaders as part of the Strategic Planning Process. Specific action plans are developed to address any areas of improvement. For example, employee satisfaction dropped to 65% in 2011. Upon investigation, it was determined that the lack of rewards and recognition, especially in the construction and technical areas, was a significant driver of the decline of overall satisfaction. As Senior Leaders undertook the People Strategic Planning process, they developed key focus areas, key focus indicators, and a current-year action plan to address rewards and recognition. Results of the 2012 survey showed a significant increase of “highly satisfied” employees to 79%, nearing recent highs of 80% in 2008 and 2009. Other indicators of employee engagement and satisfaction are listed in Figure 5.2-2.

5.2c(1) Learning and Development Systems

The third objective in the People Strategic Plan is Strategic Training – to develop and reinforce the competencies and values that are vital to MESA’s success throughout the career of MESA employees. This begins with the on-boarding and indoctrination process to introduce new employees to the way MESA operates: honestly and ethically, with a strong customer focus. Ongoing training is provided through events and communication methods like ONE MESA activities, Town Hall Meetings, the President’s Message, SharePoint postings, and departmental meetings. Specific job-related training is generally handled internally through hands-on experiences with the support of fellow workforce members. Process Control Documents (PCDs), standardized forms, documents, checklists, and work instructions driven by the ISO Quality System ensure quality standards in the performance of key work processes.

Each employee has an individual Performance Development Plan addressing areas of improvement, which are specifically linked to the corporate Strategic Plan. Performance Development Plans are established by collaboration between employees and supervisors. Feedback of performance and review of the Performance Development Plan occurs regularly through the Quarterly Performance Review process. Any areas of improvement can be addressed with additional in-house or external training. Key positions (Figure 5.2-3) have been identified to leverage training to build key strategic skills and competencies that are difficult to find in a job candidate or that are needed to address MESA’s Strategic Plan. For example, Project Management was identified as a key position to support Project Execution Work System. In 2010, all Project Management employees were trained in the principles of project management.

The fourth objective of the People Strategic Plan is Knowledge Management – capturing organizational knowledge, principles, and cultural artifacts, and transferring the same through coaching, mentoring, and succession planning.

5.2c(2) Learning and Development Effectiveness

MESA employs several mechanisms to evaluate the effectiveness of its learning and development systems. The first method is the use of Plant Qualification Statements, through which employees must demonstrate the skills needed to be qualified to perform any given process. Similarly, in the construction and technical arenas, employees must pass Operator Qualifications (OQs) examination or verification to perform certain tasks.

- Outside Sales Rep
- Project Manager
- Senior Technician
- Shop Supervisor
- Business Development Specialist
- Foreman
- Integrity Engineer
- Leadership Team

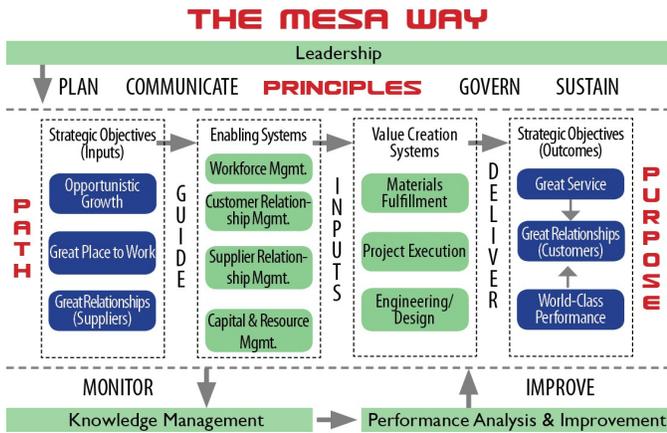
Figure 5.2-3 Key Positions

Non-Conformance Reports (NCRs) and on-the-job assessments are indicators of learning and development effectiveness or gaps. The quarterly Customer Satisfaction Survey and customer complaint process are also used to assess learning and development effectiveness.

5.2c(3) Career Progression

The fifth objective in the People Strategic Plan is Talent Management – MESA strives to be the employer of choice for those who wish to contribute to a shared culture of excellence and who will uphold MESA values for future generations. Once employees have been recruited, hired, on-boarded, and trained, it’s vital that MESA manages that talent throughout their career at MESA. The construction and technical services arenas provide a natural career progression through experience, training, certification, and aptitudes, as do the manufacturing, sales, and support arenas. In 2011, as a cycle of improvement, a focus group re-evaluated employee progression opportunities in MESA’s manufacturing facility. The evaluation resulted in a more defined career track for manufacturing employees, creating mentoring and pay opportunities that did not previously exist. The sourcing process targets internal candidates for promotion and transfer opportunities. Open positions are communicated through SharePoint postings and an online employment site. Although MESA maintains a fairly young workforce, there is a need for succession planning for all key positions. The first stage of the succession planning process, once key positions are identified, is prioritization of efforts, considering age, tenure, internal and external opportunities, and the base of knowledge of the outgoing employee. The next step of the Succession Planning process is a review of the competencies and attributes necessary for the position and identification of internal bench strength through the identification of high performers – those employees who exhibit MESA principles and perform at a high level. Management then identifies gaps in bench strength and the competencies and attributes necessary to successfully perform the key position, ensuring that the role is in line with the identified employee’s interests. The final step of the process is creating and executing Performance Development Plans, considering timing and the priority of development areas. Plans are reviewed annually and changes are incorporated for any adjustments. Providing ongoing development opportunities and established career paths with feedback through the Quarterly Performance Review process, rewards and recognition programs, and Succession Planning process helps secure MESA’s continued success and sustainability.

OPERATIONS FOCUS



The **Key Work Systems** and **Work Processes** are the components of The MESA Way enterprise model that represent the Path for MESA on its journey to achieve its Purpose. **Value Creation Systems**, guided by the **Leadership System** and using the inputs from the **Enabling Systems**, deliver Great Service and World-Class Performance, which lead to Great Relationships with customers for the long-term.

6.1a(1) Work System Design

The MESA Way enterprise model (Figure 1.1-1) is the basis for designing and innovating key work systems. The work systems are designed to achieve MESA's Purpose by providing the link between the strategies and action plans developed in the Strategic Planning Process (SPP), the resources required to execute those strategies, and the delivery of World-class Performance and Great Service, which lead to Great Relationships with customers.

During the SPP, MESA evaluates the organizational competencies it needs to execute strategies, including the design and effectiveness of work systems. The Performance Review and Improvement system provides the inputs for the SPP that form the basis for evaluation. As MESA identifies the need to design new work systems, or to improve existing work systems, it incorporates those as action plans in the current-year Strategic Plan. In designing new work systems, MESA strives to benchmark the innovative work systems of other high-performing organizations. In improving existing work systems, MESA uses PDCA and/or process improvement tools (see Category 6.2b(3)) to analyze and improve the work system. For example, as service market opportunities continued to grow, MESA recognized the need to improve its Project Execution Work system. MESA benchmarked its work system against world-class project management concepts and ultimately incorporated many of those concepts into its current work system.

In deciding which processes within the overall work systems will be internal and which will use external resources, MESA evaluates three areas:

- Is the process critical to a core competency?
- Are there external resources available to execute this process, and, if so, can MESA establish a reliable relationship with a supplier or partner to provide this process?
- Would it strengthen the needed core competency to develop the capabilities internally to execute the process, and if so, is it cost-effective to do so?

For example, MESA's drilling capabilities are within its construction Project Execution work system and are critical to delivering world-class performance. However, as these capabilities were evaluated in the SPP, MESA recognized several available external resources with which it could build a reliable relationship. While it would provide greater control of scheduling to develop this capability internally, the SPP analysis revealed that, in most cases, the cost and risk in doing so would be greater than managing external resources.

6.1a(2) Work System Requirements

Work system requirements are derived from the SPP, based on inputs from an Environmental Scan and the Performance Review & Improvement System. Requirements for work systems are those that allow the most effective achievement of differentiation strategy within market offerings, the Strategy objectives, and MESA's overall Purpose. Key work system requirements are illustrated in Figure 6.1-1.

6.1b(1) Work System Implementation

The MESA Way enterprise model is an integrated set of work systems within the following categories:

Guiding –overall direction to all other work systems and processes

Value Creation – translation of organizational inputs in delivering value to customers

Enabling – inputs to the Value Creation work systems

Monitor & Improve –performance of work systems and development of improvement mechanisms to address performance gaps

MESA's organizational structure is designed to align the operational groups with the key Value Creation Work Systems delivering world-class performance for the Market Offerings within each operation. For example, the materials operations group manages the materials fulfillment work system, while the groundbed construction group manages the project execution work system as it applies to their market offerings.

Each operations group is designed to manage the key value-creation work systems, incorporating elements of the enabling work systems as designed, and leveraging support operations as needed. For example, MESA's supplier management work system includes elements managed by three operations groups, while leveraging support from administrative departments, as well.

The Performance Review & Improvement System includes mechanisms for monitoring performance of these work systems and making improvements, which are also inputs into the SPP where improvements and innovation are considered in delivering customer value and achieving organizational success and sustainability.

6.1b(2) Cost Control

The MESA Way enterprise model provides a foundation for controlling the overall costs of work systems. It starts by aligning the core competencies – what MESA does best – with the right market opportunities. From there, MESA ensures that it has the right resources in place to execute its work systems – the right workforce capabilities at the right capacity, the right suppliers and partners, and the right equipment, facilities, technology, and capital.

The ISO Quality system builds knowledge into the work systems, and allows for monitoring and auditing at a system and process level in order to reduce the need for inspections and tests at the transactional level. MESA leverages inspections, tests, and audits at key points within the work systems in a cost-effective manner. For example, in the materials fulfillment work system, MESA conducts a contract review in the sales process before an order is forwarded to the manufacturing process because it is more cost-effective than re-work, scrap, or warranty costs that result from manufacturing the wrong items.

6.1c Emergency Readiness

MESA's Business Continuity Plan (Figure 1.1-5) is an integral part of the Leadership System for maintaining a sustainable organization (1.1a(3)). The portion of the system related to Information Technology is described in Category 4.2b(2). MESA's operations are dispersed throughout the United States, and Service Operations are conducted in and around client-owned facilities and assets. Therefore, the risk associated with any one of the individual operations is lessened due to the ability to replicate those operations in one of the other offices. The sole exception is MESA's Tulsa manufacturing.

The Continuity Plan was put to the test by an ice storm in 2007 that shut down major sections of the Tulsa area and again in 2010 when a blizzard struck Tulsa. The improvements that MESA made after the 2007 emergency allowed it to weather the 2010 blizzard with negligible interruption.

6.2a(1) Design Concepts

6.2a(2) Work Process Requirements

MESA's key work processes are an integral part of the overall enterprise model (Figure 1.1-1) and cascade from the key work systems (Figure 6.1-1). As MESA contemplates improvements to its overall work systems, it also evaluates the work processes within these systems for effectiveness, improvement opportunities, and innovation. Similarly, the requirements for key work processes cascade from the requirements of the overall work systems.

6.2b(1) Key Work Process Implementation

See Figure 6.1-1 for key work systems and work processes and related requirements and measures. Work processes are managed as part of the overall work systems. MESA's Knowledge Management system provides feedback on performance and the Performance Review & Improvement system evaluates work process performance.

MESA is certified to ISO 9001:2008 standard – the only full-line cathodic protection company in North America to achieve that certification, evidencing the value that MESA places on quality and performance excellence.

MESA employees view process management and improvement as an integral part of their job. The Quality Policy "ACT" – Accurate, Continuous Improvement, and Timely - describes MESA's approach to customer satisfaction. MESA has made a strong commitment that all key work systems and work process requirements be understood, implemented, and maintained at all levels of the company. Through the Quality Manual (available to all employees via the MESA Portal), all procedures related to design control, document and data control, purchasing, process control, inspection and testing, corrective and preventive action, and internal quality audits become part of everyday operations. The Quality Manual describes MESA's commitment to each element of the Quality System and references Quality Procedures. Quality Procedures reference specific Process Control Documents and Quality Forms which become objective evidence. The range and detail of these documents depend on the complexity of the work, the methods used, and the skill and training needed by personnel involved in carrying out the activity.



Work System	Requirements	Key Work Processes	Measures	Fig. Ref.
GUIDING WORK SYSTEMS				
Leadership System	Organizational sustainability	Governance Communication SPP	Ethical incidents Employee satisfaction	7.4-5 7.3-9
VALUE-CREATION WORK SYSTEMS				
Materials Fulfillment	On-time delivery Accurate delivery Safety	Sales order processing Supply chain management Manufacturing Logistics Safety	On-time delivery 3-Day delivery Inventory turns Key supplier on-time NCRs	7.1-1 7.1-1 7.1-9 7.1-7 7.1-13
Project Execution	Scope Schedule Budget Safety	Initiating Planning Execution Monitoring & control Closure Safety & compliance	Project profitability Labor utilization Invoice turnaround Work in process Safety incidents NCRs	7.1-12 7.1-11 7.1-3 7.1-10 On-site On-site
Engineering / Design	Scope Schedule Budget	Initiating Planning Execution Monitoring & control Closure	Project profitability Labor utilization Invoice turnaround Work in process NCRs	7.1-12 7.1-11 7.1-3 7.1-10 7.1-13
ENABLING WORK SYSTEMS				
Workforce Management	Workforce capacity Workforce capability	Sourcing, recruiting & hiring On-boarding & indoctrination Strategic training & development Workforce knowledge management Talent management	Days to fill Employee satisfaction Succession plans completed Employee turnover Training investment	On-site 7.3-9 On-site 7.3-11 7.1-13
Customer Relationship Management	Breadth and depth of key customer relationships	Opportunity management Proposal/estimating Relationship building Communication Marketing & advertising	Key customer retention Customer satisfaction Materials gross margin Project profitability Revenue volume	7.2-7 7.2-1/2/3 On-site 7.1-12 On-site
Supplier Relationship Management	Breadth and depth of key supplier/partner relationships	Key supplier management Subcontractor management	Supplier satisfaction NCRs	7.1-8 On-site
Capital & Resource Management	Availability of financing and capital	Budgeting Treasury/banking Cash management	Accounts Receivable collection Accounts Payable turns Current ratio Debt-to-Equity ratio	7.5-4 7.5-4 7.5-3 7.5-3
MONITOR & IMPROVE WORK SYSTEMS				
Knowledge Management	Availability Accuracy Integrity/reliability Timeliness Security	Data, information & knowledge management Management of information resources & technology	Employee satisfaction NCRs	7.3-9 On-site
Performance Analysis & Improvements		ISO Quality system LEAN Operational reviews Organizational reviews	NCRs Cost of Quality	7.1-13 7.1-14

Figure 6.1-1 Key Work Systems and Processes

6.2b(2) Supply-Chain Management

Key suppliers and partners are an integral part of MESA's success, allowing it to incorporate competencies, products, and services that it cannot, or do not, provide internally.

MESA's philosophy is to be the preferred supplier to its customers and the preferred customer of its suppliers. The supply chain is managed through the Supplier Relationship Management Work system and the Value Creation Work System.

Key products, customer support services, key communication mechanisms and the supplier/partner role in innovation are described for primary supplier/partner segments in Category P.1b(3).

The ISO Quality System includes mechanisms that ensure selected suppliers are qualified and supplier performance is continually evaluated in meeting strategic objectives. The ISO system provides guidelines on acceptable methods for approving new suppliers. The NCR process provides feedback to suppliers at a transactional level throughout the work system. For each NCR, suppliers are required to provide root cause analysis and corrective action in a timely manner. Where supplier performance does not meet expectations, MESA communicates with the supplier to identify the root cause and corrective actions to improve performance. In those instances where a supplier's performance does not improve to a level that allows MESA to meet its customers' requirements, the relationship is discontinued and an alternative source is sought.

In Service Operations, MESA utilizes a wide variety of subcontractors within the Project Execution Work System, ranging from contractors that provide consulting services and technical services to those that provide significant heavy construction resources. The primary requirement for subcontractors in service operations is safety. Through the Subcontractor Qualification Process, MESA ensures that service contractors meet MESA's minimum standards for safety and compliance. In addition to those minimum standards, MESA manages specific safety and compliance requirements of customers, which can vary dramatically. Through the safety and compliance processes, MESA constantly evaluates subcontractors against customer requirements. In many cases, the subcontractors are small operators and MESA assists them by managing safety and compliance requirements. For example, by inviting subcontractors to participate in MESA's extensive safety training each year at a nominal cost.

In both the materials and service operations, MESA has a select group of suppliers and subcontractors with whom it has preferred relationships. In Materials Operations, MESA calls these preferred organizations "Key Suppliers," suppliers who are selected based on their importance to MESA's work systems and/or product offerings, either as a result of volume or lack of a suitable alternative product. MESA considers these suppliers its partners in delivering Great Service and World-class Performance. MESA engages closely with Key Suppliers in forecasting product demand and sharing information about markets and customers.

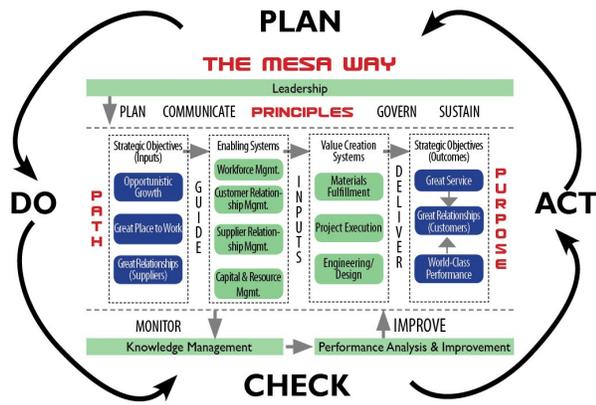
Key Suppliers receive a letter from the CEO at the beginning of each year, outlining the Key Focus Areas from the Strategic Plan. MESA tracks on-time shipping rates for Key Suppliers, using the same performance measure for its work system. Shipping results, along with NCR data are communicated monthly. Communication with Key Suppliers is frequent and typically involves a site visit to their location (or vice versa) at least annually, as well as interaction during trade shows and conferences throughout the year. MESA works closely with Key Suppliers in identifying opportunities for improvement and innovation within the work system, which has included consignment stock agreements, product design changes, and changes in packaging to improve manufacturing efficiencies.

Preferred supplier relationships in the Service Operations group allow MESA to extend market offerings by leveraging competencies of subcontractors. The entry into the pipeline integrity markets could not have occurred without close partnering relationships with subcontractor organizations that provide a specialty that MESA does not have internally. Drilling subcontractors have been an integral part of the grounded construction market offering for years. In these relationships, MESA typically has a personal connection with one or more of the leaders of the subcontractor organization, and, if not, MESA takes the time to form that relationship before significant participation on projects. Communication occurs regularly by sharing information about customers and projects in order to adequately leverage competencies. In addition to NCRs, performance is evaluated with each project as part of the Project Execution Work System, and these subcontractors are included in "Lessons Learned" reviews as needed in order to identify root cause and corrective actions that enhance performance and customer satisfaction.

Key Suppliers and preferred subcontractors participate in the Supplier Satisfaction Survey, which is an anonymous survey conducted every two years, providing feedback on performance in managing key supplier relationships.

6.2b(3) Process Improvement

Improvement of key work processes occurs as part of the Performance Analysis & Improvement Work System (Figure 4.1-3), using inputs from the Knowledge Management System which provides feedback on the performance of work systems and work processes. Process improvement occurs as an output of Organizational Performance Reviews, through systematically applying LEAN throughout the company and through the continuous improvement approaches within the ISO Quality System.



Organizational Performance Reviews: MESA uses a PLAN-DO-CHECK-ACT cycle as its basic process improvement process, which is how the MESA Way enterprise model is designed:

MESA “Plans” through the SPP; “Does” through work systems and work processes; “Checks” using the Knowledge Management system and the organizational performance reviews in the Performance Analysis & Improvement System; and “Acts” through the Improvement System as applied to work systems and work processes.

As MESA identifies gaps through organizational performance reviews, it prioritizes opportunities for improvement and decides on the appropriate improvement tool. Typically, such opportunities result in one or more Modified Action Plans, which then get cycled through the SPP deployment process (see 2.2a(6)), utilizing cycles of a PDCA approach.

LEAN – MESA uses LEAN as its primary improvement methodology. To monitor performance and improvement, LEAN concepts are being adopted, leading to elimination of waste and creation of flow by eliminating non-value added activities. LEAN concepts incorporate cross-departmental teams organizing processes in co-operative, innovative ways. It is a multi-step process that involves mentoring, facilitation, knowledge transfer, and joint implementation. LEAN concepts provide the flexibility to keep processes current with business needs. Three MESA employees are certified as “LEAN Implementers”. LEAN 101 or LEAN office training is required for new employees. In 2012, MESA made its most significant investment to date in deploying and integrating LEAN into every day work activities by conducting a 13-week training session involving all manufacturing employees and covering all the LEAN tools. Participants were required to implement improvements in their work processes utilizing the tools they learned during the training.

Action Request Process (AR) – the AR process is part of the ISO Quality Management system and affords any employee the opportunity to provide suggestions for improvement in any process in the company. The systematic process provides for a justification based on alignment with strategic objectives. Each AR submitted is reviewed by the CEO, who then communicates with the employee submitting the AR and assigns responsibility for planning and implementing the improvement suggestion if approved. All ARs require some form of plan to be developed, and more complex ARs require a more formal process using the Define - Measure - Analyze - Improve - Control (DMAIC) improvement model.

Non-Conformance Report (NCR) Process - The NCR process is the primary mechanism within the ISO Quality system for providing feedback on the effectiveness of key work systems and work processes at a transactional level. The process involves the identification of a non-conformance, root cause analysis, corrective action to be implemented to prevent the non-conformance from reoccurring, and the “cost of quality” for the non-conformance – which could be actual money expended or the value of time. All employees are trained on how to initiate a NCR, and all managers are trained on how to conduct root cause analysis and corrective action. The NCR process is the central collection point for customer complaints (see Category 3.2b(2)), and MESA encourages the initiation of NCRs to capture any non-conformance that occurs in work systems and work processes, whether it involves an external or internal customer, and regardless of magnitude. Final review of all NCRs is made by the COO and/or CEO. In 2010, MESA implemented a web-based application to capture and process NCRs. Prior to this improvement, the process was very paper-intensive. The web-based application allows any employee throughout the country to initiate a NCR via the internet, and allows MESA to create electronic work flows for routing the NCR to the next appropriate person in the process. Capturing NCRs in a database environment also allows for better aggregation and analysis to identify trends that point to opportunities for improvement at a work system or work process level, rather than at the transactional level.

Quality System Audits – the ISO Quality system provides for periodic internal and external audits of key work systems and work processes. Through these audits, MESA evaluates work system and process effectiveness, and identifies opportunities for improvement in the audit findings. All “major” and “minor” findings in either internal or external audits require corrective action to be developed. Since becoming ISO certified in 2000, MESA has had only one “major” finding in any audit, whether internal or external.

RESULTS

7.1 Product & Process Outcomes

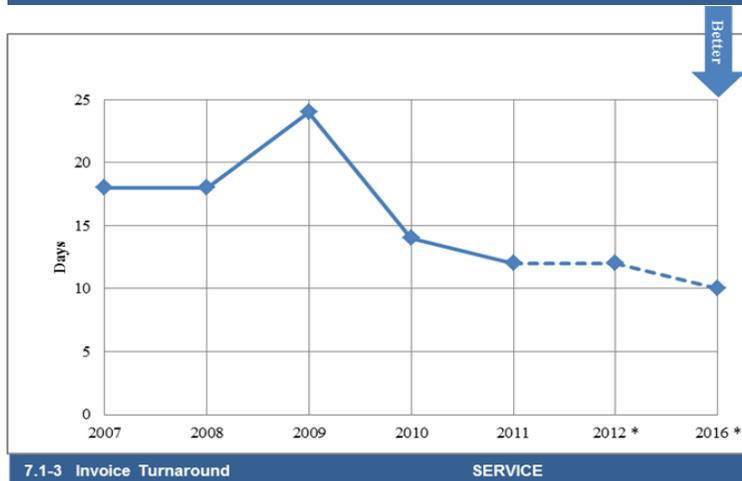
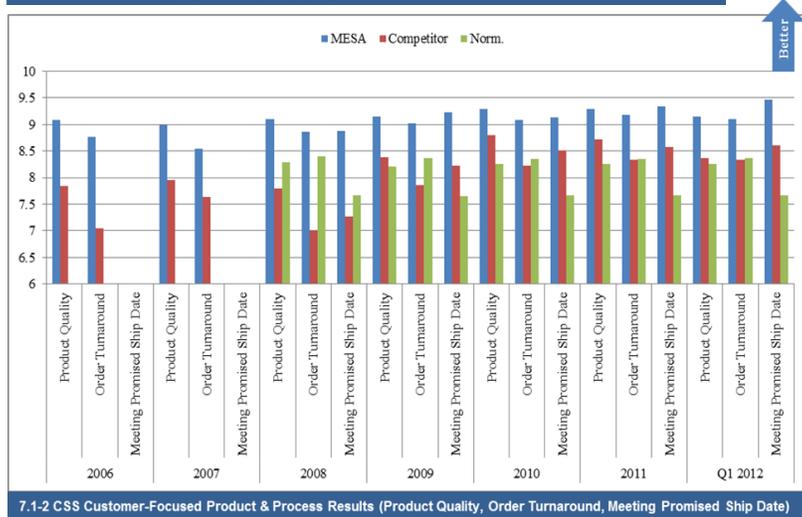
7.1a Customer-Focused Products and Process Results

MESA is the service and quality leader in the industry, as indicated by what its customers say (Figure 7.2-1). MESA's customers indicate that "service" and "quality" are top priorities for in their buying decisions (Figure P.1-8). In Materials Operations, "service" is a function of providing products on-time (Figure 7.1-1). Since 2006, MESA has maintained industry-leading On-Time Shipping rates, comparing favorably to a recent Baldrige recipient. In an effort to exceed customers' expectations, MESA has a self-imposed target to ship within three days of receiving an order. In 2011, after a second consecutive decline in this measure, MESA implemented improvement initiatives in its manufacturing operations to address this decline. Through the CSS, MESA's customers confirm that its performance consistently outperforms best competitors in terms of product service and quality (Figure 7.1-2). In Services Operations, "service" is defined in terms of project execution in the field and providing the final deliverables for the project to the client. Service Invoice Turnaround (Figure 7.1-3) represents the cycle time from completing the field work on a project to providing the final deliverables to the client, which includes the invoice for the project. MESA has continued to improve this key metric since 2007. Clients confirm through the CSS that showing up for a project on-time with efficient crews and installation equipment in good condition is a key satisfier (Figure 7.1-4). MESA has made significant financial investments to upgrade equipment since 2006.

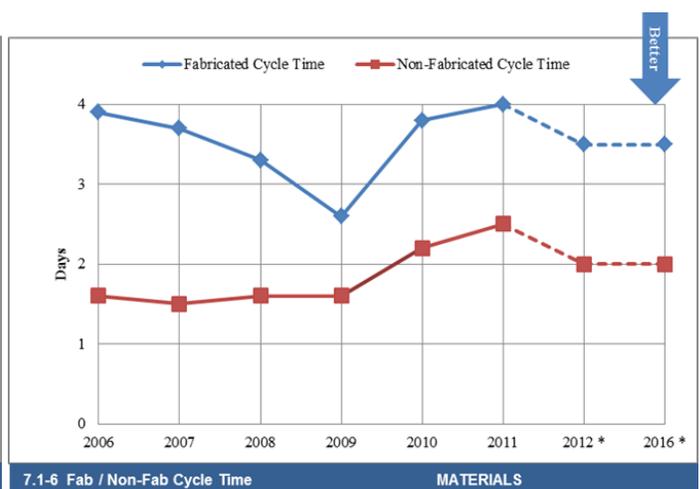
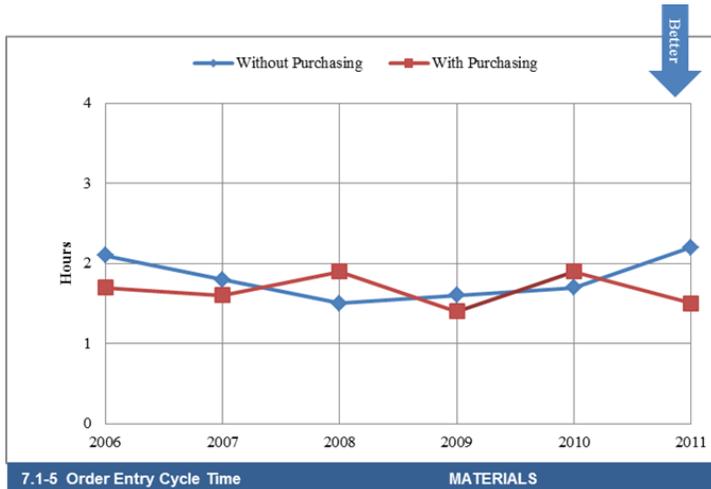
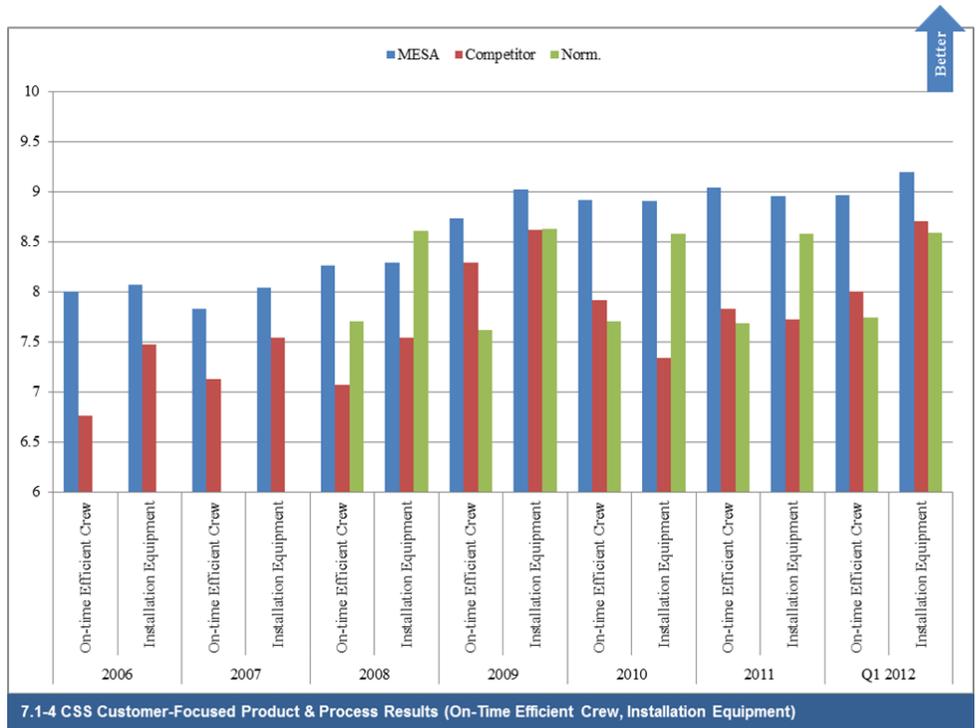
7.1b Operational Process Effectiveness Results

In support of the primary customer-focused product result of On-Time Shipping, MESA has a series of key work process performance measures. Sales Order Entry Cycle Time (Figure 7.1-5) represents one of the first key processes in the Materials Fulfillment work system. MESA randomly tests cycle times for sales order entry on a monthly basis.

In order to deliver to customers on time, MESA depends on suppliers to meet their commitments. Figure 7.1-7 demonstrates the considerable improvements made in partnership with key suppliers to achieve world-class On-Time Shipping rates. Once in the manufacturing processes, cycle time for completing an order is a primary factor in meeting a customer's expected ship date. Figure 7.1-6 illustrates cycle times for fabricated orders (those parts that will be built through manufacturing processes) and non-fabricated orders (those parts that are stocked as finished goods inventory). After experiencing unfavorable trends in both metrics over the past two years, MESA is addressing those trends in 2012 through a significant investment in LEAN training and a manufacturing development and compensation plan that provides incentives for skills development and mentoring.



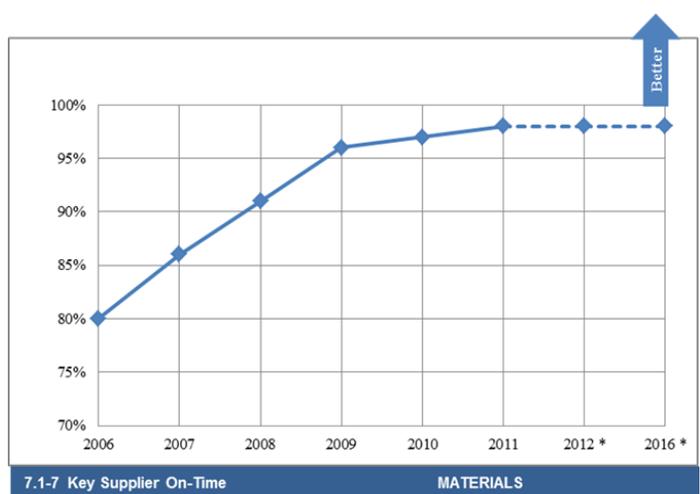
Key suppliers and subcontractors (Category 6.2b(2)) are important stakeholders in MESA's success. Bi-annually, these stakeholders tell MESA how it is performing through the Supplier Satisfaction Survey (Figure 7.1-8). MESA's ability to meet customer ship dates with an available inventory of raw materials and finished goods must be balanced against the need to maintain positive cash flow for sustainability. Performance in Inventory Turns (Figure 7.1-9) has improved consistently since 2006. MESA has been able to maintain industry-leading On-Time Shipping rates while exceeding top-quartile benchmark performance in managing its Inventory investment.



In the Services Operations, two of the key cycle time and efficiency measures are Work-in-Process (WIP) (Figure 7.1-10) and Labor Utilization (Figure 7.1-11). WIP indicates the cycle time between un-invoiced labor and materials until the customer is invoiced.

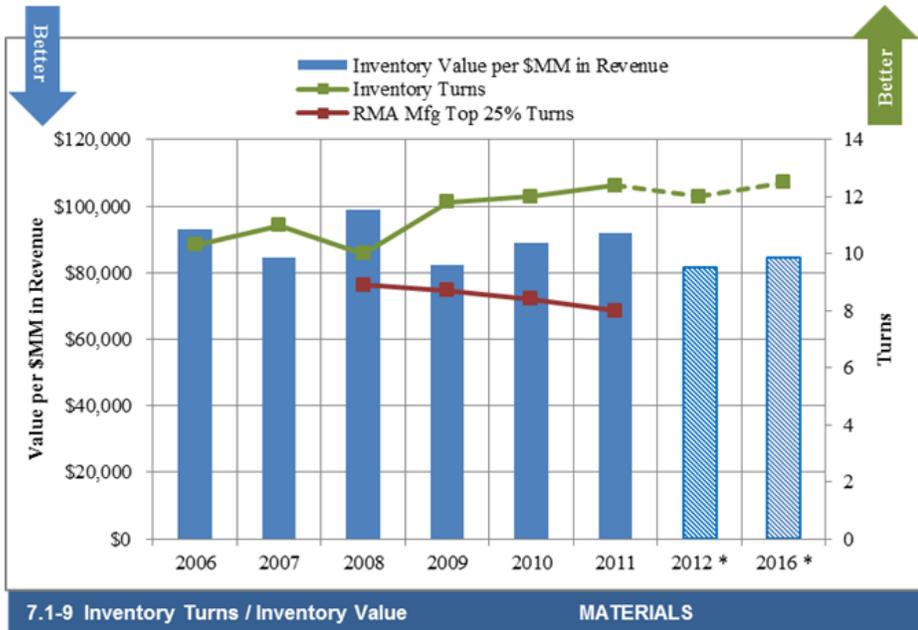
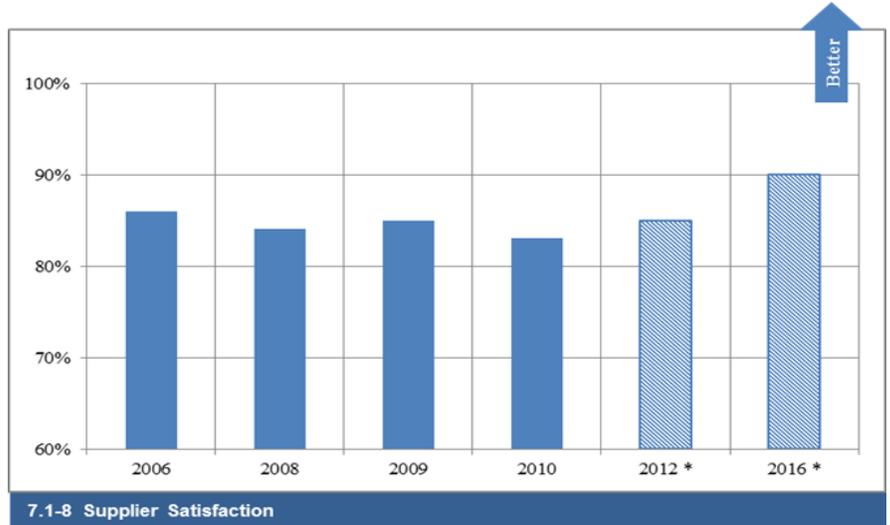
Although Services revenue has grown considerably since 2006 (Figure 7.5-6), MESA's improvement efforts have resulted in lowering WIP as a percentage of service revenue.

Labor Utilization – the percentage of available time within a year that employees are working on a project – represents the effectiveness in matching Services workforce capacity with customer demand. This is a key performance measure identified through the SPP in 2010.

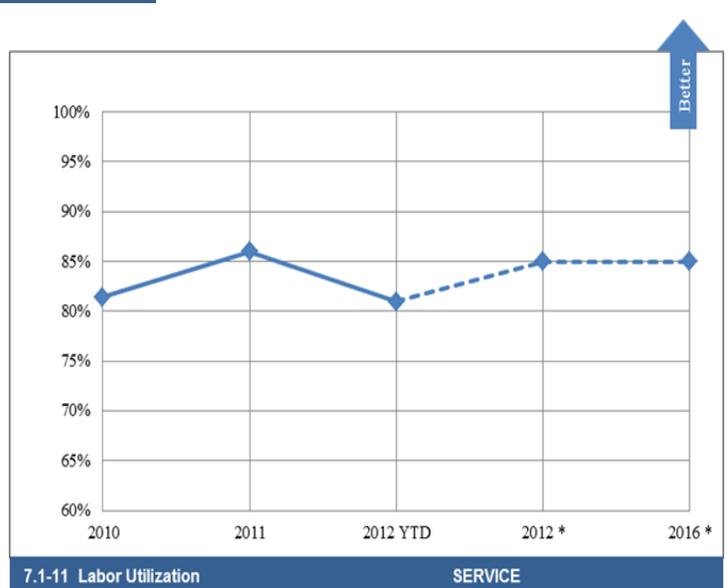


Project Profitability (Figure 7.1-12) is a composite measure that represents effectiveness in project execution as compared with expectations. Each separate Market Offering has its own Project Profitability expectation, which is tracked monthly and reviewed during the monthly Operational Reviews.

One of the primary mechanisms for measuring the “quality” aspect of its market leadership position is through the NCR process, where error rates in work systems and processes are identified at a transactional level. Major NCRs (Figure 7.1-13) are those that have a significant impact in terms of dollar value or risk. The cost of each NCR is accumulated as the overall Cost of Quality, which is reflected in Figure 7.1-14 with total NCR rates. Segmented data by operation and work process is available on-site. Historically, LEAN has been more of an “event-based” fashion – targeting certain areas to conduct LEAN events throughout the year. Beginning in 2011, MESA made a considerable commitment to integrate LEAN into daily operations, as reflected in the number of increased events in 2011.

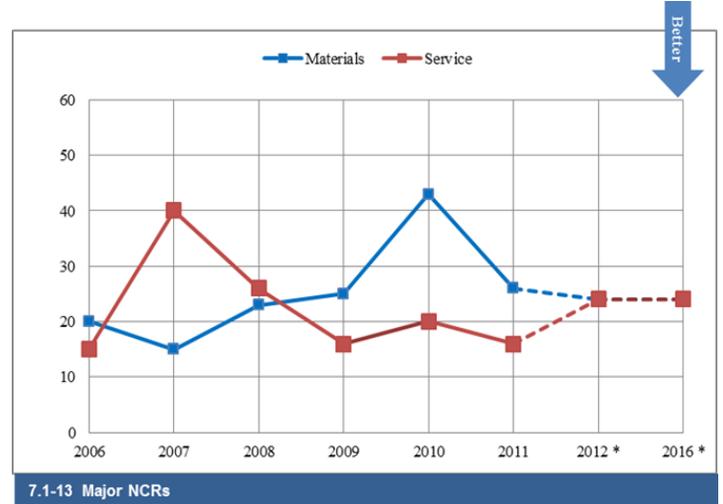


At the beginning of 2012, MESA made the most significant investment in LEAN since adopting the methodology, conducting a series of training classes over a thirteen-week period for all manufacturing personnel – representing over 600 man-hours of training – covering all of the primary LEAN tools in-depth (Figure 7.1-15). Participants were required to successfully complete a LEAN improvement in their manufacturing operation. This training investment will be leveraged in more formal LEAN events throughout the year.



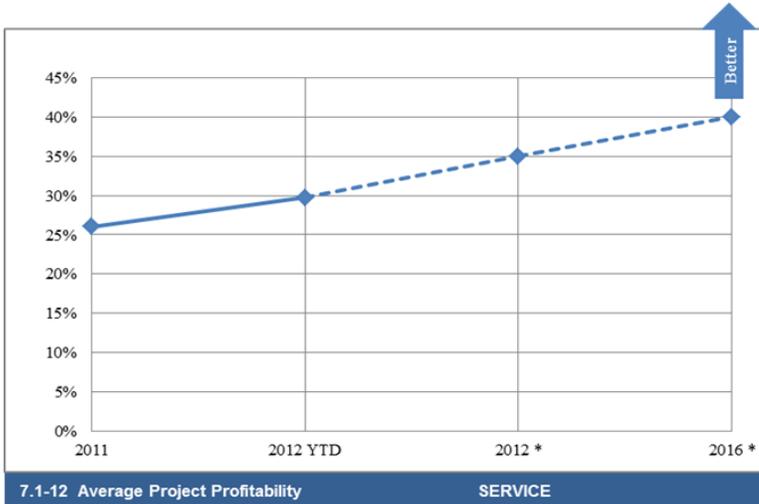
7.1c Strategy Implementation Results

Since being recognized for world-class performance in 2006, MESA has experienced considerable change and growth. However, the five strategic objectives in the SPP (Figure 2.2-1) that helped achieve world-class levels in 2006 have also helped maintain those levels.



	2006	2007	2008	2009	2010	2011
Events	4	3	4	3	3	10
Participants	16	14	28	21	20	62

Figure 7.1-15 LEAN Events/Participation



Key Performance Measure	Figure	2006	2011
GREAT SERVICE			
Customer Satisfaction	7.2-1	86.6%	91.2%
GREAT RELATIONSHIPS			
Key Customer Retention	7.2-7	99.5%	98.5%
WORLD-CLASS PERFORMANCE			
Cost of Quality/Million \$ Revenue	7.1-14	\$3,796	\$2,424
GREAT PLACE TO WORK			
Employee Satisfaction	7.3-9	69%	65%
OPPORTUNISTIC GROWTH			
New Market Growth (\$000's)	7.5-8	\$6,421	\$22,225

Figure 7.1-16 Strategic Objective Performance Remains at World-class Level

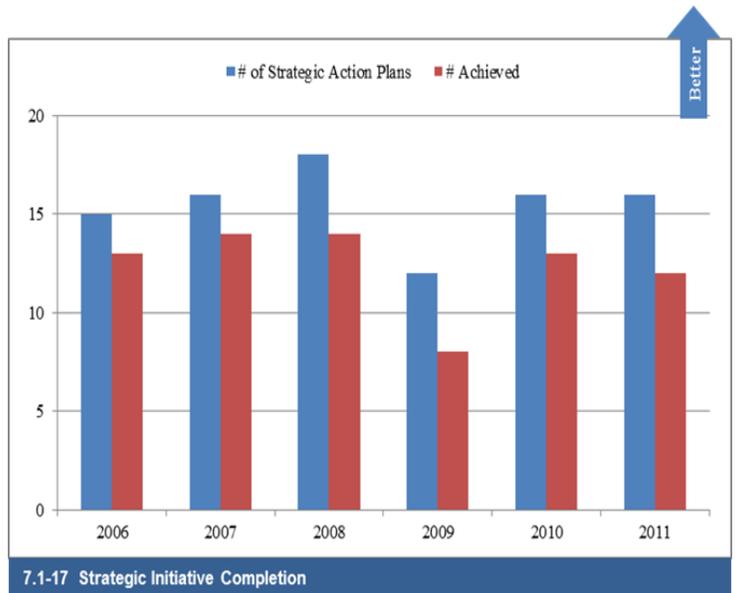


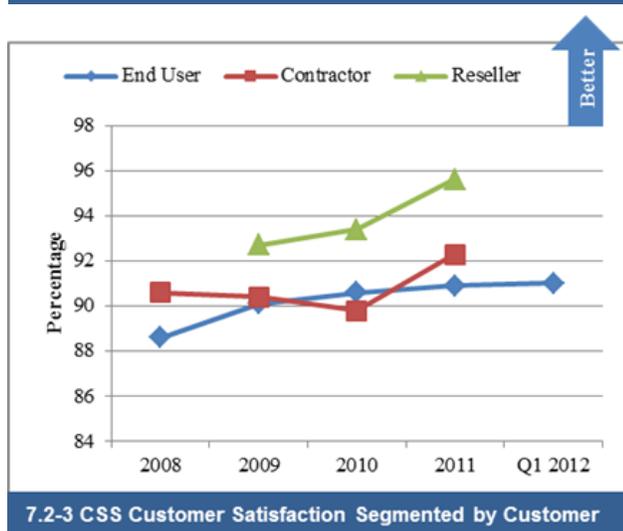
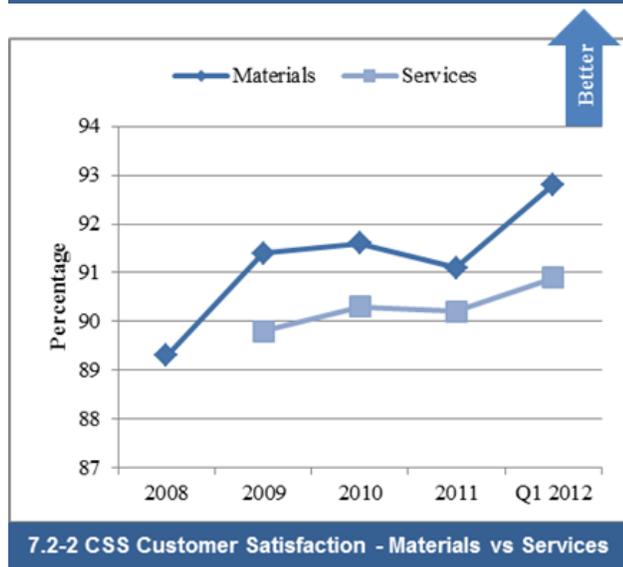
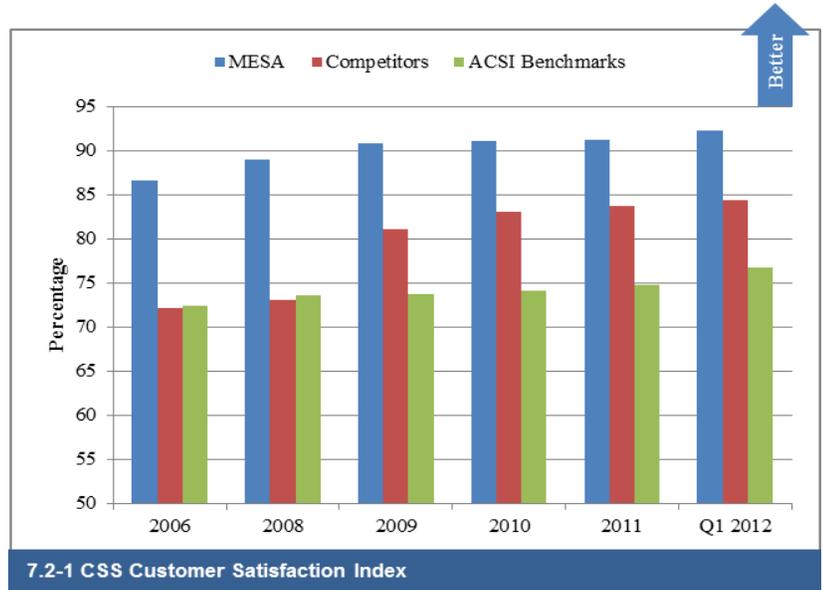
Figure 7.1-16 illustrates MESA's best composite performance measures for each strategic objective, comparing performance in 2006 with its most recent performance. Through a period of nearly doubling revenue and workforce, MESA has maintained and improved upon the high standards set in the previous Baldrige journey. At the root of that success is the high percentage of accomplishment for strategic action plans (Figure 7.1-17).

7.2 Customer-Focused Outcomes
7.2a Customer-Focused Results
7.2a(1) Customer Satisfaction

When asked to rate satisfaction with next best competitor, MESA consistently outperforms the industry in its CSS (Figure 7.2-1).

As Services Operations grew, MESA segmented the CSS results between Materials Operations and Services (Figure 7.2-2), with both experiencing high levels of customer satisfaction. Satisfaction among three primary customer groups (Figure P-1.8) is segmented in Figure 7.2-3, with all three groups confirming high satisfaction with MESA. Additional segmentation of CSS results includes market industry, geography, and job function. These segmented results are available on-site. The Customer Complaint Process (Category 3.2b(2)) is embedded in the ISO Quality System, with a NCR generated for each customer complaint. NCRs are categorized by severity with "Major" being the most significant. Figure 7.2-4 illustrates improving performance of the overall AW SHUCKS Rate and a dramatic improvement in Major AW SHUCKS in 2011, particularly against the backdrop of significant increases in revenue.

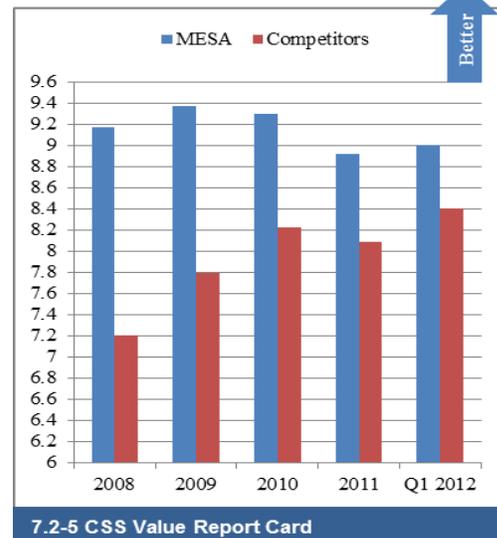
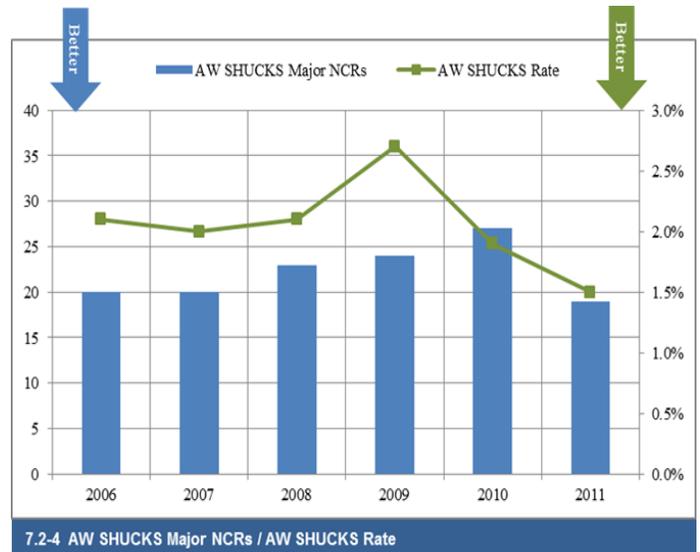
As the service and quality leader in the industry, MESA strives to compete not on price but on "value". In the CSS, MESA asks customers to rate the value of product and service quality against the total cost of doing business with them. Customers are also asked to rate MESA's best competitor. Figure 7.2-5 illustrates MESA's leadership position over its best competitor when it comes to providing overall value. Additionally, the CSS ranks MESA and its best competitor in 20 different attributes, on a scale of 1 to 10, with 10 being the most favorable. While MESA leads in all 20 of those attributes, eight of the attributes are considered to be "value-creating" from customer perspective. Figure 7.2-6 illustrates MESA's consistent leadership in creating value for customers.



7.2a(2) Customer Engagement

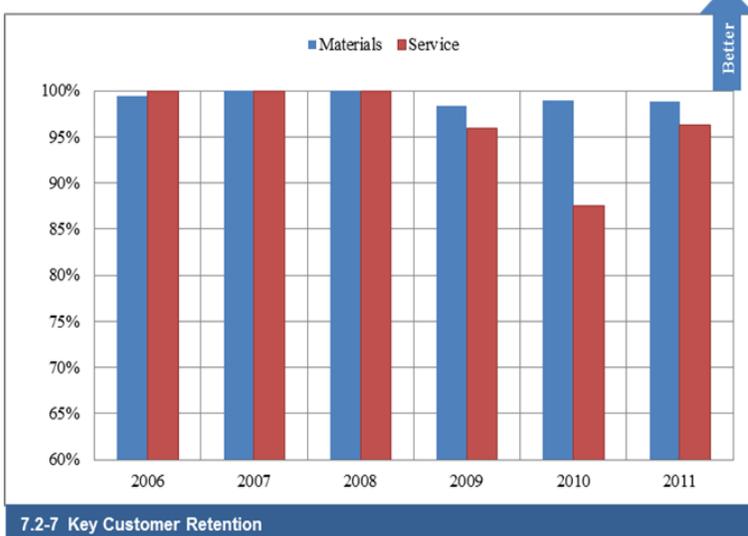
Great Relationships is a core competency of MESA, contributing to significant growth in a small, mature industry. There are a limited number of customers in the industry and MESA's philosophy is to build close relationships with key customers and never let them go. Figure 7.2-7 demonstrates success in retaining key customers. MESA has enjoyed very high levels of key customer retention in Materials Operations. This position in the marketplace is unique, as many materials customers are competitors in Services Operations. This makes the emphasis on Great Relationships all the more important with that segment of customers. Key customer retention rate in Services Operations has also been consistently high. Growth in this segment has allowed MESA to be more selective in identifying which customers are a good fit.

Figure 7.2-8 illustrates the growth in revenue from existing customers, which has increased significantly in both Materials and Services Operations. As Services Operations started to grow significantly, MESA developed many new customer relationships. This resulted in a smaller percentage of revenue from existing customers. One of the primary focus areas for Services in 2012 is to deepen and strengthen the relationships with its most important customers, while managing the rate of developing new customer relationships. Growth in the number of key customers has been consistent each year (Figure 7.2-9), reflecting MESA's desire to grow business one great customer relationship at a time.



Value Creating Attributes	2006	2007	2008	2009	2010	2011
Flexibility to Respond to Urgent Needs			+2.38	+1.39	+1.52	+1.57
Question/Problem Resolution	+1.96	+1.32	+1.94	+1.78	+1.31	+1.07
Error-Free Delivery	+1.29	+0.96	+1.64	+1.30	+0.84	+0.79
Fair, Competitive Pricing	+0.73	+0.80	+0.73	+1.20	+0.88	+1.05
Proactive Regular Contact	+2.20	+2.26	+2.21	+1.12	+1.09	+1.13
Supply Reliability	+1.44	+1.06	+1.64	+1.41	+0.93	+0.86
A Customer-Focused Attitude			+1.95	+1.49	+1.08	+0.89
Trained/Qualified Personnel	+1.07	+0.54	+1.44	+1.45	+1.55	+1.58

7.2-6 CSS Eight Value-Creating Attributes (Positive Values Indicate Relative Advantage Over Competitors)



7.3 Workforce-Focused Outcomes

7.3a Workforce Results

7.3a(1) Workforce Capability & Capacity

MESA identifies workforce capability and capacity needs through the SPP (Category 2.2a(4)) and executes the plans to address those needs through the Workforce Management work system. During the rapid growth in Services, Offer Acceptance Ratio (Figure 7.3-1) has exceeded the industry benchmark, improving each year as MESA has improved in selecting and recruiting scarce talent in the labor market.

Another key performance measure for the Selection, Recruiting, and Hiring process is the number of days it takes to fill a position once the need has been identified (Figure 7.3-2). The growth in Services highlighted the challenge of attracting candidates in key positions – those considered to have a more significant impact on operation of the key work systems or more scarce within the labor market – especially when the position involved more specialized technical skill sets.

Improvements in the recruiting and hiring process over the past two years are just now reflecting a decline in the time to fill critical positions.

MESA measures productivity through Revenue per Employee (Figure 7.3-3). The Materials Operations experiences very high results, especially compared with industry benchmarks. Results for Services Operations are significantly lower than Materials Operations due to the higher value-added component of Services work.

7.3a(2) Workforce Climate

One of the primary mechanisms for engaging employees in organizational success is the discretionary Profit Sharing Plan. MESA shares 25% of pre-tax earnings with every employee in the company, who historically have earned an additional 7%–15% of their annual salary.

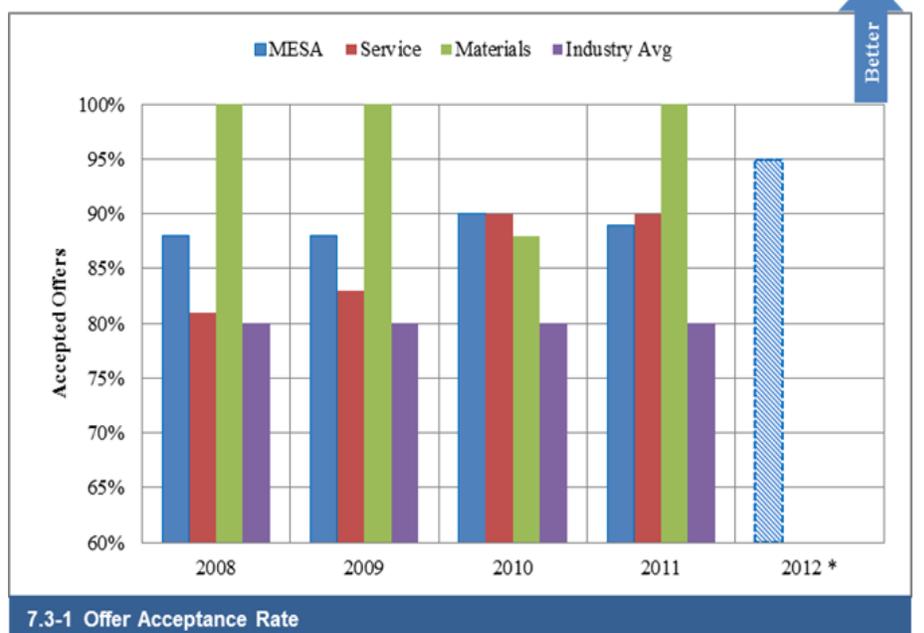
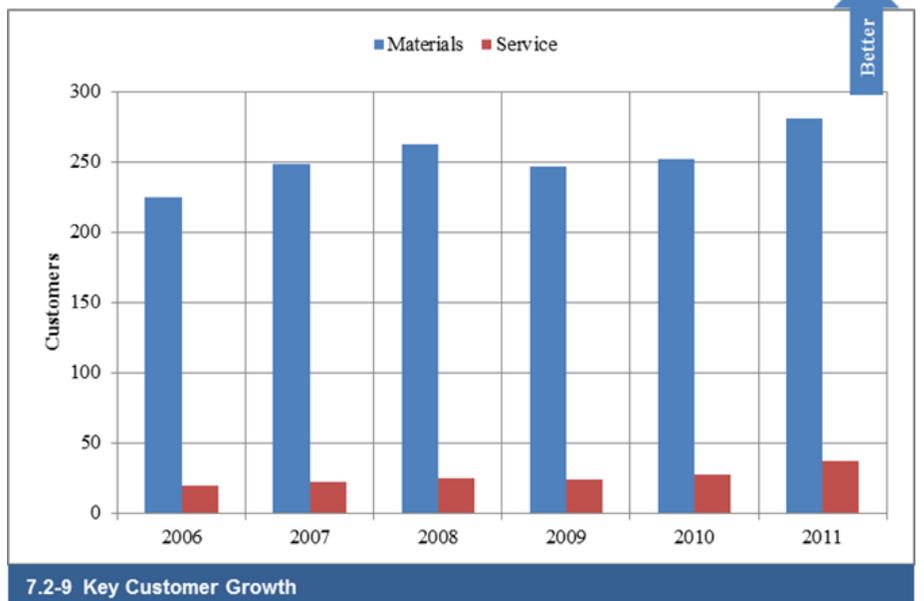
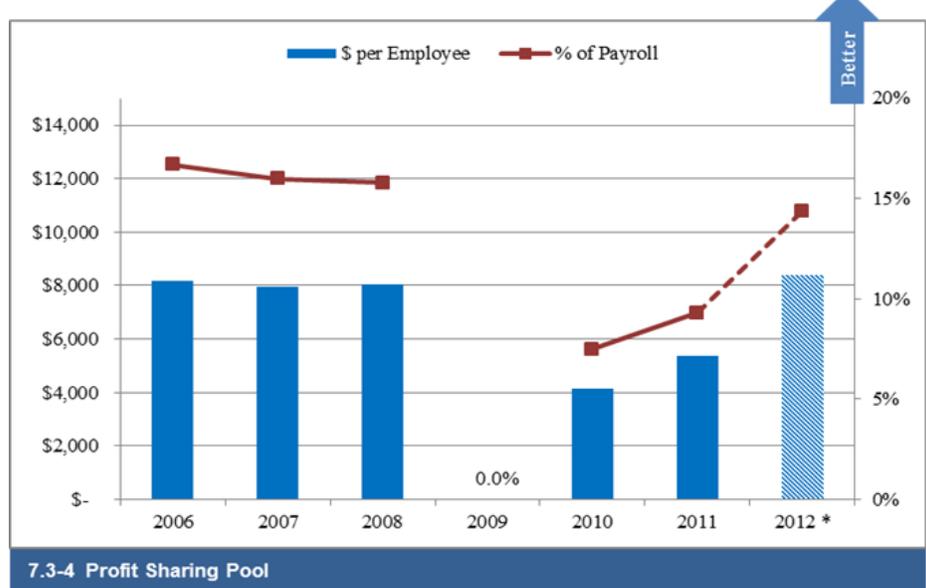
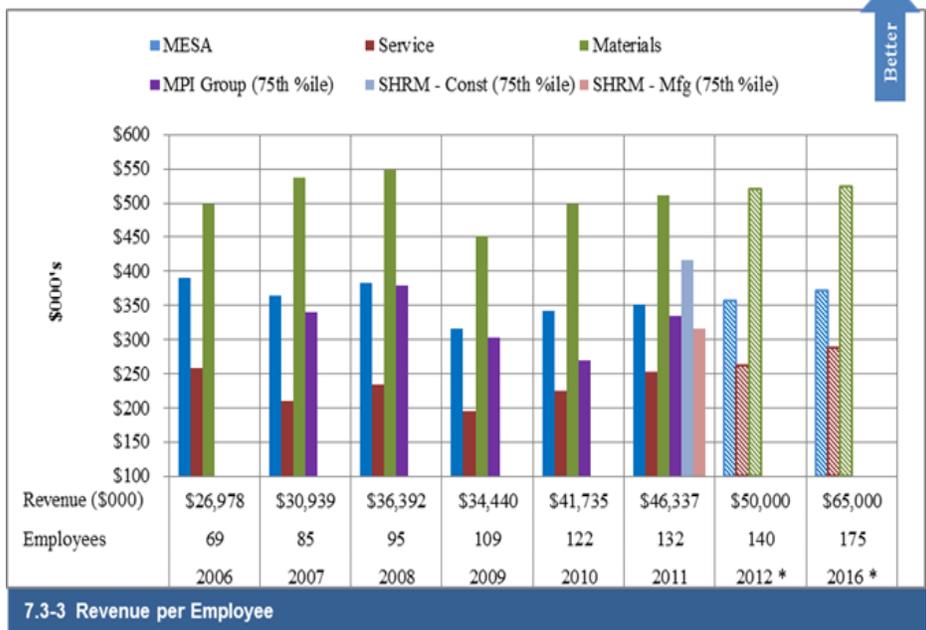
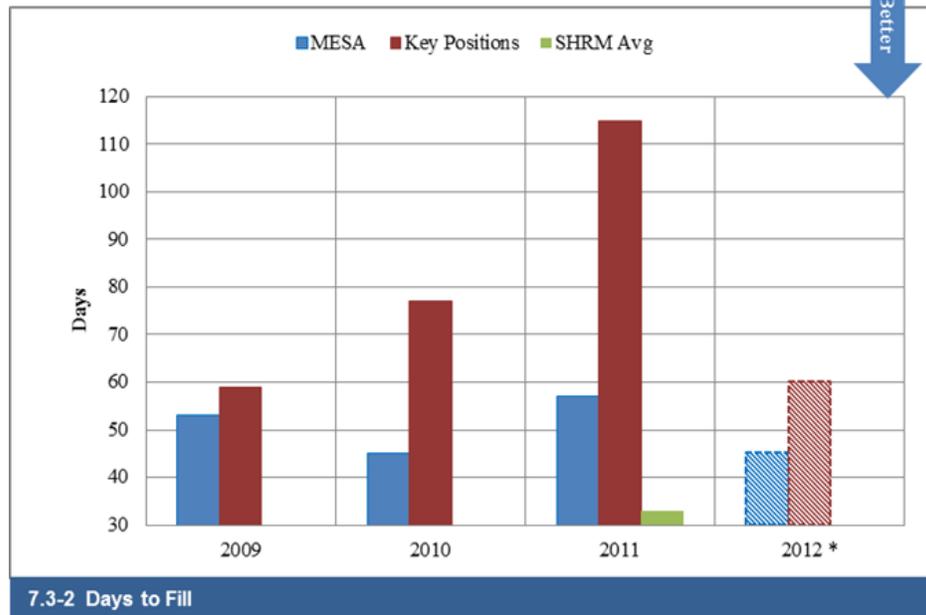


Figure 7.3-4 shows the results of the Profit Sharing Plan for the past six years. Due to the general economic downturn in 2009, MESA did not earn income sufficient to share profits. However, in that same year, MESA leadership was faced with a challenge. The policy for wage increases includes a beginning of the year Cost of Living (COLA) increase for all employees based on the Department of Commerce's inflation index published in October of the previous year, which was 6.2% at the beginning of 2009. MESA's leadership elected to stand by its commitment to provide the COLA increase, while others in the economy were cutting wages and laying off large percentages of their workforce.

Safety is the primary requirement of Service customers (Figure P-1.8), but it is also one of the primary tenants of the Great Place to Work strategic objective. MESA's workers compensation Experience Modification Rate (EMR), noted in Figure 7.3-5, is one of the key metrics for Service customers in qualifying contractors. While MESA's EMR has experienced an unsatisfactory increase, the increase was due in large part to back injuries sustained in Materials Operations. This issue was analyzed with a LEAN type of event focused on back injury prevention, which included representatives from MESA's insurance carrier. MESA developed a solution that not only will reduce the risk of back injuries in some of the higher-risk manufacturing operations, but will allow MESA to reduce cycle time.

As Figure 7.3-6 demonstrates, MESA has not had an OSHA Lost Workday in the past six years, and has had only two OSHA recordable incidents in that time frame. Figures 7.3-7 and 7.3-8 reflect the results of questions from the ESS concerning the culture at MESA and the reward and recognition practice. With few exceptions, MESA's results exceed the Top 10% benchmark, demonstrating the positive perception employees have of the culture at MESA.

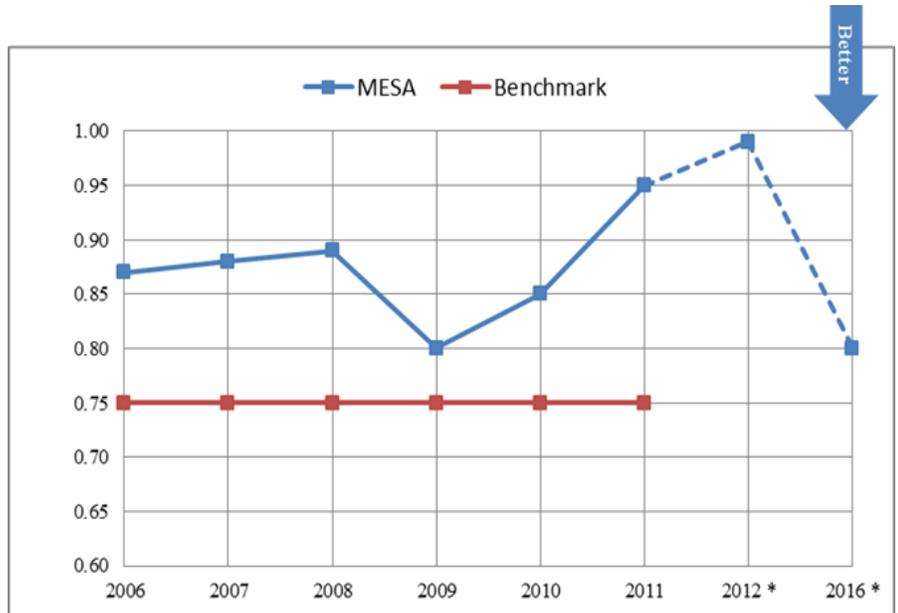


7.3a(3) Workforce Engagement

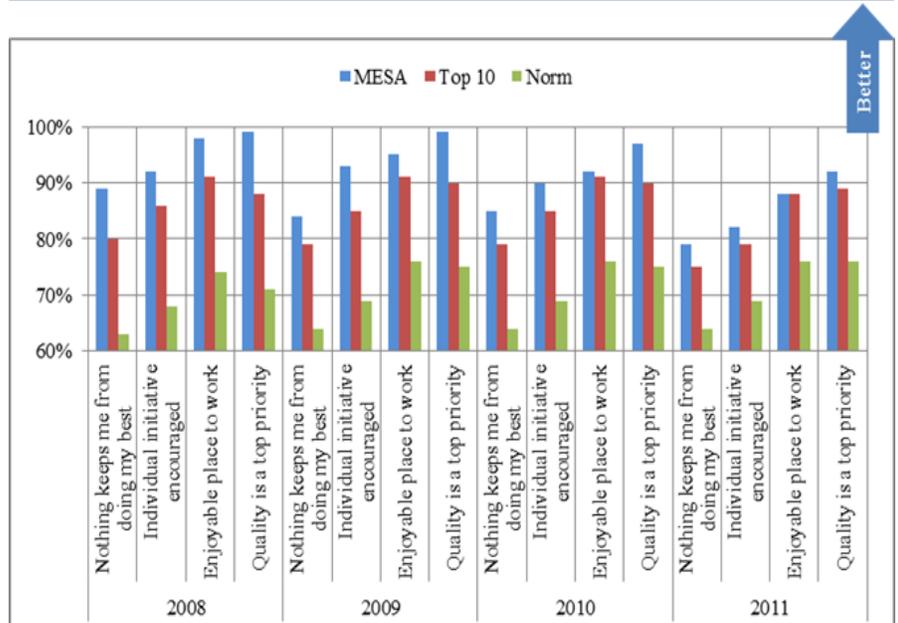
Employee satisfaction is measured annually through the ESS (5.2b(2)), represented in Figures 7.3-9 and 7.3-10 as those employees who consider themselves “Highly Satisfied”. Segmented data for the workforce characteristics identified in P.1-4, are fully available on-site. Overall satisfaction for 2011 was the first time that MESA dropped below the Top 10 benchmark, and represented a two year decline for MESA as a whole. While satisfaction among the Materials Operations was actually increasing during that time, satisfaction among employees in the Services Operations decreased significantly in 2011. One of the primary drivers of that decline was a change in the compensation structure for field employees.

By the end of 2011, MESA’s leadership developed a compensation structure that allowed MESA to meet the objectives of a stable base compensation, with incentives for going above and beyond. MESA clarified buy-in to this structure during a series of town hall meetings in 2012 and anticipates a significant improvement in satisfaction results as this change has matured.

The growth in Services Operations brought an increase in employee turnover that MESA had not experienced in Materials Operations (Figure 7.3-11 and 7.3-12). Comparisons to benchmarks demonstrated this was an inherent issue in these operations.



7.3-5 Experience Modification Rate (EMR)

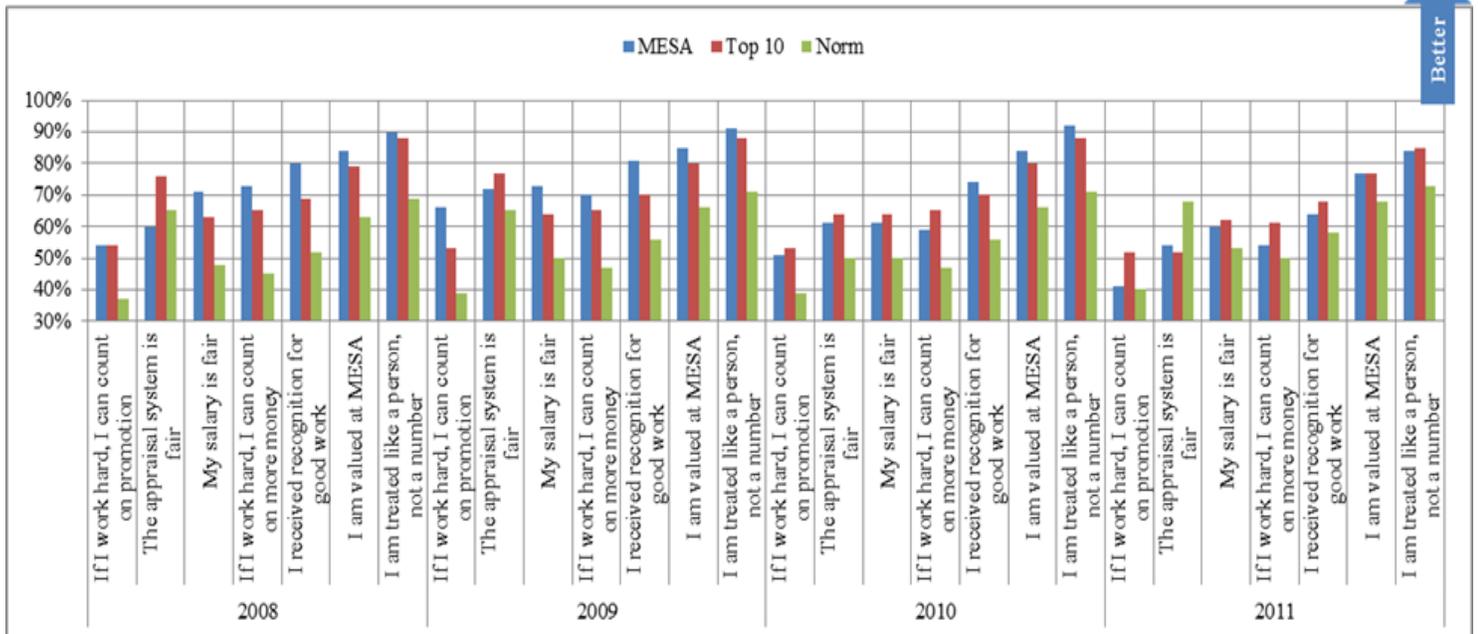


7.3-7 ESS - Corporate Culture

	'06	'07	'08	'09	'10	'11
Lost Days	0	0	0	0	0	0
OSHA recordables	0	0	1	0	1	0
MPI Lost Days (75% tile)	n/a	n/a	n/a	0	0	0

Figure 7.3-6 OSHA Lost Days/Recordable Accidents

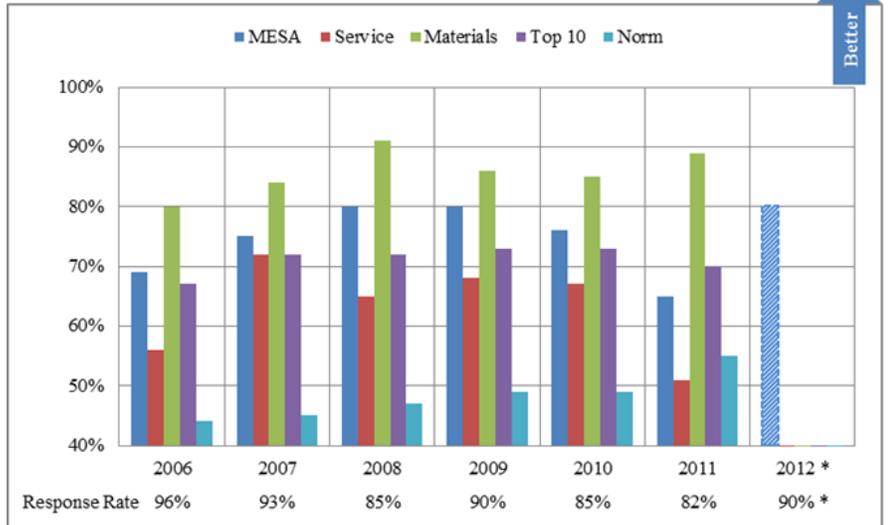
Service projects require field-based employees to be away from home on mobilizations that can be many hundreds of miles away, spanning two-to-three weeks, in what can be harsh climate conditions. Voluntary turnover is MESA’s primary focus, as these are individuals who have chosen to leave the culture at MESA for other opportunities. The scarcity of talent in the Services labor market lends itself to continuous opportunities in the labor market for employees. In many cases, those employees end up working for client organizations. This often serves to strengthen the customer relationship, resulting in increased revenue opportunities.



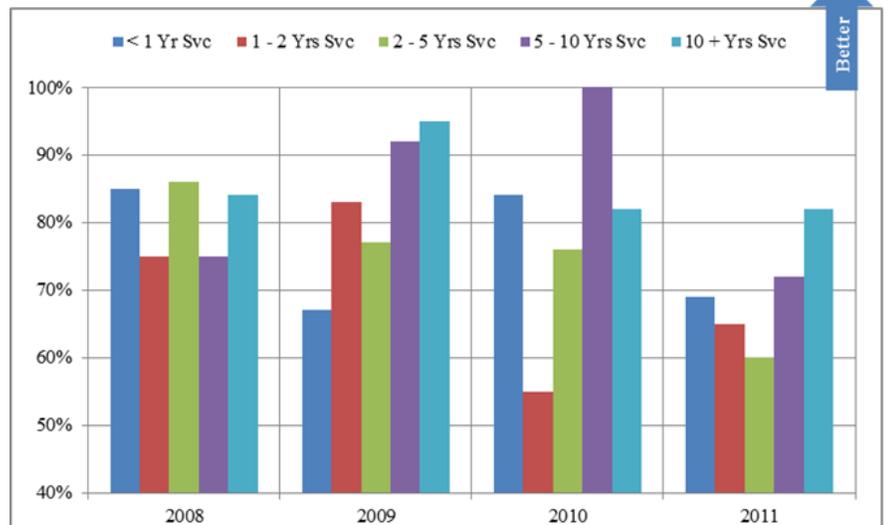
7.3-8 ESS - Recognition and Rewards

7.3a(4) Workforce Development

The third strategic objective in MESA’s People Strategic Plan is “strategic training.” MESA targets an investment of \$2,000 per employee annually on training – comprised of the cost of the training itself and the value of the time invested in the training (Figure 7.3-13). The decline in investment in 2009 was due primarily to the economic downturn and a desire to achieve workforce development at a reduced cost. The decline in 2011 was a result of the People Strategic Plan, with a targeted training investment toward those skills and competencies having more impact on strategic objectives. Figure 7.3-14 and Figure 7.3-15 represent the satisfaction of MESA employees with MESA’s training and career development efforts. In every case, MESA exceeds the Top 10% benchmark for the past six years. Customers are a key stakeholder in evaluating whether workforce development efforts are effective. Results from the CSS indicate customers are highly satisfied with the trained, qualified people at MESA. These segmented results are available on-site.

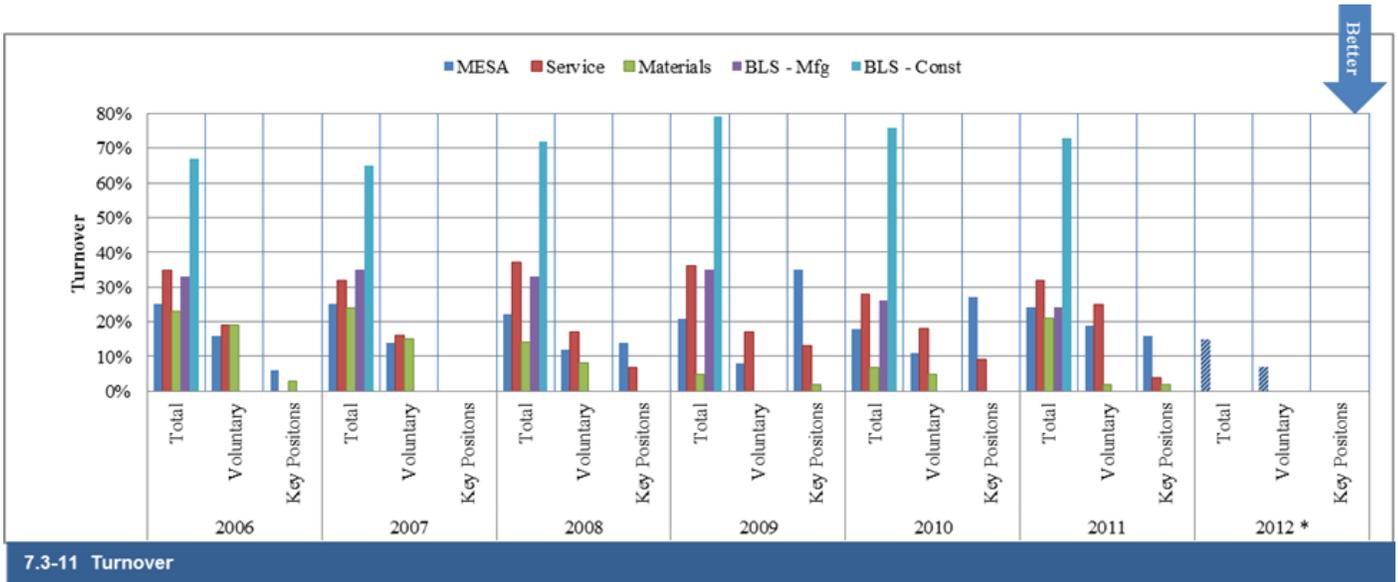


7.3-9 ESS - Employee Satisfaction



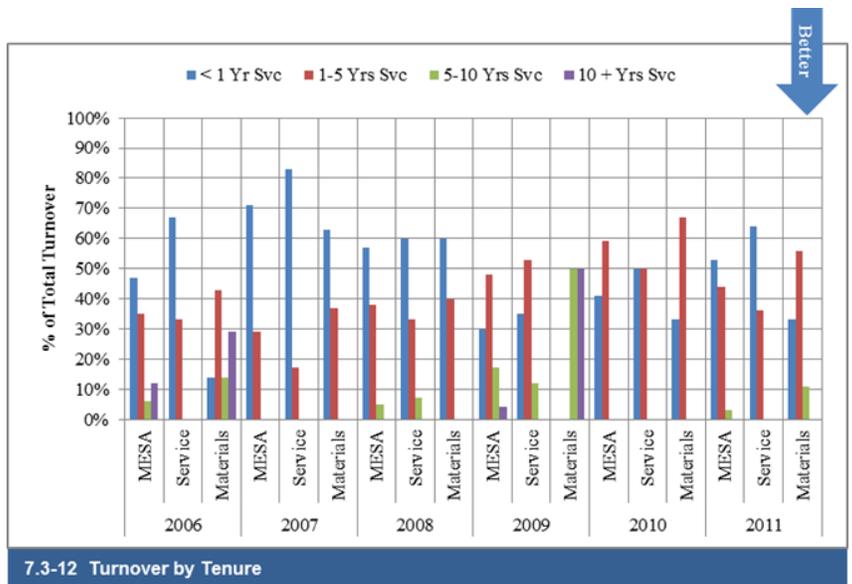
7.3-10 ESS - Employee Satisfaction by Tenure





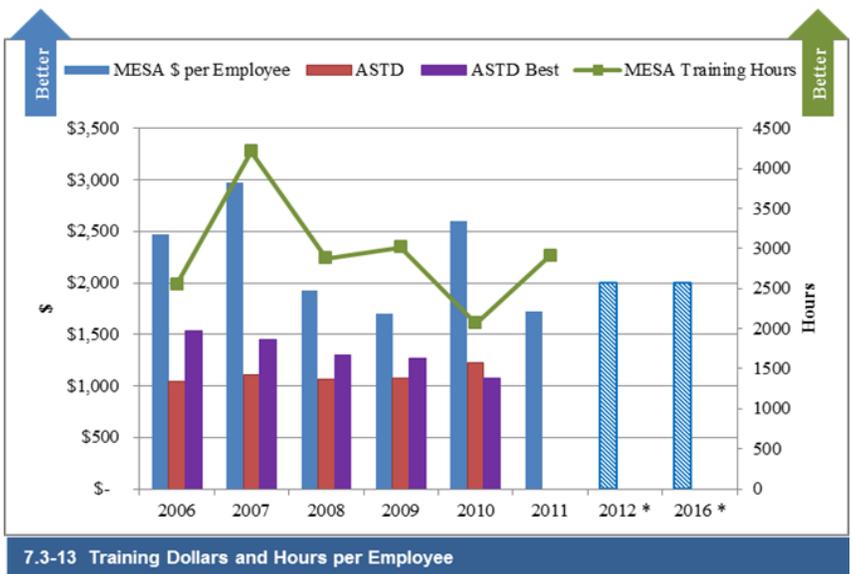
7.4 Leadership & Governance Outcomes
7.4a Leadership, Governance, & Societal Responsibility Results
7.4a(1) Leadership

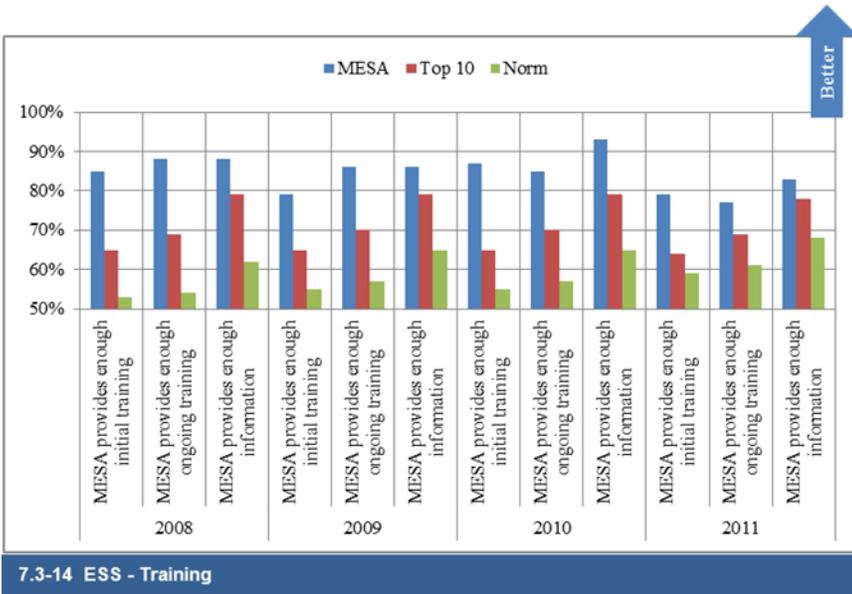
The Employee Satisfaction Survey is MESA’s primary source for measurement of leadership and communication results. In one of the categories, employees are asked six questions regarding effectiveness of strategy and planning. MESA’s results are above a Top Ten comparison in four areas and near Top Ten in the remaining two (Figure 7.4-1). Communication results are measured with a category consisting of four questions. MESA historically performs above a Top Ten comparison for all four questions (Figure 7.4-2).



7.4a(2) Governance

Fiscal accountability includes reporting of results to a number of external government and corporate entities. MESA tracks its progress monthly in meeting regulatory reporting deadlines through a calendar maintained by the Administrative Department, with its goal being that all internal and external deadlines are met. Results for the past three years are provided in Figure 7.4-3.





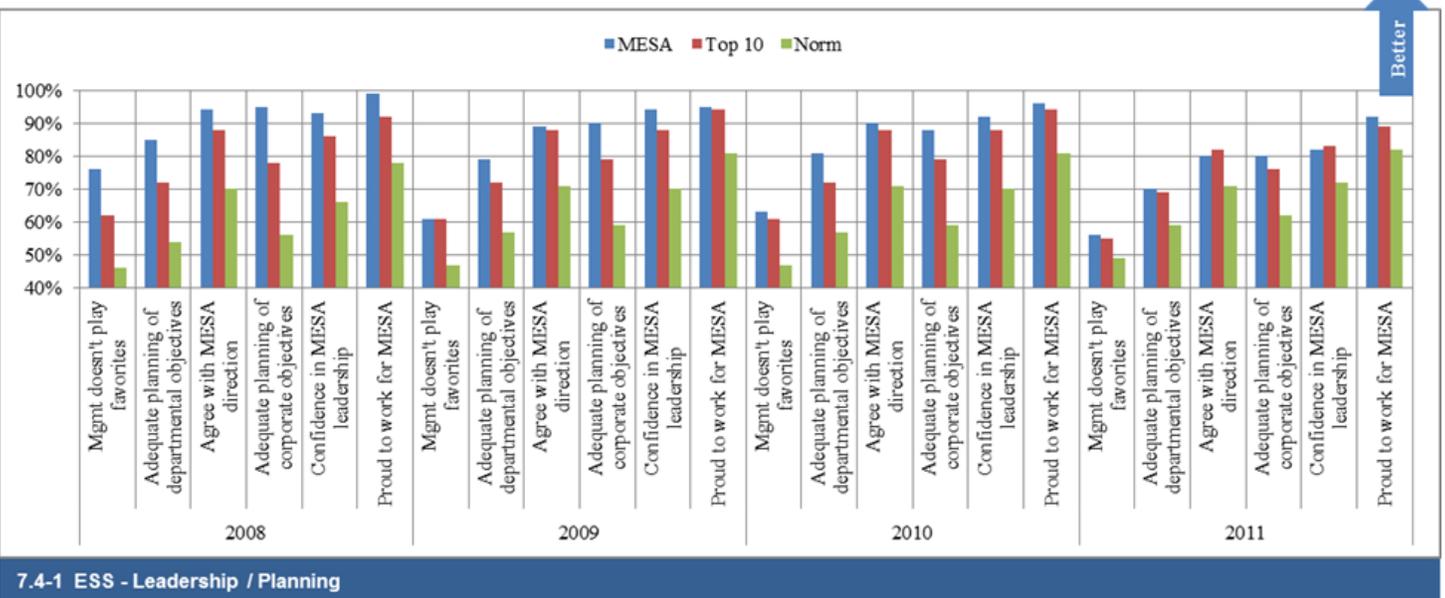
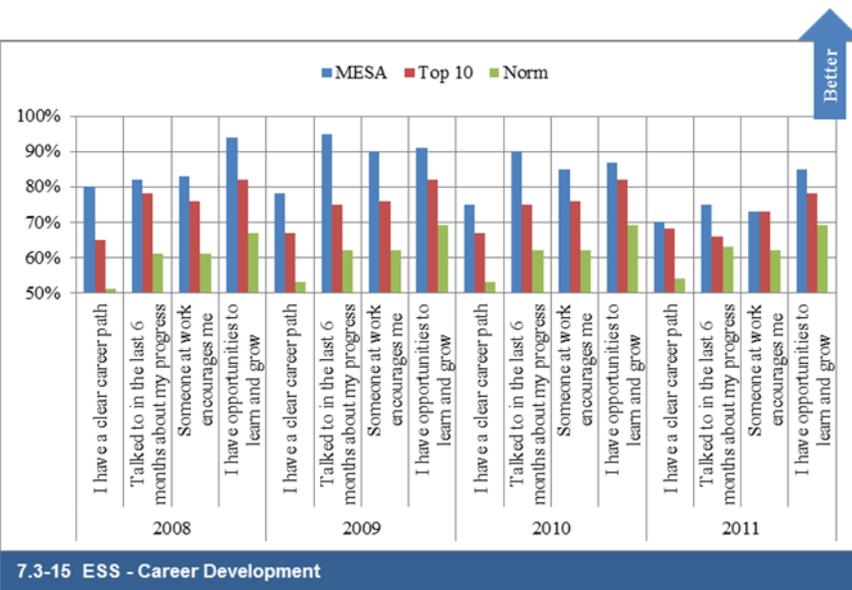
7.4a(3) Law and Regulation

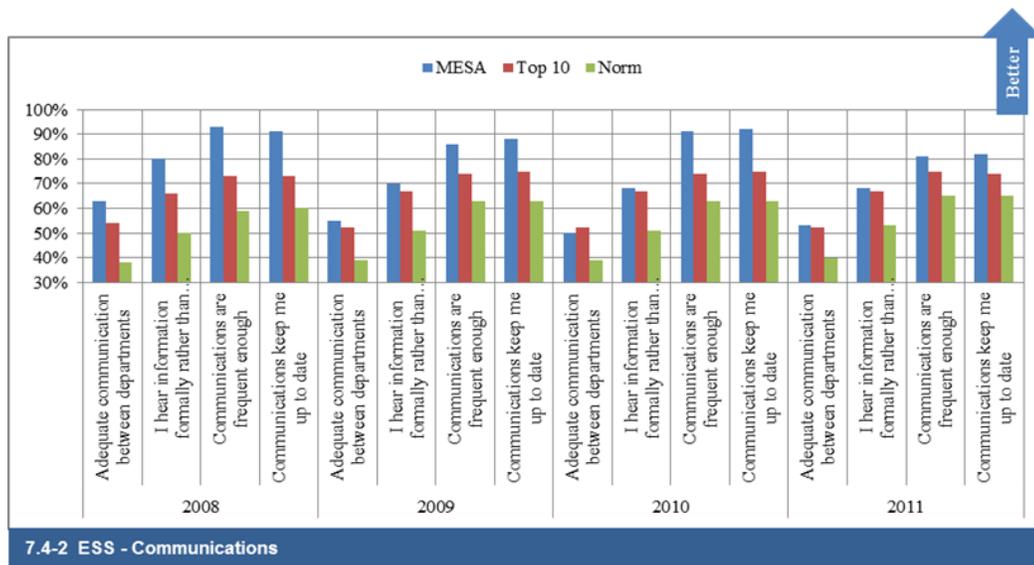
Beyond financial requirements, MESA's performance in meeting its responsibilities to the public is tracked by regulatory reporting deadlines, incidents, and violations (Figure 7.4-4). MESA meets regulatory reporting guidelines and provides all required OSHA and DOT training for affected employees. MESA has not experienced any incidents or accidents requiring reporting to OSHA, EPA, or DOT.

7.4a(4) Ethics

Ethical behavior and trust is measured by ethical incidents and stakeholder confidence results. Ethical incidents are categorized as major or minor and recorded in an ongoing log maintained by the President, who is responsible for investigating and resolving all incidents (Figure 7.4-5).

Minor incidents include environmental issues and employee conduct. Conduct related incidents initially result in employee counseling, with additional discipline if required. Suppliers and employees give high trust ratings to MESA as measured through the SSS and the ESS (Figures 7.4-6, 7.4-7, and 7.4-8).





Organization	Requirement	Frequency	Requirements Met	Audit	Major Findings
IRS	Income Tax	Annual	Yes	No	No
Oklahoma Tax Commission	Income Tax	Annual	Yes	No	No
Various States	Sales Tax	Monthly	Yes	Yes	No
City of Tulsa and Ft. Worth	Property Tax	Annual	Yes	No	No
IRS	Payroll Taxes	Bi-weekly	Yes	No	No
Bank of Oklahoma	Relationship Review	Annual	Yes	No	No
Bank of Oklahoma	Financial Results	Quarterly	Yes	No	No
Bank of Oklahoma	Borrowing Base	Monthly	Yes	No	No

Figure 7.4-3 Fiscal Compliance Deadlines and Results

Agency	Description	Requirement	Frequency	Req'ts met	Audit	Results
EPA/ODEQ	Stormwater Pollution Prevention	Permit Filing	Annual	Yes	No	No incidents
		Water Samples	Quarterly	Yes	No	No incidents
		Inspection	Monthly	Yes	No	No incidents
	Tier III Report	Report Filing	Annual	Yes	No	No incidents
	Form R	Report Filing	Annual	Yes	No	No incidents
DOT	CDL Drivers	Driver Qualification Report	Annual	Yes	Yes	Minor findings. Retained rating of satisfactory
		Driver Logs	Daily	Yes	Yes	
		DVIR	Daily	Yes	Yes	
	Operator Qualification	Qualified personnel	Ongoing	Yes	Yes	No findings
		Certification Report	Annual	Yes	Yes	
	Anti-Drug/Alcohol	Maintain policy	Ongoing	Yes	No	No incidents
Drug testing		Ongoing	Yes	No	No incidents	
OSHA	Safety	OSHA 300 log	Ongoing	Yes	No	No incidents
DOL	401K Plan	Report Filing	Annual	Yes	Yes	No findings
	Wage and Hour	Exempt vs non-exempt classification	One time review	No	Yes	Reclassification of employees

Figure 7.4-4 Regulatory Compliance and Results

7.4a(5) Society

MESA's performance in the area of organizational citizenship clearly demonstrates an involved and active workforce. Results indicate MESA has achieved one of its core values to "promote and support employee participation in community activities." For a small company, MESA has gone beyond the level of support experienced in much larger companies.

7.5 Financial and Market Outcomes

7.5a Financial and Market Results

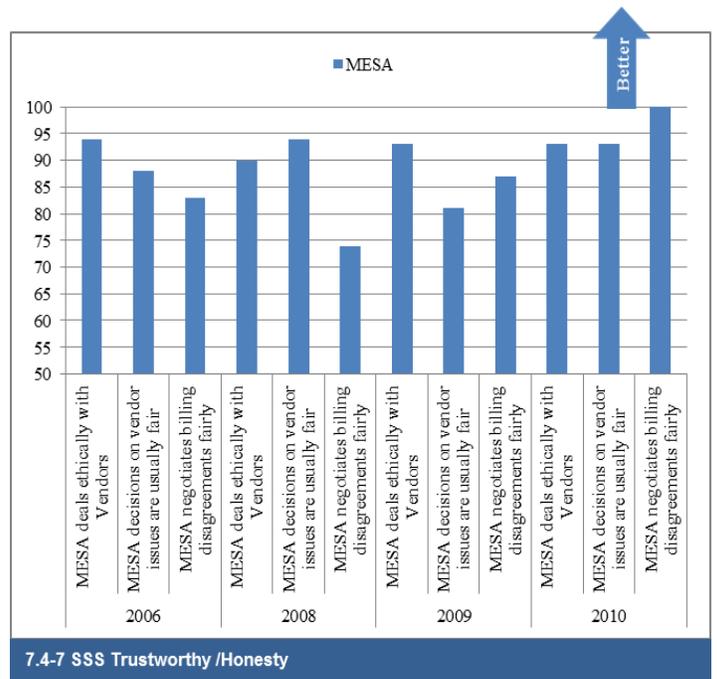
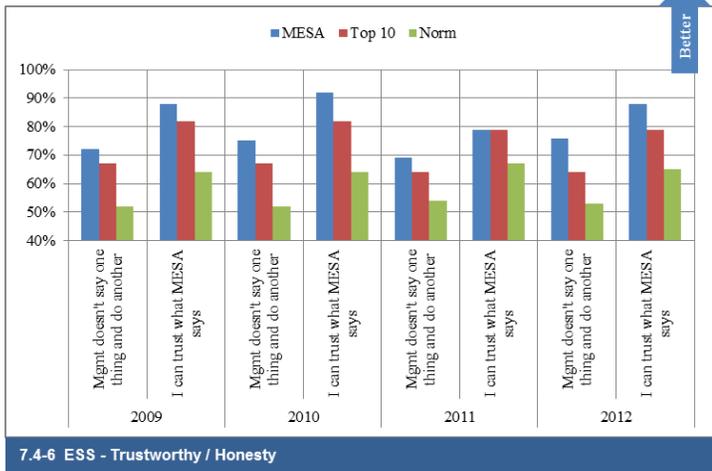
7.5a(1) Financial Performance

MESA started out as a one-man operation in 1979 and has grown almost exclusively from operating profits, with no infusion of capital from outside the company.

Profitable growth has been a requirement over its history, with supplemental needs addressed through a bank financed working capital line of credit and equipment financing relationship. MESA's Return on Equity Figure 7.1-1 demonstrates sustained performance over the past six years, representing nearly a 30% return on invested capital in recent years.

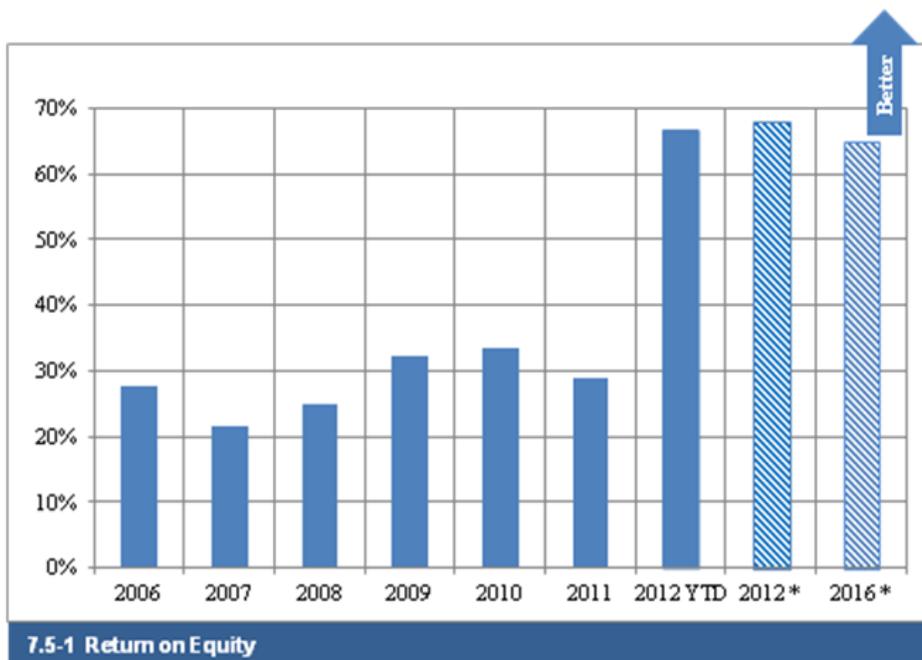
	2006	2007	2008	2009	2010	2011	2012 YTD
Major Ethical Incidents	0	0	0	0	1	0	0
Minor Ethical Incidents	0	0	1	3	2	1	1

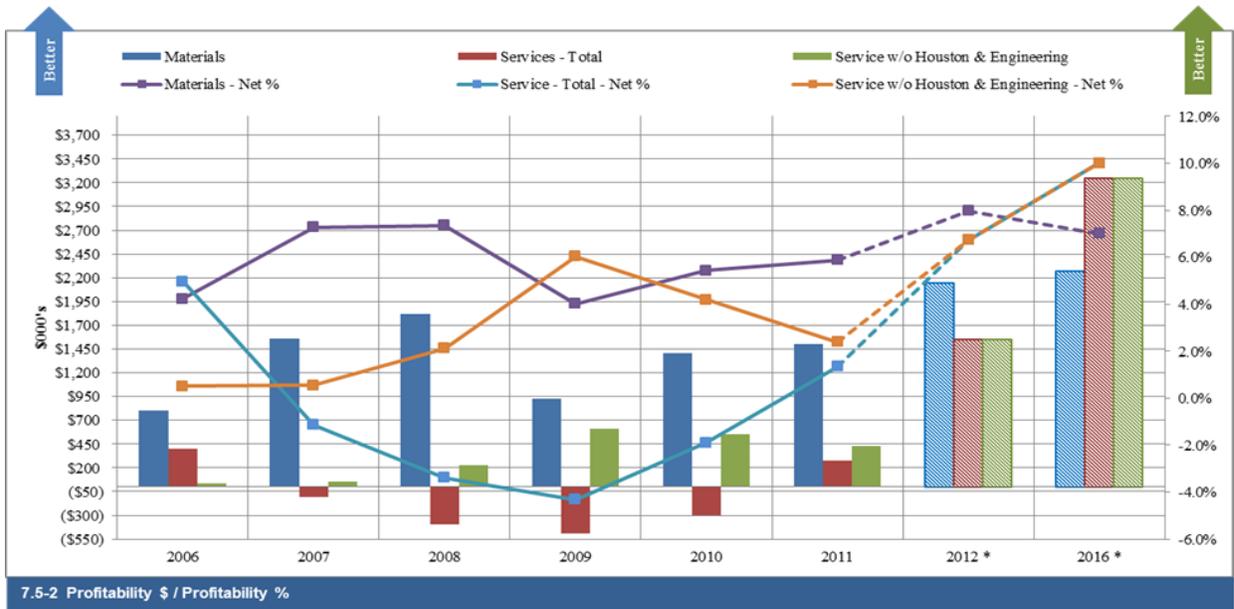
7.4-5 Ethical Incident Occurrence



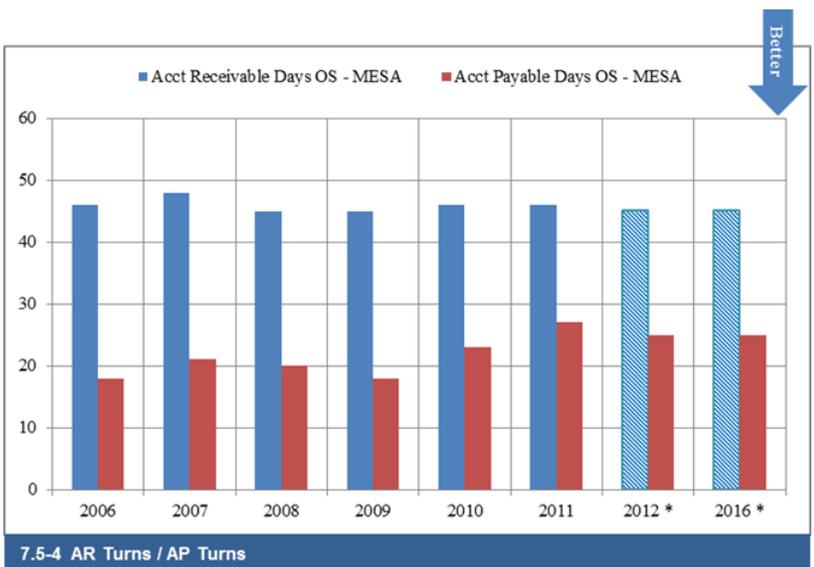
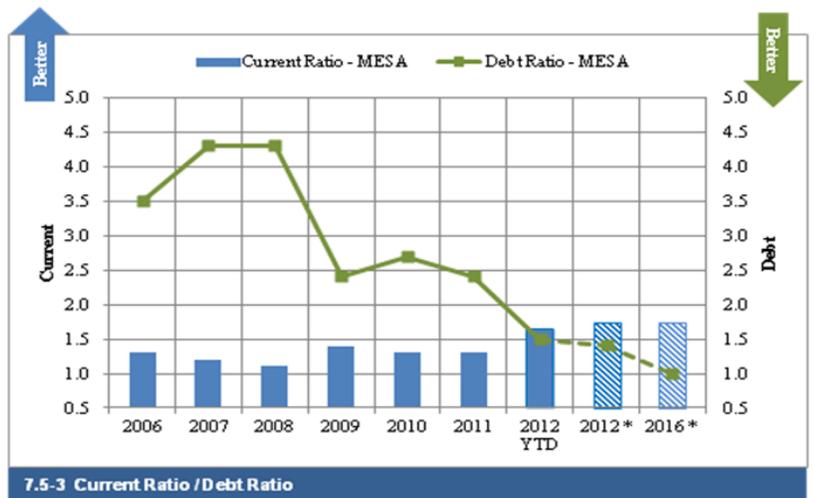
One of the phrases used to describe its culture is ONE MESA. In the spirit of that mantra, MESA views earnings from an overall perspective due to the complementary nature of its products and services. MESA promotes a culture of team success rather than individual or operations group success. However, during June planning in 2011, MESA recognized the opportunity to greatly improve profitability.

Although experiencing considerable growth in Service Operations, MESA had not seen that growth translate into comparable earnings. Service offerings historically were maintained as a complement to Materials Operations, with no specific expectations for profitability.





As Services Operations began to grow, the lack of earnings expectations was further compounded by two other events that significantly impacted the profitability of Service Operations over the past six years. The Houston Services group experienced a transition in leadership during 2008, which coincided with a significant drop in revenue from what was already a very competitive market. After a failed attempt at leadership transition, MESA successfully addressed the gap in 2009, returning the operation to profitability by the end of 2011. At the same time, in 2009, as part of the strategy to enter the pipeline integrity market, MESA created an Engineering group as a start-up operation, investing significantly in people and equipment. MESA also made a significant financial investment in the development of the N-LINE data analysis software. By 2011, in only its third full year from a start-up operation, the Engineering Group was operating at almost at a break-even level and is poised to become a leader in the Specialty Services Operation earnings in 2012. Figure 7.5-2 illustrates the strong earnings from Materials Operations and the improving earnings from Services Operations. Improved profitability across all operations – but particularly focused on Services – was at the center of the strategic planning discussions for 2012. Early projections suggest that 2012 targets will be achieved in revenue and earnings.

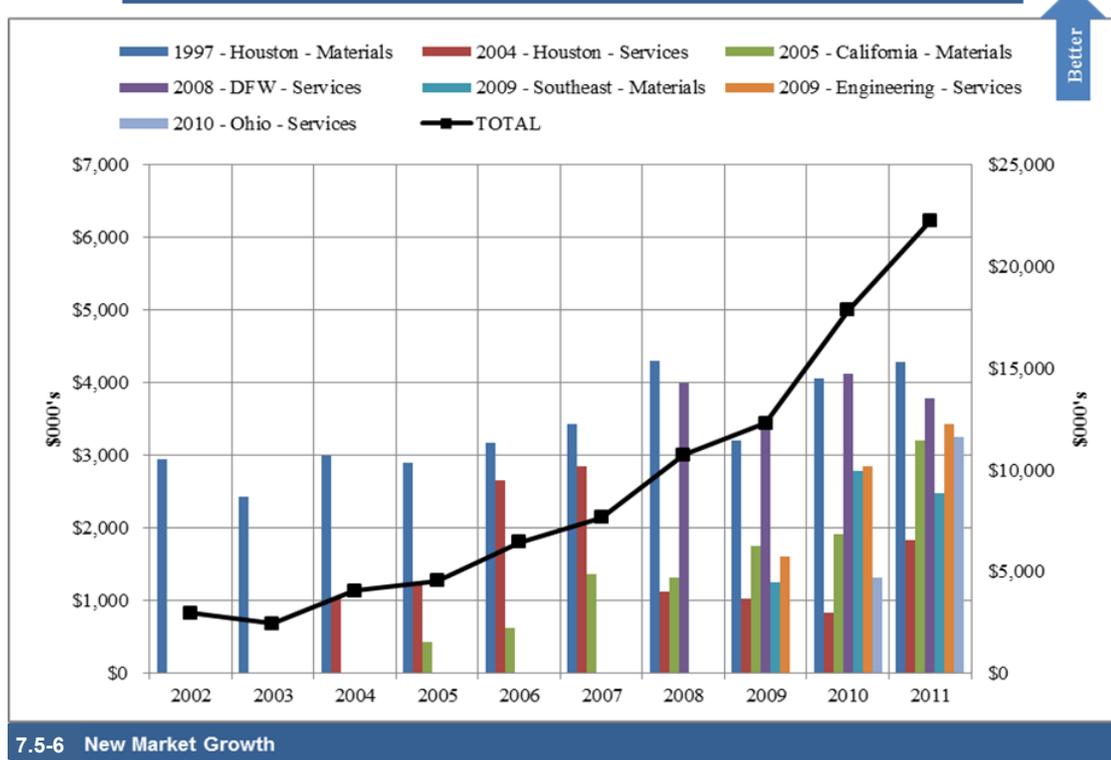
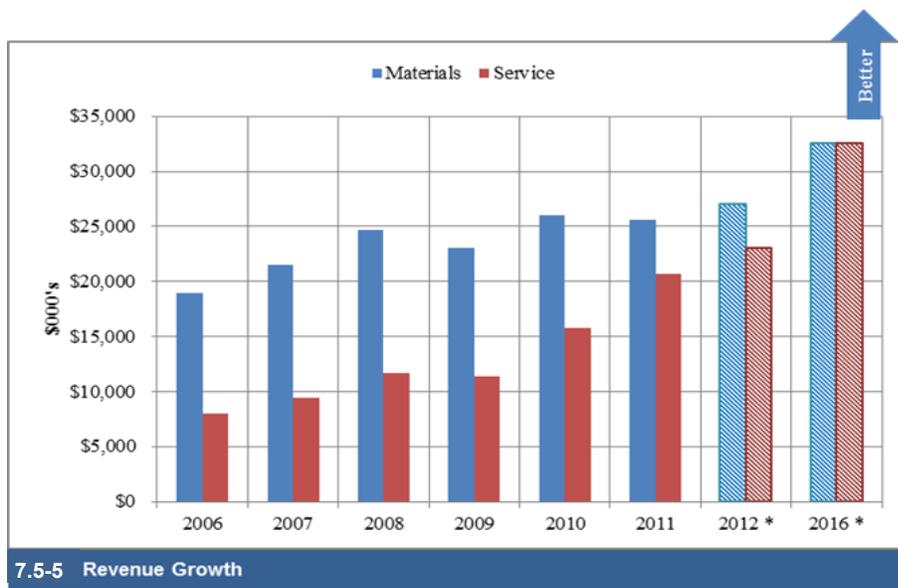


As a small business with limited opportunities for capital infusion, the need to remain profitable and liquid is an ongoing reality. Figure 7.5-3 demonstrates continued success in maintaining liquidity through the Current Ratio. In the same figure is Debt-to-Equity Ratio. The growth in Services brought the requirement to upgrade equipment, as well as invest in new equipment, to meet customer expectations (Category 7.1a(1)). MESA's long-term relationship with its banking partner has allowed it to acquire needed financing for capital acquisition needs, while managing and reducing debt through ongoing profitable operations. Commonly within the industry, payments on Accounts Receivable extend past normal credit terms of 30 days (Figure 7.5-4). Contrasting this is a key MESA strategy to maintain an excellent payment history in order to maintain "preferred customer" status, which is often a competitive advantage.

7.5a(2) Marketplace Performance

Since 2006, MESA's Revenue from Service Operations has almost tripled (Figure 7-5-5), an increase that was generated primarily through its Opportunistic Growth strategic objective. During the same period, Materials Operations growth has grown steadily at 6% through consistent and disciplined application of core competencies in pursuit of strategic objectives.

Figure 7.5-6 illustrates the impact MESA's Opportunistic Growth strategic objective has had on its organization. From the major opportunities identified since the opening of its Houston office in 1997 for material sales, MESA has quadrupled its market share through identification of new opportunities – a 25% annual growth rate over 10 years – growing revenue from new markets, from just under \$3 million in 2002 to over \$22 million in 2011.



MESA estimates the domestic cathodic protection market at \$300 million per year, excluding cathodic protection related to offshore applications. The annual domestic CP materials market is estimated at \$150 million, excluding CP related to offshore applications. This figure was verified in a US Federal Highways Administration Study, "Corrosion Costs and Preventive Strategies in the U.S.," released in 2002, estimating the CP materials market at \$146 million per year.

Additional comparative information reflecting growth of the corrosion control market are two studies conducted in 1975 and 1998 estimating the total cost of corrosion in the U.S. Comparisons with the GDP, miles of pipelines, and Cost of Corrosion indicate that the domestic CP industry is not a growth market (Figure 7.5-7). MESA's conclusion is that sales growth is primarily a result of market share gains from competition. MESA's sales growth in percentage, relative to these market indicators over the same period of time, dramatically illustrates market share gains from competitors (Figure 7.5-9). Market share growth from competitors in recent years is primarily a result of opportunities generated by poor performance of a competitor.

The majority of growth has occurred in the historically core regional markets of the Southwest and Midwest. New growth initiatives are focused in the Houston, Florida, and California offices to continue taking advantage of opportunities. With little published market data, quantifying market share growth is difficult; however, a comparison of annual sales to three primary competitors demonstrates a significantly higher growth rate for MESA since 1999 (Figure 7.5-8).

Figure 7.5-9 charts MESA's revenue growth from its origin in 1979, with key milestones indicated on the timeline.

