

# Rules of ENGAGEMENT

**HOW BARRY DAVIS BUILT A CULTURE AT  
CROSSTEX ENERGY THAT INSPIRES EMPLOYEES  
TO HELP THE COMPANY GROW**

**BY ROBYN DAVIS SEKULA**

**B**ack in 2000, Barry Davis took a look at the company he built from scratch and liked what he saw. So did his 25 employees. ¶ Davis, president and CEO of Crosstex Energy, saw a company that was growing, and the potential was in place for its enormous upswing to continue. Crosstex, which transports natural gas via pipelines from the well head to the burner tip, would likely benefit from the collapse of energy giant Enron. The company had also just completed a financial deal with Yorktown Energy Partners, a New York-based equity fund, that would give it access to the capital it needed to grow. ¶ Davis could see business booming in the near future, but he wanted to make sure the company didn't lose the key thing that made it really click: its culture. The company's employees liked coming to work every day. They worked well together and had created a great camaraderie. Davis felt that was key to the company's success.

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“If you start with a successful culture, the most important thing is to maintain that culture as you grow, not to become someone you were not in the beginning and then become confused about who you really were,” Davis says. “At Crosstex, we identified early on that was going to be one of the challenges we faced.”

In an off-site meeting, Davis and other key executives, along with consultant Lee Colan, strategized about how, exactly, to preserve Crosstex’s culture. How could employees continue to love what they did every day and give the company their best work while being asked to do more, reach higher and build a bigger, better company?

Davis and his team did two things: They put their values on paper and they created a committee to help them find ways to preserve those values, and the culture that went along with it. The values they put on paper were dubbed the E4 values: excellence, employee focus, ethics and enthusiasm.

The Crosstex culture committee was charged with keeping those values throughout the company to keep the feel of Crosstex the same — friendly, caring, family-oriented — and helping spread the message of the E4 values, all while the company continued to grow.

“The central point of our mission statement is to improve the quality of life for our employees,” Davis said. “We’ve shortened that to become our saying of ‘More Life.’ We believe people do what they do not because of the paycheck, not because of the work they’re doing, but the life they are experiencing with the people they work with.”

Davis was right in his growth predictions. Every year since 2000, the company has increased the number of employees in its Dallas headquarters, reaching 230 today; companywide, it has 622. Revenue, too, has continued to climb, with the company reporting more than \$3.1 billion in 2006 revenue, up nearly tenfold from \$390 million in 2001.

#### Protecting your identity

Preserving culture starts with how employees are brought into the company, both through acquisitions and through new hires.

Most of Crosstex’s growth has come

through acquisitions at the pace of a few companies a year, so Davis has had to make sure the culture he wants preserved is translated throughout all of the company’s operations.

Davis says bringing new employees into the fold and getting them to buy in to the Crosstex culture is challenging.

“Throughout the acquisition process, we are consistently communicating with people about who we are before they ever sign on,” Davis says. “We also are evaluating who the people are we’d potentially be partnering with to be sure that they fit. It’s not a given that they are a fit for us, or we are a fit for them. ... We treat every person in an acquisition the same as if it was a one-on-one hiring opportunity off the street.”

Crosstex spends time with the new company’s employees before the acquisition, during the acquisition and especially after it to make sure they understand the culture. They rely on stories of successes from other employees to communicate how their culture works.

New hires are also carefully evaluated on the basis of culture.

“There is nothing more important than the people we hire,” Davis says.

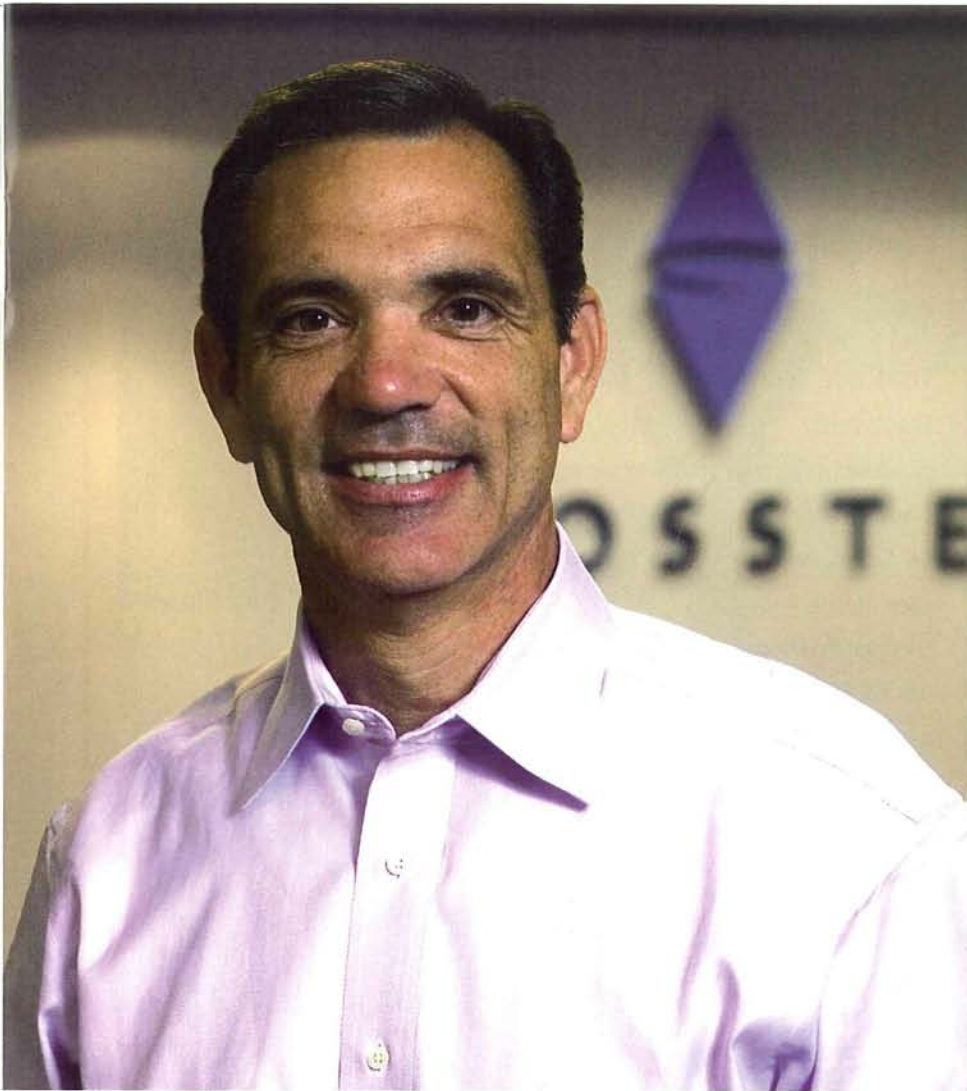
To make sure the right people join Crosstex, each position has a list of critical success factors that must be met. At the top of that list is cultural fit. For the company’s executive positions, Davis follows what he calls the “3 by 3 by 3” rule. That means at least three candidates will be evaluated by at least three Crosstex employees in three different settings. Davis picked up that tip from Colan, who specializes in culture and managing high-growth companies.

“It works,” Davis says. “I’ve seen it work for us. ... If you have the first interview being a screening interview, the second over lunch and the third being out of the office at a ballgame or over a game of golf or something like that, you will see the real person come out as you go through the different settings.”

#### Culture by committee

Once an employee is on board, that’s when the culture committee comes in.

“They lead our activities in a large number of initiatives,” Davis says. “They lead



the all-company meetings on a quarterly basis, which is a great place for us to reinforce the culture. They lead our new-employee orientation. A big part of the new-employee orientation is to introduce people to the culture and help them understand who we are and how we do things. They also lead a number of special events we have throughout the year.”

Davis uses these events to encourage employees to get to know each other.

“We believe employee engagement is a critical component of continuing our success and growth,” Davis says. “We believe people are more engaged when they like the place and the behavior and culture of the organization they are associated with. We believe that better culture results in better engagement, and better engagement results in continuing to grow and be successful.”

To that end, Crosstex stages special events throughout the year that help employees become — and stay — engaged. Among the events is a family Halloween party, which includes face-painting and treats, and an opportunity

for employees to get to know each other’s families.

The committee also has a new-hire breakfast, which celebrates the arrival of new employees with a short introduction each month. It also periodically holds what Davis calls “brownie breaks.”

“These are short connecting points over brownies and milk,” Davis says.

And Davis is there at each and every event.

“It’s more in a participative way,” Davis says. “I’m not there as the key communicator. I’m there as a participant. In fact, we emphasize senior management’s participation in all of these things. We think we have to model the behavior we want to have throughout the organization.”

To help employees create time to talk about their personal lives, on the walls outside of each office are what Crosstex calls “More Life” boards. These are magnetic boards on which employees are encouraged to post photos and mementos from significant events, especially those outside of work. Davis says it helps employees connect to each other

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# The Davis file

in more personal ways.

"You walk up to someone's door, and it's as if their life story is outside their door or cubicle," Davis says.

Staying in the same building throughout the company's rapid growth has helped Crosstex build upon its culture. The company has taken nearly every space in its building as other tenants left and bought out some leases to allow it to continue to expand. Davis says that's been key to maintaining the culture, because Crosstex has customized the building to meet its needs.

"If you look at where we are located, it's very comfortable for us," Davis says. "We have built out the building to fit our culture. We started in 2000 serving lunch every day to all employees" at no cost.

"We built out a lunchroom for our employees. We literally sit with our people and talk about our lives and family. There is no greater place to do that than around the lunch table."

It has a bonus of being healthy, too, as a hot lunch is provided two days a week, and sandwich fixings and fruit are provided the other three days. A small workout room is also provided on-site for employees.

Going forward, Davis sees the company growing through more acquisitions and by organic growth — building more pipelines where it deems necessary. As Crosstex continues to swell, the company will continue to ensure its employees are happy and thriving. Davis says if that happens, the company will continue to grow.

"Our biggest challenge culturally will be to continue to preserve a great culture," Davis says. "Fortunately, we don't have to fix a bad culture, which I think puts us at least a step ahead, if not several steps ahead, of most companies. We have the people and systems in place. We respect the culture enough in order to continue to allocate the resources required.

"Most importantly, it is who we are at the top. We model it, we believe it, we're committed to it, and that gives us the chance to continue to do well."

**HOW TO REACH:** Crosstex Energy Services Inc., (214) 953-9500 or [www.crosstexenergy.com](http://www.crosstexenergy.com)

**Born:** Frisco, Texas, 1961

**Education:** Bachelor's degree, finance, Texas Christian University

## What was your first job, and what did it teach you?

I worked as early as I can ever remember, maybe 5 years old (with) my dad, who worked half-days on Saturdays in a large agricultural equipment shop. He was a mechanic.

I swept the floors for four hours on Saturday. That was my earliest memory of working. I learned that work resulted in pay, and I liked to have money. I really did. It took a good work ethic in order to have the spending money I wanted to have.

My first entrepreneurial venture was in college. I organized, ran and coached in baseball camps. I utilized the players and coaches from TCU to actually run the camps.

## What's been your biggest business challenge?

The biggest challenge was having the proper alignment of intentions with all stakeholders, be it partners, teammates, financial backers and lenders. We went through four generations of financial backers before we really gained the alignment that allowed us to do what we've done.

## What's the most important business lesson you've learned?

It's all about relationships — internal relationships and external. The people you work with are the most important thing to long-term success.

## What is your personal work philosophy?

Seek to get better every day.

## What is the best work advice you've ever been given?

Always be able to go back to wherever you've been in the past. It requires you to treat people well, to honor relationships and to do the right thing.

## What's the best business book you've read lately?

'Good to Great' by Jim Collins. It does the best job I've ever seen of emphasizing the importance of 'Who's on the bus?' and secondly, the emphasis on servant leadership.

