

## Three years of research in to our integration gives us new knowledge

**The merger between Statoil and Hydro was efficient and seen by most as a success. This is the conclusion of our research team who have been with us for three years. However, it has not gone completely without a hitch.**

In January 2008, StatoilHydro entered contracts with three of Norway's research institutions to conduct research into the consequences of the merger. For over three years, the research team have worked closely with the organisation on merger related issues.

"In a Norwegian and Scandinavian context, the merger is of historical dimensions on a social, industrial and organisational level. For us researchers, this was a unique opportunity to increase our expertise on mergers and integration in general, and particularly on each of the research topics in the exciting context of the merger," says Project Leader Helene Loe Coleman, Institute of Labour and Social Research (FAFO).

The research program has focussed on six main areas: change management, collaboration, assurance of change management, the new organisation, knowledge sharing and corporate identity. The research covered the business areas, Exploration & Production Norway (EPN), International Exploration and Production (INT), and Technology & New Energy (TNE).

"During the project period, the researchers have reported continuously on their findings to the different units within the organisation. In this way, Statoil has been able to reap a constant benefit from the project and we hope that the company also will benefit from this knowledge in future processes. We are currently publishing a book about the integration. We believe that the new book will give a fresh and important insight into the topics we have worked on. We also intend to write research articles and continue to work with the data for several years," says Coleman.

### **The Integration Process**

The first phase of the merger included the majority of the organisation, with the exception of onshore and offshore installations. The primary objective was to ensure equal opportunities for the employees of the merged parties. A good model for collaboration was, in accordance with the researchers, an important building block in the development of a new, integrated organisation, particularly in Phase I.

"Clear objectives, strong support from the unions, mutual understanding, and collaboration were the key principles in the collaboration model," says Coleman.

Managerial positions were distributed proportionately to each company's original size. Through a partnership model, representatives and trade union members participated in the decision making processes.

"Despite the fact that some decisions in the process were biased towards the former Statoil, which allowed the merged company to be perceived to be very like the old Statoil, there were few conflicts and issues relating to old company loyalties," says Coleman.

### **A Demanding Phase II**

The integration processes, during the key phases, were planned in accordance with the same principles as Phase I. The focus was on equality and involvement and it was assumed that the best would be taken from both organisations.

The process started positively but as things progressed, conflicts arose in several areas.

“We have concluded that the challenges that arose in Phase II were due to disagreement about work distribution on the platforms and a greater conflict of collaboration culture in the first place,” says Coleman.

After the research team’s evaluation, the processes were designed and developed according to the principles of good change management. The work tasks and culture were integrated as far as was possible.

“The decision for a new operational model was controversial and the planned joint development did not go as planned. It ended in negotiations between management and the employees instead of cooperation. The objectives of the new operating model were not clarified properly between the management and the unions. Therefore, one did not derive a good enough process,” says Coleman.

According to our researchers, it is very unlikely that organisation or planning could have avoided conflict when trying to develop a more standardised operational model.

## **We will learn from our experiences**

“The merger gave us a unique opportunity to gather new knowledge. This knowledge has already been used in the implementation of Statoil 2011, and it will also be used in other parts of our improvement process,” says Statoil’s Business Director, Tor Egil Sunderø.

Sunderø has been the main sponsor for the research. He says that one of the objectives of the program was to strengthen general research on mergers and, as such, contribute to knowledge development to the benefit for public and private sectors.

“For our own perspective, independent analysis and documentation of the integration process has been important, both to amend the process under way and to systematically learn about future change processes,” he says.

### **Competitive edge**

The material the researchers present will be included in the Statoil’s knowledge base on organisational development and change processes.

“I believe that the group is in the process of developing a competitive advantage in this area. The ability to implement rapid changes accurately and with the active involvement of our employees makes us better able to realise future opportunities and to meet new challenges,” says Sunderø.

### **Challenging for those involved**

Sunderø praised the researchers for their skill in asking critical questions throughout the process, relating to both processes and solutions. At the same time, they have avoided being participants or involved parties in any discussions where there may have been opposing opinions.

“To conduct research in to an ongoing process is challenging, both for the researchers and the research subjects,” he says.

Otherwise he is very pleased with the researchers overall conclusions about the integration process.

“The researchers’ main conclusion is that the integration process has been planned and implemented in an efficient and successful manner. This is something we all can be proud of,” says Sunderø.

*Lill Heidi Bakkerud, Industry and Energy:*  
**Early involvement and a clear framework is essential**

**“Common goals and agreements on how to run processes during the integration made the cooperation between the unions and the company successful during the first stage of the process,” says Lill Heidi Bakkerud.**

The union’s main objective was to secure as many employee positions as possible on the same level in the new company.

“The main objectives of avoiding lay offs and compulsory redundancies were in place early in the process. This created a more secure environment in which to introduce the changes,” says Bakkerud.

She believes that a good cooperation structure and respect for each other’s roles and responsibilities were important elements for a successful process between management and unions.

“We had common ground and good cooperation on both minor and major issues. For this, I give credit to Hilde Aasheim for her role in the process. Her faith in the Norwegian model of cooperation, based on close cooperation between unions and management, was a strong and positive factor in the process,” she says.

**We need to systemise learning**

The challenges that materialised on the introduction of a new joint operating model on the Continental Shelf in Phase II were, according to Bakkerud, due to the fact that a business plan was developed too far in advance.

“In this way, an important principle was breached. Without a common understanding of the need for change and also the solutions chosen, it becomes difficult to cooperate. The process was characterised by uncertainty and insecurity and differed significantly from the process in Phase I.”

Bakkerud is keen to ensure that we learn from this process.

“We must be better at learning from the mistakes we make. As a company, we must be better at systemising our experiences. As we are such a large organisation, we must take responsibility for the processes, identifying lessons learnt, and getting it right next time. To ensure the right quality, the scope of the change must not be too great. Quality must always take precedence ahead of tight timescales and the desire to roll out new concepts and tools.”

**Facts about the research program**

Scope:

- Document results and experiences relating to integration, in order to be able to make any corrections during the process
- Build on competence for future mergers and major change processes in Statoil.
- Assist the research institutions in Norway to increase their expertise on mergers.

**Organisation**

The Integration Planning Team (IPT) made up the management team during the first half of the integration research program. To ensure continuity, some representatives from the unions and the management formed part of the new steering committee when the IPT was disbanded.

**Scope**

Within the framework of the research program, the main focus has been on the organisational aspects of integration, with particular focus on the business area, EPN. The program has also analysed the development of TNE and INT as well as developments at a corporate level.

## **Topics of the research:**

### **Knowledge sharing**

Describes how the official structure of the professional networks can have a positive effect on knowledge sharing and development in a large organisation.

### **Safety in the change processes**

Describes the tools used to measure the safety of the change processes. Describes integration, standardisation and flexibility relating to environments with high safety risk and evaluates the new operations model in terms of safety, confidence and identity.

### **New organisation and new interface**

Evaluates how the new organisation manages the new interface and the effect of the improvement processes on work within the organisation.

### **Identity**

Describes the development of the new joint organisation, its identity and culture and which criteria were critical to achieve the goals. Evaluates how this identity is developed by a global company like Statoil.

### **Change Management**

Discusses the middle management role in a successful integration process and targets the use of change projects.

### **Collaboration Partners**

Maps employee involvement in the process and evaluates the role of the trade unions.

## **The research team:**

### **From International Research Institute Stavanger (IRIS):**

Jorunn Tharaldsen  
Mona Kjærland  
Kåre Hansen

### **From FAFP, Institute for Welfare and Social Research**

Helen Loe Colman  
Eivind Falkum  
Mona Bråten

### **From Economics and Business Research (SNF):**

Torstein Nesheim

### **Norwegian School of Economics (NHH):**

Inger Stensaker  
Karen Olsen