

Cooperation between parties during the integration process

Early involvement provides the best cooperation

“Through the merger process, we were able to study how corporate democracy works in practice and which mechanisms trigger the direction of the cooperation process,” says Eivind Falkum, Institute for Labour and Social Research (FAFO).

When the merger between Statoil and Hydro was announced in December 2006, the unions responded quickly. They made immediate contact with each other, and Industrial Energy initiated a conference to discuss common interests.

“The conference helped to create a common understanding of the process and demonstrated a willingness to act as a single unified party; Trade Unions Forum (FF),” says Falkum.

The study shows that the culture and practice of cooperation between the company and the unions was originally very different in the two companies. Whilst Hydro had a tradition of a more informal relationship between management and the unions, Statoil’s relationship was more formal.

“Merger negotiations led to an immediate agreement on the participation of employees based on the experience and practice of both parties,” says Falkum.

As a result of this decision, in January 2007, StatoilHydro established a Collaborative Committee. The committee discussed issues such as work organisation, allocation of resources, tools for the integration process, management systems, training and recruitment plans.

“The collaboration model was already developed before the merger was formally completed. In this way, the cooperation between management and unions was implemented as an integration project during the planning of the final integration of the two companies,” says Falkum.

He points out that this made it easier to develop objectives and create consensus on them compared to a process in which the unions in each of the companies had to deal with cases individually.

“This was something that neither party was obligated to do by law or by agreement, so we can, therefore, say that the parties developed a corporate democracy in connection with the merger. This is something other merging companies should be aware of,” says Falkum.

Collaboration was the same on a local level.

“This made it easy to share information, negotiate and collaborate on changes and developments in the individual business units,” says Falkum.

The unions’ four main requirements, which were delivered, were to ensure that the following were adhered to in the process: to avoid redundancies; to ensure that employees held comparable positions in the new company as in the old ones; to make relocation voluntary; and to provide compensation for relocation.

“The study shows that the trade union strategy to stand together had great significance for the outcome,” says Falkum.

In addition to the unions acting in unison in negotiations with management, they also managed to agree on the election of representatives to the functions in the new collaborative structure.

“Another factor that was important for the working environment of collaboration was that the unions managed to resist pressure from the media. Despite the challenging processes going on internally, they appeared outwardly positive,” says Falkum.

Challenges in Phase II

In Phase II of the integration process, the collaboration between management and unions was far more challenging.

“The unions expected that the principles that were applied in Phase I, would also apply in Phase II,” says Falkum.

The study indicates that the unions were not prepared for the standardisation model and the proposed reduction of resources announced by management in the spring of 2008. The management’s objectives for the model were to standardise operations to a greater degree in order to utilise resources between the offshore facilities.

“The unions reacted negatively and cooperation with the management changed to resistance,” says Falkum.

The study concludes that the main differences between Phase I and II were related to the agreement of the objectives, the processes required, and how to obtain a consensus on these.

“Participants were not coordinated from the outset, and there was conflict rather than dialogue. The study shows that the probability of agreement increases if there is a process to achieve a common understanding of the objectives,” says Falkum.

Controversial operation model

In 2009, the new operating model was introduced in EPN.

The model is described in the study as ambitious, seen in the light of the changes it introduced in terms of interfaces, business processes and systems, which were initially very different in the two companies.

Initially, management and the unions agreed on the main objectives of the operations model: efficiency, reliability and security. The study concluded that the conflict which arose was because the parties failed to establish a common understanding of the problems and the solutions related to them.

“We still, today, have different opinions about the best way of organising the activities and the impact of the new operating model,” says Senior Researcher, Torstein Nesheim, Economics and Business Administration (SNF).

Critical elements include the number of offshore positions, more control from the onshore organisation, the number of engineers on installations and the distinction between scheduled and critical maintenance.

In some areas, it has taken time to establish detailed organisational solutions. To understand this, Statoil must be understood as a political organisation characterised by both common goals and cultural elements on the one hand, and different interests and understanding on the other.

“There is a striking similarity between what serves individual players’ interests on the one hand, and how you perceive the impact of the model of safety, regularity and efficiency on the other side,” says Nesheim.

“The organisation’s complexity, the number of unions and the power they possess has, in past experience, been proven to influence such processes. This was also the case here.”

According to the study, the main areas of conflict with the new operating model are the different views of unions and management as to how they perceive such a model will work.

“These are real conflicts of interest; there is something at stake. Given the friction and the importance of implementing a standardised operating model, it will be interesting to monitor this process. Not least, to observe with great interest what the outcome of the evaluation of the new operating model will be,” says Nesheim.

The study’s main conclusions:

- Decisions on integration and restructuring should include both management and unions
- Processes that start with cooperation between management and unions to provide the best results.
- Unions should be included in restructuring and processes in the wake of mergers
- Where several unions are represented, overall interests should be coordinated.
- Disagreements between the unions reduce the effectiveness of the process for all employees.
- Common understanding of reality is very important for cooperation between the parties
- Trade unions, as well as management should motivate employees to participate in change processes.
- Both parties are responsible for the final result.

More intensive collaboration in Phase II

Erling Brevik was one of the company’s representatives on the Collaboration Committee and one the Central Integration Planning Team (IPT) which was established as an arena for collaboration between company and employee representatives.

“I felt that employee involvement in the merger process was constructive and focused on solutions. That the five different unions were able to collaborate and work together, helped to make cooperation easier. The positive cooperation formed a common understanding of the necessity to meet deadlines and milestones that were crucial for the process.”

In the first phase of the integration process, there was a great degree of loyalty to the internal processes, according to Brevik. This changed in Phase II, which included organisational changes on the Norwegian Continental Shelf.

“However, it is important to emphasise that in Phase II, a number of solutions to natural gas and refining & marketing were resolved which all parties supported. With regard to organisation on the shelf, there were different views on some of the solutions, but agreement was reached on many important principles,” says Brevik.

Tough time - look forward to improvements

“We experienced Phase I of the integration process as positive. The unions were involved early on in the collaboration. It gave us a good start and we had a good response on issues we were concerned with, such as avoiding redundancies, forced relocations, and in ensuring good compensation arrangements for relocations, says Bjørn Asle Teige, Leader of the YS (*Yrkesorganisasjonens Sentralforbund*) in Statoil.

Teige stresses that the collaboration model is the foundation of Norwegian working life. It provides a basis on which employees and managers can work together to find the best solutions.

“It is important that we develop this model as Statoil becomes more global,” he says.

Teige cites early involvement as a prerequisite for good cooperation and good results.

“There are many talented people in all parts of the organisation and it is important that we utilise this expertise. When management evaluates a change or identifies a new challenge, the unions should be amongst the first to be challenged to give recommendations on how we can find good solutions together.”

“In integration phase II, we found that the company had a much tougher tone than during the first part of the process. It eventually created a lot of frustration when we realised that what we thought were important objections to the proposed management model, were not taken into account. From our perspective it seemed as if the company had already decided on the operating model before we got together, which in our opinion, has resulted in us unfortunately not currently adopting the best solution.”

“No party benefits from a prolonged conflict, and we hope we are now entering a constructive phase when the operating model will be evaluated. We look forward to constructive discussions about what works well and not so well, so that jointly we can come up with solutions on how it can work better,” says Teige.