BP acquires Veba Oel and Aral

Post-Merger Integration and Corporate Culture

Achim Weiand

BertelsmannStiftung

Contents

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Foreword

Martin Spilker

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One look at the headlines in the daily newspapers reveals which major events in today's business life are the ones that count: E.ON's offer for Endesa, Mittal's takeover of Arcelor, the integration of Reebok into Adidas-Salomon, the takeover of Hypo-Vereinsbank by Unicredit, the battle for Schering, the sale of Vodafone's Japanese subsidiary to Softbank. The list goes on and on. Mergers and acquisitions are a major feature of business life and are clear indicators of international competition. In their search for new markets and customers, companies merge to become bigger, more effective entities. However, it is also with a view to securing markets and taking advantage of synergies that companies look around for partners willing to merge or for suitable candidates for a takeover. Companies see better opportunities for themselves in markets at home and abroad by eliminating competitors, bundling activities, achieving economies of scale and acquiring a leading edge in competence. It is no longer enough to be competitive or market-leader in the home country. Production, development, marketing and, to a considerable extent, finance increasingly have to be seen and managed in an international context.

Decisions on international mergers and acquisitions are therefore taken on the basis of financial and cost-of-production considerations. However, whether the benefits calculated ever come to fruition depends on a number of other factors which are beyond what analysts can measure and directly control. According to a survey carried out by Ernst & Young, 50% of company transactions fail.[1] In the auditors' view the reason for this is the lack of integration management and implementation. Integration comprises complex processes which have to be planned in advance of the actual merger or acquisition. In addition, during implementation various imponderables as well as resistance are to be expected which result from different companies or business units being brought together. At the same time, strategy and organisation are to be seen as drivers which provide a framework and orientation. But what is also decisive is a conscious shaping of corporate culture(s), making a contribution in its own right to acceptance of the merger or the acquisition by managers and staff, and providing a structure for the new company. Too often this aspect is neglected and in international cooperation it then turns into a painful experience, in the post-merger phase in particular. Differing cultures at national, regional, ethnic and business levels can lead to misunderstandings, blinkered perception, and an attitude of rejection, all of which can cause costly conflicts, create irresolvable problems for managers and, last but not least, cause the merger or acquisition to fail.

1 Ernst & Young AG (2006) – Handeln wider besseres Wissen. Warum viele Transaktionen scheitern, ohne es zu müssen. Stuttgart

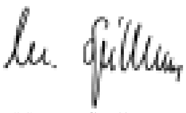
In this context it is important to look closely at how integration is tackled from the point of view of corporate culture. First, there is the question of whether one single new corporate culture is desirable. The clear economic advantage to be gained when two previously independent companies merge completely lies in the harmonisation of formal and informal processes and structures, allowing them to be dealt with fast across company departments and divisions, and without encountering barriers. If all staff identify with the new company, this can lead to greater cohesion and motivation and a more positive external image. On the other hand, it also means giving up the competencies built up for special markets, customers or products which were embedded in the respective company's culture in the past and which may have been the reason for buying the company. The brand or image are closely linked with employees' identification with their company and often represent a competitive advantage. If these special features are done away with and replaced by a corporate culture which may be considered strange and inappropriate, this not only means a simultaneous loss of the economic benefit described above. It will also be seen by the employees of the company taken over as a lack of appreciation, as disdain and "conquest", and will be rejected completely. What was conceived to become a common objective and a shared identity will then turn into the opposite and trigger rejection and the setting up of (psychological) barriers between two companies that are supposed to grow together. In the case of international takeovers, nationality or ethnicity often come to the fore, with the result that there is a quick escalation into conflicts between "us" and "them" – be "they" the Japanese, the British or the French. If this happens, it becomes even more important that particular account is taken of the cultural mindsets and behaviour peculiar to each country – which companies can only influence to a certain extent. In this case a symbiosis is the best way forward, in which, within the given framework conditions, both cultures can be joined together in a meaningful way, grow together and still provide leeway for individual regional, market or product-specific aspects.

BP opted for such a solution when it integrated Veba Oel and Aral. BP was faced with the challenge of merging German and British business units into one new, high-performing entity, not only in order to open up new access, but to do so without losing markets by giving up brands and identities. The integration process was started very soon after the formal takeover, in particular by means of an active and open communications policy and tailor-made measures for the various target groups. At the same time it was conceded that the process of growing together would not happen in days or weeks, but was a long-term, dynamic issue. BP took on the challenge and is now – after a time which was certainly marked by turbulence – proud to report successes and pass on its learning experiences.

For his case study Achim Weiand researched backgrounds and motives for the acquisition and followed the various areas of integration, enriching his report with experiences related by those involved. At the core of this study are the activities and measures carried out in the field of internal communications, which assumes a central role with respect to the success of this enterprise. Achim Weiand's results prove the relevance of linking sound business decisions with specific integration measures in the areas of strategy, structure, culture and staff.

The creation of corporate identity on the basis of corporate culture points to the importance of this corporate culture and of its being shaped by the management. This indicates an interface to the project "Corporate Cultures in Global Interaction"[2] devoted to examining the various perspectives of, and approaches to, corporate culture. Among other things, this project looks at the role of corporate culture between companies engaged in forms of international cooperation such as strategic alliances, globally networked projects or supplier-customer relationships, in order to generate various possibilities for action.

In the coming years the international transactions described at the beginning will continue to increase and determine national economic life. What is therefore all the more important is to have an active, aware management that clearly understands the basic conditions and challenges of mergers and acquisitions – which go beyond financial analysis – and that has a repertoire of modes of behaviour for successful integration. Taking corporate culture into account and using it as one of the foundations for success will then be self-evident.



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2 For further project information see Bertelsmann Stiftung (2006) – Unternehmenskulturen in globaler Interaktion, www.unternehmenskultur.org.

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Achim Weiand

1. Corporate culture and M&A activities

The contribution made by corporate culture to a company's success is undisputed in business, both in research and practice. Sackmann defines the term 'corporate culture' as follows: "The core or invisible basis of a corporate culture consists of those fundamental, collective convictions which have a decisive influence on the thinking, the actions and the feelings of managers and staff in a company, and which are in general typical of the company or of a group within the company".[3] However, despite the increased research nowadays into corporate culture, its functions[4] and styles, there are still some important questions which remain unanswered:

– What does a "good" and desirable corporate culture actually look like in practice? Are there so-called "central criteria"[5] which are valid across industries or even across borders? Are there not automatically differences between the corporate culture of a small, mid-tier company operating regionally and that of a large-scale company operating internationally – as a result of different structures relating to employees and customers, the different scales involved and the use of different steering mechanisms? Do national cultures not have such a decisive influence on a local corporate culture that they foil the plans of large international companies to achieve a uniform corporate culture on every continent?

– How can corporate cultures be measured in practice? Are there alternatives to a comprehensive, costly and time-consuming survey of employees' opinions?[6] Or do companies have to resign themselves to the half-dozen lines produced by the external consultant writing down his initial impressions?

3 Sackmann, Sonja A. & Bertelsmann Stiftung (2004) – Erfolgsfaktor Unternehmenskultur. Wiesbaden: Gabler. p. 24

4 Sackmann (in Sackmann, Sonja A. & Bertelsmann Stiftung (2004) – Erfolgsfaktor Unternehmenskultur. Wiesbaden: Gabler. p. 27 ff.) defines four central functions in a corporate culture: 1) reducing complexity, 2) providing orientation for coordinated behaviour, 3) strengthening employees' identification with the company, 4) ensuring continuity.

5 Sackmann defines ten central criteria for corporate culture (in Sackmann, Sonja A. & Bertelsmann Stiftung (2004) – Erfolgsfaktor Unternehmenskultur. Wiesbaden: Gabler. p. 44):1) Common aims, 2) responsibility towards society, 3) attitudes, convictions and values, 4) independence and transparency in the supervision of the company, 5) participative leadership behaviour, 6) entrepreneurs within the enterprise, 7) continuity in leadership, 8) ability to adapt and integrate, 9) customer focus, 10) shareholder focus

6 Cf. the detailed presentation of various approaches (e.g. the Organizational Culture Inventory or the Denison Organisation Culture Model) in Sackmann, Sonja A. (2006) – Assessment, Evaluation, Improvement: Success through Corporate Culture. Published by the Bertelsmann Stiftung. Gütersloh as well as the abridged variation in Bertelsmann Stiftung (2006) – Messen, werten, optimieren. Erfolg durch Unternehmenskultur. Ein Leitfaden für die Praxis. Gütersloh

– What is the range of measures available to anyone who wishes to create or influence a specific corporate culture in practice? How great in fact are the chances of influencing a corporate culture?[7]

Quite apart from these unanswered questions, every company faces the challenge of actively developing its corporate culture in line with specific goals. **Mergers & Acquisitions** (M&A) present a special challenge because in their case two (or more) corporate cultures come together and a decision has to be taken on how the company is to work in future. Once a deal has been concluded, however, attention both inside and outside the company is drawn to other issues – and many deals fail in the ensuing integration phase. It is for this reason that this study will be taking a look at the integration phase as an oft-neglected – but ultimately decisive – aspect of M&A activities, and at the special significance of corporate culture in this phase.

The integration of the companies is meant to realise previously identified synergies. However, all too often this fails. Among the reasons for this failure are the lack of any clear strategy regarding the company taken over, dysfunctional competition for senior management positions, disregard for employees' interests, underestimating the time the integration phase may take and not factoring in the frequently different corporate cultures.[8] Often it is the phases preceding the integration which are handled inadequately: the planning phase[9] is neglected or there is no cultural due diligence[10] carried out during the implementation phase, for example. What failed to be dealt with beforehand can only be repaired with great difficulty in the subsequent integration phase. The focus of interest in this study is on the fundamental options companies have to shape integration.

7 Cf. the argumentation by Blazejewski, Susanne & Dorow, Wolfgang (2005) – Unternehmenskulturen in globaler Interaktion. Ein Leitfaden für die Praxis. Published by the Bertelsmann Stiftung. Gütersloh. p. 15 ff.

8 Cf. for example Ernst & Young AG (2006) – Handeln wider besseres Wissen. Warum viele Transaktionen scheitern, ohne es zu müssen. Stuttgart; Grube, Rüdiger & Töpfer, Armin (2002) – Post Merger Integration. Erfolgsfaktoren für das Zusammenwachsen von Unternehmen. Stuttgart. pp. 43-52; Koch, Thomas (2002) – Post Merger-Management. In Picot, Gerhard (2002) – Handbuch Mergers & Acquisitions, Planung, Durchführung, Integration. Stuttgart: SchäfferPoeschel. pp. 383-406

9 For example, analysis of the own company, analysis of competitors and the development in the industry as well as the analysis of motives and objectives for M&A activities.

10 On Cultural Due Diligence cf. Schneck, Ottmar & Zimmer, Alexander (2006) – Cultural Due Diligence. In Wirtz, Bernd W. (ed.) (2006) – Handbuch Mergers & Acquisitions. Wiesbaden: Gabler. pp. 585-610 or Högemann, Bernd (2005) – Cultural Due Diligence. In Berens, Wolfgang, Brauner, Hans W. & Strauch, Joachim (2005) – Due Diligence bei Unternehmensakquisitionen. Stuttgart. 4th edition, revised and expanded. pp. 539-564

Haspeslagh and Jemison[11] were the first to systematically research the options for the strategic shaping of integration processes after mergers & acquisitions. They define the creation of added value by the new company as the most important goal of M&A activities, seen relative to the value of the independent companies before the merger or acquisition. The transfer of strategically important knowledge is an important source for the creation of added value. This transfer may range from joining procurement volumes to conferring functional or management know-how to the complete merging of all resources. According to Haspeslagh and Jemison, the synergies created increase as cooperation itself increases. However, because of the deep – but necessary – changes to structures and processes in the companies involved it becomes increasingly difficult to achieve these synergies. They call this first factor influencing the choice of integration strategy the companies' strategic dependence with regard to the creation of added value. Paradoxically, however, it is precisely this strategically important knowledge which can be destroyed in an integration process. For example, key persons leave the company because of profound changes to working practices and processes. Consequently the second factor determining the choice of integration strategy is the extent to which the companies' organisational autonomy has to be preserved in order to create the expected added value. This results in the following four options for an integration strategy:

Absorption strategies with regard to the company taken over are chosen when both companies have a high strategic dependency on each other and there is little necessity to concede organisational autonomy to the company acquired in order to realise the expected added value. In the case of this strategy the corporate culture of the acquired company, or of the smaller of the merger partners, is usually completely absorbed (absorption, assimilation or cultural takeover) in order to dissolve the borders between the companies. The decisive factors here, according to Haspeslagh and Jemison, are the determination of the stronger company to enforce its will on the other one, and the necessary high speed of integration.[12]

Preservation strategies, by contrast, are chosen when the strategic dependency between the companies is low and the necessity to concede organisational autonomy is high. The main task which the company making the takeover has in this case is to preserve the important assets of the company it has acquired. These include not only the material assets (production plants, stocks, buildings etc.), but also in particular the "volatile" immaterial assets (such as managers' and employees' knowledge and motivation). The effects on the corporate culture of the company taken over are, as a rule, insignificant and changes are only made cautiously. Both cultures will often exist side-by-side (preservation, stand-alone or cultural pluralism).

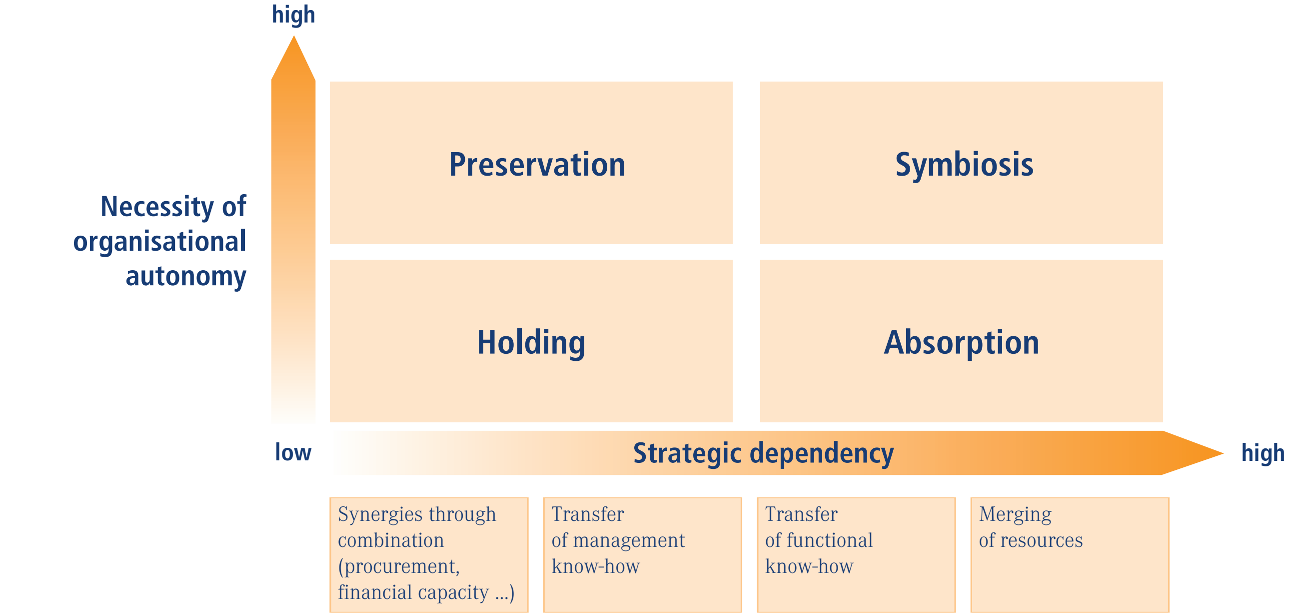
11 Haspeslagh, Philippe C. & Jemison, David B. (1991) – Managing Acquisitions. Creating Value Through Corporate Renewal. New York: Free Press. p. 145

12 For the importance of the speed of integration cf. especially Gerpott, Thorsten J. (1993) – Integrationsgestaltung und Erfolg von Unternehmensakquisitionen. Stuttgart

When there is a high strategic dependency between the companies and a high necessity to concede organisational autonomy, both companies will initially exist side-by-side and later develop into a new company (symbiosis). This is the most complex form of an integration strategy with the greatest challenges. This company development requires the barriers between companies to be preserved – and at the same time requires precisely these barriers to be broken down. The aim in the case of symbiosis is the gradual development of a new, shared culture (mixing cultures, "re-designing" them or partial integration).

A fourth option for an integration strategy is the (financial) holding model, where the holding does not exert any influence on the operative business of the subsidiaries – due to the low strategic dependency – and, as a result, there is no influence on the corporate cultures.

Fig. 1: Four options for an integration strategy[13]



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[13] Haspeslagh, Philippe C. & Jemison, David B. (1991) – Managing Acquisitions. Creating Value Through Corporate Renewal. New York: Free Press. p. 145

Lucks and Meckel list the advantages and disadvantages – as regards handling corporate cultures in post-merger integration – of the three most important integration options:[14]

Table 1: Integration strategies with their advantages and disadvantages

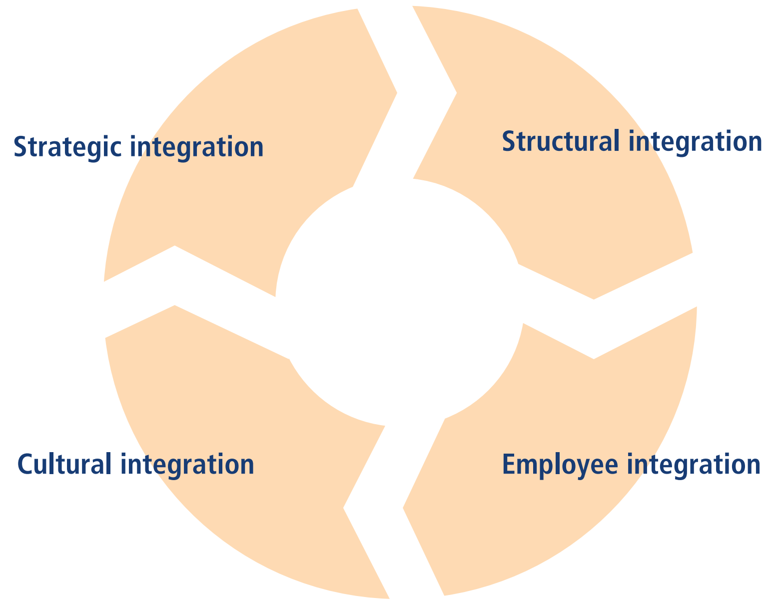
	Pros	Cons
Combination of existing cultures – culture mix/ symbiosis	• The culture shock in both companies is small. • The emergence of a shared culture leads to both companies growing together more strongly. • The intensive exchange of know-how leads to an improvement in operative excellence.	• Aspects of how people think act and feel – as well as processes and structures – which were hitherto taken for granted have to be renegotiated. • Danger of paralysis in the organisation as decisions are mostly reached in a slow, consensus-seeking process. • This approach to integration requires a lot of work to be implemented and is time-consuming.
Takeover of a partner's culture – culture takeover/ absorption	• Fastest integration approach. • Only one partner has to learn a new culture.	• The culture shock in the company taken over is severe; feeling of loss and of being controlled from outside. • The question whether the culture taken over is really the better one is not asked; this question is decided via the use of power. • Specific weaknesses of the company making the takeover are preserved.
Both cultures co-exist as equal partners – cultural pluralism/ preservation	• There is no culture shock in either company. • Activities can be continued (almost) unchanged.	• Both cultures are difficult to control; no – or only a few – synergies resulting from culture.

14 Expanded from Lucks, Kai & Meckl, Reinhard (2002) – Internationale Mergers & Acquisitions. Der prozeßorientierte Ansatz. Berlin and elsewhere: Springer. p. 152

Regardless of the senior management's decision which of these integration strategies is chosen, it is important that they proceed systematically in the post-merger integration, because too often integration measures are implemented without anyone asking whether they contribute anything to any previously defined integration goal. For this reason: 1) the integration approach should be defined and then 2) the starting position in both companies should be diagnosed, in order to 3) plan and carry out interventions; and 4) a continuous evaluation of results should secure that the measures are in line with the goals.[15]

During integration, however, those constituent parts which follow different aims, require the use of different diagnostic instruments, and have recourse to different sets of integration measures have to be separated from one another. Following Vogel,[16] this study will describe **four constituent parts** of an integration process: strategic integration, structural integration, cultural integration and employee integration in the companies involved.

Fig. 2: Constituent parts of an integration process



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15 Cf. the approach described by Blazejewski, Susanne & Dorow, Wolfgang (2005) – Unternehmenskulturen in globaler Interaktion. Ein Leitfaden für die Praxis. Published by the Bertelsmann Stiftung. Gütersloh.

16 See Vogel, Dieter H. (2002) – M & A, Ideal und Wirklichkeit. Wiesbaden. p. 254

What are undoubtedly considered to be the most important parts in this model are the strategic and structural integrations, which are also usually the first to take place. Without the two other constituent parts, however – cultural and employee integration – their success will only be short-lived. These four constituent parts of an integration process will now be described, in each case including the goals, the corresponding diagnostic instruments and the measures allocated.

In the case of **strategic integration,** as one of the most important areas of the integration process and one which features in all four integration strategies described, what is important is the consolidation of the strategic intentions of the companies involved including the implementation of an operative strategy related to the field of business activities, as well as the transfer of strategic resources and skills. In the diagnosis all the classic instruments of strategic management are used (e.g. SWOT analysis, portfolio analysis, value chain analysis, benchmarking).[17] The measures consist, for example, in the harmonisation of the strategies of both companies or a re-positioning of the company taken over. Decisions relating to the strategic integration are often already taken before the formal completion of the acquisition and are put into practice directly after the formal takeover, without the company being taken over having any say in the process.

The aim of **structural integration** is to ensure that the organisation has efficient structures and processes. It thus provides the organisational skeleton for the new organisation. Suitable instruments for diagnostic purposes in this case are representations of structures (organigram, analysis of management spans, analysis of formal and informal relationships), of processes (e.g. acquiring data by means of tasks recorded by the employees themselves, shown in flow-charts or communication diagrams) and activity-based accounting. Measures for redesigning processes would then be the definition of new processes with the relevant accountabilities and responsibilities.

Cultural integration is an important area of integration, but one that is difficult to manage as it is difficult to measure the value of its contribution to a "successful" integration and the effects of the measures taken often only become apparent in the medium or long term. As regards the goals of cultural integration it is possible to distinguish between several levels with instruments / measures allocated to each level. If it is just the employees' factual knowledge ("information") that is important, then classic communication and training instruments are used. These include newsletters or a newspaper dealing with integration issues, circulars from the management board, e-mails "to all staff", the use of chat-rooms in the company's own intranet, specialised training or the creation of so-called "yellow pages" with contacts in both companies and their particular expertise. If on the other hand employees' attitudes ("volition") are to be changed, then information and communication – no matter how good they are – are not enough. In this case specific use is made of management conferences, team-building measures or departmental workshops. The personal visibility of managers as well as the involvement of staff in the integration process is of paramount importance in this process, it should not be left exclusively to external consultants. By far the most difficult goal to achieve in any cultural integration is changing employee's behaviour ("capability" and – ultimately decisive – "actual performance"). Any changes in behaviour being aimed at have to be supported by appropriate carrot-and-stick mechanisms.

17 Cf. for example Simon, Hermann & von der Gathen, Andreas (2002) – Das große Handbuch der Strategieinstrumente. Werkzeuge für eine erfolgreiche Unternehmensführung. Frankfurt: Campus

These include for example new target agreements with managers, the redesign and coordination of new systems of promotion with new values or rules governing behaviour, feedback via data gathered, role analyses, changes in structures and processes as well as accountabilities and relationships and – ultimately – also transfers and redundancies.

Classic diagnostic instruments for cultural integration are interviews/ group interviews, diagnostic workshops, employee surveys by means of questionnaires (in writing or online, possibly with a case study set), document analysis (e.g. the company's policies or vision), customer surveys or process descriptions.[18] In the case of "soft" issues, the measures relating to cultural integration overlap in particular with those associated with employee integration. As with all other measures, they should always be selected within the context of goals previously defined. Examples of measures for cultural integration are fast, open and comprehensive information for employees (e.g. by means of company magazines, printed or electronic newsletters or via the company's own business TV), getting to know the other company and its employees (e.g. through visiting the other company, parties/ celebrations or attending cultural events together, "away days" (excursions) for entire departments, intensive communication with employees – also across hierarchies (e.g. town hall meetings, management conferences or lunches attended jointly by senior managers and staff), personal development measures (e.g. team training for newly formed departments, culture awareness training in the case of cross-border mergers, coaching for managers, job rotation over into the company acquired), formulating and communicating new core values/ management principles and corresponding incentive systems, senior managers serving as examples of the new (company or management) values, promotion of managers who have an exemplary understanding of their role, etc.[19]

18 Cf. for example Doppler, Klaus & Lauterburg, Christoph (1994) – Change Management, Frankfurt am Main: Campus. p. 170 ff.; Block, Peter (1997): Erfolgreiches Consulting. Das Berater-Handbuch. Frankfurt am Main, New York: Campus. p. 186 ff.; Königswieser, Roswitha & Exner, Alexander (1998): Systemische Intervention. Stuttgart: Klett-Cotta; French, Wendell L. & Bell, Cecil H. jr. (1990) – Organisationsentwicklung. Bern / Stuttgart: Haupt. p. 58f.

19 Cf. Blazejewski, Susanne & Dorow, Wolfgang (2005) – Unternehmenskulturen in globaler Interaktion. Ein Leitfaden für die Praxis. Gütersloh. They identify seven approaches to cultural integration in international companies: 1) Cultural Vision – definition of the company's core values in writing; vivid, creative communication of core values; limitation to no more than five to seven core values; translation into local languages, implementation of core values 2) Local Dialogue – systematic incorporation of local perspectives; local implementation; solution of conflicts in a cooperative way 3) Visible Action – living the values; championing core values emotionally 4) Communicator – setting up dialogue platforms; ensuring ability to communicate; systematic internationalisation of communication style; globally acceptable artefacts 5) Cultural Ambassador – continuity of rotation programmes; allowing flexibility; organising round trips; ensuring local involvement 6) Open Sky – internationalising leadership positions; implementation of global selection procedures; reduction of image problems abroad 7) Compliance – binding nature of core values; checking cultural compatibility; control and sanctions

Employee integration pursues a wide-ranging package of goals. These usually include handling the surplus (or shortage) of staff, different human resources rules and regulations, cooperation with several groups of employee representatives, quick appointments to management positions, retaining the best talents (instead of "exit of the best, merger of the rest") and handling a motivated workforce with a high level of job satisfaction. The following diagnostic instruments can be used: analysis of the contracts with respect to the underlying labour law (e.g. collective agreements, in-company agreements, work contracts, redundancy plans etc.), analysis of personnel structures and costs, analysis of existing qualifications etc.[20] As synergies are also realised by means of redundancies in most M&A activities, measures relating to employee integration are more often than not associated with negative connotations: reconciliation of interests and redundancy plan in the case of business-related redundancies, staff selection (e.g. via a management appraisal), setting up a job exchange, establishing a transfer company, relocation arrangements, early retirements, partial retirement arrangements, regulations for financial settlements or the expiry of fixed-term contracts.

However, one aspect that is seldom taken into account in the approaches outlined so far is the fact that large companies with subsidiaries operating independently in the market[21] usually develop subcultures alongside the parent company's corporate culture. These subcultures fulfil an important function because they allow the employees in the subsidiaries to identify clearly and specifically with this company and its products or services. The parent company's management will not see any necessity to intervene in this case, provided these subcultures do not become dysfunctional – for example by preventing the transfer of know-how or employees between different parts of the company. The only important issue in the view of the parent company will be that senior managers of all subsidiaries do not forget in their activities that they are part of a bigger entity and align their corporate strategies with the parent company's strategy, thus developing a common identity. This is the reason why usually only senior managers experience this conflict between several corporate cultures. The employees in the subsidiaries who work directly with a product or with customers are therefore seldom identified as a target group for such cultural integration measures. Consequently it would appear to be important in the case of all integration measures to ask whether it is really vital to develop a uniform corporate culture on all levels of the hierarchy – or whether it is not enough to build a common identity among senior managers, and on all other levels to create elements linking the parent company's culture with those of the subsidiaries and allow partial autonomy for the subcultures.

20 Cf. the checklist for Due Diligence in Berens, Wolfgang, Brauner, Hans W. & Strauch, Joachim (2005) – Due Diligence bei Unternehmensakquisitionen. Stuttgart. 4th edition, revised and expanded. pp. 857-860

21 Cf. for example the large automobile companies DaimlerChrysler or Ford, who run several brands separately, the retailer Metro with its various distribution channels or the insurer Ergo with its various companies.

Fig. 3: Under one roof in Bochum: Deutsche BP and Aral

The following presentation of the acquisition of Veba Oel and Aral by, and their integration into, Deutsche BP takes up the division of integration into the four constituent elements of strategic, structural, cultural and employee integration. Many accounts of integration processes remain vague, particularly in their description of the cultural area– with the result that the methodology used cannot be reconstructed, nor can the reasonableness of the measures applied be checked. Consequently this study – which appears in the Bertelsmann Stiftung's series of publications on corporate cultures – gives some scope to a detailed presentation of cultural integration with its individual measures and the methods they entail.

2. The case study

On 16 July 2001 there was a surprising press release: E.ON AG from Düsseldorf was to sell its shares in its Gelsenkirchen oil subsidiary Veba Oel to BP plc, London, and in return get shares in the Gelsenberg Company from Deutsche BP AG. The two companies being swapped were hardly known to the general public – but they were companies almost everyone in Germany had already come into contact with at one time or another and which combined very well-known brands with high market shares: Aral AG from Bochum and Ruhrgas AG from Essen. The following case study is going to illuminate the line of action taken on the integration of Veba Oel and its Aral subsidiary into Deutsche BP. The first part will consist of short portraits of BP plc and Deutsche BP as well as E.ON AG with its subsidiaries Veba Oel and Aral. This will be followed by a description of the integration process of Veba Oel and Aral into Deutsche BP.

The companies involved: BP and Deutsche BP on one side; E.ON, Veba Oel and Aral on the other

The company which was later to become **BP plc** was set up in 1909 by William Knox D'Arcy as the Anglo-Persian Oil Company (APOC). D'Arcy, however, was not destined to play any further role in APOC's later business development.[22] The Burmah Oil Company acquired 97% of the equity from D'Arcy– facilitated by the high start-up losses incurred in oil exploration in Persia – and in 1914 was itself replaced by the British government as the largest shareholder. This state shareholding was maintained until 1987, when it was reduced to a tiny remaining stake.

Fig. 4: Logos of the companies involved – BP, Veba Oel and Aral

[22] For the following account of the company and its strategy, cf. Deutsche BP (2005) Geschichte der BP international, www.deutschebp.de/sectiongenericarticle.do?categoryId=2010185&contentId=2015044, accessed on 04.11.2005, and Liedtke, Rüdiger (2005) – Wem gehört die Republik 2006, Frankfurt, p. 150 ff.

APOC – which first became the Anglo-Iranian Oil Company (AIOP) in 1935, and then British Petroleum in 1954 – was one of the first oil companies to develop oil reserves in the Middle East after purchasing a concession from the Shah of Persia. In the first years of its existence the company focussed its activities on the Middle East in particular, but after the Iranian government had nationalised all foreign activities in 1951 it was obliged to increase the internationalisation of its activities in order to offset the loss of crude oil supplies from Iran. As a result Kuwait, Iraq and, from 1969, Alaska (with a 25% shareholding in the Standard Oil Company of Ohio), Nigeria and important North Sea fields were all added to the portfolio.

A phase of diversification began for BP in the 1950s, when attempts were made to make protein from oil. In the end BP had its own divisions with activities such as foodstuffs, detergents and body-care products. Furthermore BP started to develop an interest in minerals and, for example, bought up copper producers. This was then followed by building up of a coal business in the USA. By the 1980s these interests had turned BP into a conglomerate with independent activities in crude oil, petrochemicals, coal, copper, animal feed, IT and many other fields besides. The growing strength of OPEC, the oil crises of 1973 and 1979/1980, falling margins in its core business and overcapacities at its refineries led the management to restructure the company. Bit by bit, BP sold most of its non-core activities and concentrated again on hydrocarbons.

In 1987 BP then succeeded in making a quantum leap. It acquired the remaining shares in the Standard Oil Company of Ohio, thus establishing itself as the first European competitor in the biggest single market in the world – the US market. In addition, the British government sold its remaining 37.5% in BP, thus making it one of the largest public companies. At the end of 1987 British Britoil was purchased – one of the first acquisitions destined to turn BP into one of the biggest oil companies in the world. The most spectacular action was the merger with Amoco (USA) in 1988 – the biggest merger seen up to that point – at a purchase price of around US$ 55 billion. The new company was now called BP Amoco. However, this record merger was bettered in 1999 by the takeover of Mobil (#4 in the world) by Exxon (#2 in the world) for around US$ 87 billion. BP followed with the takeover of the US company Atlantic Richfield (ARCO), the acquisition of Bayer AG's 50% share in the former joint venture BP Köln GmbH (formerly EC Erdölchemie GmbH), as well as the purchase of the lubricants company Burmah Castrol and of Vastar. As a result of this strong phase of external growth, BP generated a turnover of around $148 billion and a net income of around $12 billion in 2000, making it the third biggest oil company in the world behind Royal Dutch/Shell and Exxon.[23]

23 Cf. Bonder, Michael & Student, Thomas (2003) Wem gehört was in Europa?, Regensburg, p. 71, and BP (2001) annual review 2000, p. 14 f. At the end of 2000 BP's stock exchange value was US$ 175 billion.

In 2000 BP was organised in four lines of business. Company information on these was as follows:[24]

- Exploration & Production, i.e. all the classic upstream activities related to the search for and production of crude oil and natural gas. Production sites in 21 countries; daily production of 1.93 million barrels of crude and 7.6 billion cubic feet of natural gas.
- Gas, power & renewable energies, i.e. the bundling of gas marketing, the solar business and other forms of energy such as hydrogen and wind power. Daily gas sales amounting to 14.5 million cubic feet.
- Refining & Marketing, i.e. all the downstream activities from trading and transport, refining and logistics to the marketing of crude oil and its products. 24 refineries, either wholly-owned or with a BP shareholding; daily throughput of crude oil amounting to 2.9 million barrels; 29,000 retail stations.
- Petrochemicals, i.e. the production and marketing of petrochemical products, intermediate products and synthetics, based on the feedstock supplied by the company's own refineries. 55 production sites worldwide; annual production 22.1 million tonnes.

BP had a matrix organisation, i.e. in addition to the four lines of business there were the countries (in their production or sales function) as well as the operational functions (e.g. marketing, controlling, investor relations, human resources).

The history of **BP in Germany** dates back to 1926, when APOC – as the company was called at the time – acquired an interest in the Aktiengesellschaft für Österreichische und Ungarische Mineralölexporte (OLEX) established in 1904.[25] APOC was looking for sales outlets for its oil from Persia and seized the opportunity to take a stake in companies already established in Germany, which had lost their previous sources of oil in Galicia, Romania and Alsace after World War One had been lost. OLEX, taken over completely by APOC in 1931, was later renamed Deutsche Benzin- und Petroleumgesellschaft. OLEX was the German subsidiary of the AIOC and in 1939 it had a market share of 12% in sales of oil products; in sales of petroleum it controlled 25% of the entire trade.

At the beginning of World War Two the oil companies were merged into the so-called Arbeitsgemeinschaft Mineralölverteilung and placed under state control. As a result of the partition of Germany after the war OLEX lost its most important activities in Eastern Europe as well as those confiscated in Austria and Czechoslovakia. In 1950 OLEX merged with Eurotank to form BP Benzin- und Petroleum-Gesellschaft mbH. Refinery capacities in Hamburg, Dinslaken (Lower Rhine) and Vohburg (Bavaria) were reconstructed at an early stage. In 1957 BP set up a joint venture with BAYER AG in petrochemicals – Erdölchemie GmbH in Cologne-Worringen – creating a further element in the value chain. In 1978 BP also succeeded in taking a stake in Ruhrgas AG, Germany's largest gas company, as a result of a swap deal with the Düsseldorf-based Veba AG. As recently as 1974 Veba had acquired a majority stake in Gelsenberg AG, which held a share of around 25% in Ruhrgas. Veba's oil subsidiary, Veba Oel in Gelsenkirchen, was struggling, however, with too little exploration activity of its own, with correspondingly high sourcing costs for crude, with overcapacities in its own refineries and with a stagnating market environment. Veba decided to sell its valuable shares in Ruhrgas to BP in return for a contractual assurance of long-term supplies of crude oil by BP and to transfer refinery shareholdings to BP in order to reduce its own overcapacities. BP regarded its involvement with Ruhrgas as a passive financial participation which could be sold again at a suitable time.

24 Cf. BP (2001) annual report and accounts 2000. London, inside front cover and Deutsche BP AG (2004) – Über BP. Das Unternehmen. Hamburg

25 Cf. Karlsch, Rainer & Stockes, Raymond G. (2003) Faktor Öl. Die Mineralölwirtschaft in Deutschland 1859–1974, Munich, and Deutsche BP AG (2005) – Geschichte der BP in Deutschland, www.deutschebp.de/sectiongenericarticle.do?categoryId=2010187&contentId=2002475, accessed on 4 November 2005

In Germany BP thus had activities in oil refining and petrochemicals, in oil marketing, lubricants and – indirectly through the shares in Ruhrgas – in the gas business.

E.ON AG from Düsseldorf was BP's negotiating partner. E.ON had been created fairly recently on 16 June 2000 through the merger of the two German conglomerates, Veba AG, Düsseldorf, and Viag AG, Munich. Both organisations had a long history as companies set up by the state and were only privatised little by little in the 1980s. In 1929 Prussia had established the Vereinigte Elektrizitäts- und Bergwerks-Aktiengesellschaft (Veba) as a holding to which the Prussian state contributed the Preußische Elektrizitäts Aktiengesellschaft (PreussenElektra), the Preußische Bergwerks- und Hütten-Aktiengesellschaft (Preussag) as well as all its mining activities, for instance in the Ruhr District. With PreussenElektra as its "electricity subsidiary" Veba had a secure competitive position as there were regional monopolies of network operators (RWE, PreussenElektra, Bayernwerk, EnBW, VEW, HEW, BEWAG, VEAG) – monopolies which were a reliable source of high yields. The only disadvantage of this structure was that it prevented further expansion by any of the power companies within Germany. As a result of these restrictions in the field of electricity generation Veba – just like its competitors Viag and RWE – acquired companies and gradually moved into areas which had nothing to do with electricity or coal, thus developing into a diversified conglomerate. A directive issued by the EU was to have a decisive influence on further developments: in 1998 the European Parliament passed the "Guideline on the Internal Electricity Market", which provided for a gradual opening of the electricity markets within Europe, which had, up to then, been closed to one another. Increased competition ensued, both at national and international levels, and as a result all the power companies reviewed the strategies they had pursued up to that time. Viag – established in 1923 by the German Reich as the Vereinigte Industrie-Unternehmungen Aktiengesellschaft – was, at the end of the 1990s, just like Veba from Düsseldorf: a conglomerate with a power subsidiary which was strong in Germany but, from an international point of view, ranked somewhere in the middle of the field. Viag's other subsidiaries also tended to be medium-sized players in their respective industries. In 1998 Viag tried in vain to enter into a merger with Alusuisse-Lonza from Switzerland, which failed due to diverging assessments of the values of both companies.

As a result of the changed business environment, especially in the area of power generation, both companies decided to act and in September 1999 they signed a policy agreement for the two companies to join in a merger of equals. The board decided on energy (with electricity and oil) and chemicals as the core businesses of the new company, called E.ON. All other activities were to be gradually spun off from the Group, either through being sold or through being launched on the stock exchange. In 2000 E.ON AG with its 186,000 employees achieved a turnover of around €93.24 billion and an operating result of €2.762 billion.[26] The company's subsidiaries included the power subsidiary E.ON Energie AG (a product of the merger of PreussenElektra and Bayernwerk), Veba Oel AG (oil), the chemicals subsidiary Degussa AG (a product of the Degussa-Hüls and SKW Trostberg merger), Viterra AG (real estate management), residual activities in telecommunications and various shareholdings (including Stinnes AG, one of the largest German logistics companies). Both companies' basic strategic considerations before the merger still held true for the new company: as a conglomerate, E.ON was well positioned nationally in many of its divisions, but was only a medium-sized player in international comparisons.

26 E.ON AG (2001) – Geschäftsbericht 2000. Düsseldorf. Cover

E.ON's expansion in the electricity market was now directed towards other countries, especially the British, American and Scandinavian markets and the countries of Eastern Europe. In 2002 came the surprising announcement that E.ON was to sell shares in Degussa to RAG AG in Essen, thus transforming chemicals from a core activity to a straightforward financial shareholding. As a result, E.ON now presented itself as an internationally active electricity company with a small German oil subsidiary, Veba Oel.

Veba Oel, located in Gelsenkirchen, was at this point an oil company which was completely integrated across the value chain.[27]

- In the field of Exploration & Production (upstream) the company was internationally active through its wholly-owned subsidiary Veba Oil & Gas (VOG). VOG was, however, too small in comparison with its competitors and was not able to achieve the balance of portfolio investments in a variety of production areas necessary for stable earnings. What was more, it was not – unlike the oil multinationals – able to make investments in giant fields without a partner.
- In the refinery sector Veba Oel brought in its refineries to the 50/50 joint venture between Ruhr Oel and Petróleos de Venezuela (PdVSA) in 1982. This enabled Veba Oel to halve investment costs and ensure permanent access to Venezuelan crude. PdVSA, for its part, gained access to the largest marketing outlet for oil and oil products in Europe. However, the refinery sector was characterised by overcapacities and fierce price competition.
- The petrochemicals plants also belonged to the Ruhr Oel joint venture, with the result that Veba Oel did not have complete business control over this part of its business. Petrochemicals was also a cyclical business as far as operating results were concerned.
- Veba Oel's retail stations/marketing business was re-organised on 1 January 2000. Veba Oel acquired the remaining shares in Aral held by the other shareholders Wintershall (15%), a BASF subsidiary, and Mobil (28%). It now held 99% of the shares and, as a result, exerted complete business control. At this time Aral was the market leader in Germany, with a market share of around 20% and around 2,560 retail stations. As sales of oil products were stagnating, Aral successfully expanded its convenience store business which in 2000 contributed 47% of profits. Outside Germany, however, Aral was only present in the central European countries of Hungary, the Czech Republic, Poland, Slovakia, Austria and Luxembourg, with a total of 448 stations. Aral was thus only a strong local player. The complete acquisition of Aral and the first full consolidation resulted in a rise in turnover at Veba Oel from €12.229 billion (including mineral oil tax) in 1999 to €28.78 billion in 2000. Up to 31 December 2000 Veba Oel generated annual pre-tax profits of €733 million and had 8,593 employees.
- The situation in sales of light heating oil was similar to the one in fuel sales. The market was characterised by falling turnover, oversupply and the fact that Veba Oel had a strong national position with a few international activities through its subsidiary Veba Wärmeservice.

27 For a history of the company cf. Veba Oel AG (2002) – Veba Oel. Unternehmen im ständigen Wandel. Gelsenkirchen

After the complete takeover of Aral with effect from 31 December 1999 Veba Oel had reorganised itself and given up the structure it had had until then, which had comprised the divisions of “Exploration & Production” (upstream), “Oil” (refining), “Petrochemicals”, “Mobility” (with the 55.9% stake in Aral) and “Heating”. Three legally independent entities were set up with their own operative and strategic management responsibilities:

- Aral Aktiengesellschaft & Co KG to handle all activities in the marketing of liquid oil products (automotive fuels and the business in heating oil coming from Veba Oel).
- Veba Oil Refining & Petrochemicals GmbH Gelsenkirchen (VORP) to handle all the activities in oil refining and petrochemicals. The joint venture with PdVSA was incorporated into VORP.
- Veba Oil & Gas GmbH (VOG) to handle the exploration activities.

The aim of the new company structure was to better enable the three big subsidiaries to seize their individual chances of development and to react quickly and precisely to different market developments. So the aim in these three companies, for example, was to achieve the economies of scale required by entering into different partnerships. Veba Oel was designed as a holding with strategic and financial management responsibilities and with correspondingly reduced staff numbers.

Two characteristic features of Veba Oel were Wilhelm Bonse-Geuking, its chairman for many years, and the “Learning Organisation” (LeO) change process he initiated in 1993. The aim of the LeO change project was for Veba Oel to learn to react faster to changes in the business environment, increase its internal efficiency and improve its results. Against a background of poor results, of overcapacities in the refineries due to stagnating markets and of increased competition, all employees were to be mobilised and integrated in the LeO project. One of the first measures to be taken was a culture survey among Veba Oel staff, with the aim of getting – in addition to the business key performance indicators already available – an initial picture of staff motivation, willingness to change and the goals of the change process in the view of the staff affected. The first culture survey showed deficits within the organisation with respect to communication / open exchange of information / handling criticism / cooperation / bureaucracy / support for staff from superiors / staff leadership and willingness to change. Some of the results of LeO were, for example, a management handbook conceived jointly with employees, regular town-hall meetings between members of the board / management and the workforce in the form of an open and direct dialogue, and a continuous improvement process supported by moderators from within the company itself. LeO created a positive, lasting change in both the corporate and the management cultures at Veba Oel, and prepared the employees for constant changes in an industry in which the mega-fusions of the 1990s had permanently changed the size of the players to the detriment of Veba Oel.

For E.ON, Veba Oel's parent company, three options – each attractive in different ways – presented themselves for the subsidiary's future:

1. Developing a sustainable international position within the oil business by making huge investments of its own.
2. Entering into further cooperation or alliances (such as the one with PdVSA) to strengthen Veba Oel's international position all along the value chain.
3. Giving up Veba Oel completely by selling it, launching it on the stock exchange or exchanging it for other activities.

Strategic background for the takeover of Veba Oel and Aral by BP

Deutsche BP's situation in the 1990s was far from satisfactory. At seven percent its share of the German retail station market was too small to talk of a position that could be sustained or even expanded. Moreover, with a turnover of around €12.94 billion in 2000 and annual profits of around €365 million[28], Deutsche BP was the smallest national organisation within BP as a whole – which reduced the parent company's willingness to make new investments in a small subsidiary in a market that was admittedly large, and thus attractive, but also fiercely contested. In addition, internal studies carried out in connection with the introduction of new environmental legislation for retail stations (e.g. the introduction of new filling hoses with gasoline vapour recovery) in 1995 showed that the profitability of the approximately 1,350 retail stations in Germany was rather bad and that the investments in environmental protection required would not have been worth making for all the stations. Closing down more than 400 retail stations in Germany would, however, have further reduced Deutsche BP's already small market share and the loss could not have been offset by new investments in new sites. Deutsche BP found itself at a crossroads, with two extremely different strategic options: giving up the German market completely or finding a solution by means of sudden, external growth (cooperation or acquisitions).

In the following years three different efforts marked Deutsche BP's path to the position of market leader: (1) a joint venture with rival Mobil, embarked on and then relinquished again, (2) negotiations on another joint venture with DEA as a possible partner, and (3) the successful takeover of the industry leader Aral.

1) In 1996 BP and the international, vertically integrated oil company Mobil set up a joint venture to which both companies contributed their European downstream businesses with the refinery and marketing systems. All the European activities in the fields of fuels and lubricants were combined. Mobil had no marketing system of its own, but from BP's point of view, it had one important asset: since 1967 it had held a 28% share in Aral, the No. 1 in the German retail station market, through which it sold its refinery products. If this stake in Aral could have been detached, it would have meant a massive strengthening of business in Germany for BP. The ownership structure at Aral was, however, complex. Aral was founded in 1898 by 13 mining companies as Westdeutsche Benzol-Verkaufsvereinigung, for the purpose of marketing the benzene produced in the coking of anthracite.[29] Little by little, three big owners emerged who all had the same voting rights: Veba Oel, Mobil and the BASF subsidiary Wintershall.

28 Deutsche BP AG (2001) – Jahresbericht, Zahlen 2000. Hamburg. Cover

29 On Aral, cf. Aral (2001) – Alles super – und wie es dazu kam. Bochum sowie Veba Oel AG (2002) – Veba Oel. Unternehmen im ständigen Wandel. Gelsenkirchen

Since 1975 Veba Oel had been able to increase its stake to 56% of the share capital and had to bear a corresponding share of any investment – but it only had one third of the votes, just like the two smaller shareholders. However, it proved to be impossible for Deutsche BP to detach the 28% stake in Aral and move it into the Deutsche BP camp. In addition, the joint venture between BP and Mobil had to be ended in 1998 as Exxon and Mobil wanted to merge and the EU Commission had attached strings to its approval of this merger. One of these conditions was that Mobil had to end the joint venture with BP. Ending this joint venture had far-reaching consequences. For one, Deutsche BP suffered a setback in its strategy to become a big player in Germany. It had to find a new partner or pursue a new growth strategy. For another, this meant that the ownership structure at Aral, the German market leader in the retail station sector, would change. As Mobil was obliged, too, to sell its stake in Aral as a result of the Cartel Office's requirements, Veba AG (later E.ON AG) was able to substantially increase its stake in Aral by buying Mobil's shares in 1999. The other shareholder, Wintershall, was pressured by its parent company BASF to withdraw from the downstream business in favour of upstream and gas activities. Wintershall, too, sold its stake to Veba Oel, giving the latter complete operative control over Aral at the beginning of 2000. This meant that Aral could be strategically directed by its parent Veba Oel and also linked up with the other activities of this German oil company.

2) The list of further cooperation partners for Deutsche BP in the German market was short. Esso and Shell were ruled out because they were both successful companies with international operations, and were – unlike Aral and DEA – vertically integrated across the entire value chain and were better positioned in the German market than Deutsche BP. In any cooperation with one of these competitors in the German market Deutsche BP would therefore have become the junior partner. There was no interest in buying Conoco because of its low-price policy; and having TotalFinaElf as a cooperation partner would not have achieved the desired quantum leap. Aral was the market leader, but it had a complex ownership structure at the time of the failure of the joint venture with Mobil in 1998, and this structure appeared to be difficult to break up. In the end, the only possible cooperation partner in the German market was DEA, a subsidiary of RWE AG in Essen. DEA was more of a local player with not much in the way of international upstream activities. In Germany, however, DEA had a market share of around 11% in the petrol station market. In January 1998 Deutsche BP embarked on talks with DEA on a possible cooperation in the German market. However, the deal foundered in mid-1999 on different evaluations of the activities of the two companies. As a result, it was back to square one for Deutsche BP. In the following months DEA, however, negotiated with Shell and on 6 July 2001 it announced that both companies planned to set up a joint venture to which they would be contributing their oil activities (refineries and retail stations) – precisely along the lines of the previously failed negotiations between Deutsche BP and DEA. This new network of retail stations represented a market share of 24% of the German market. This Shell/DEA deal put Deutsche BP under enormous pressure as its position vis-à-vis another powerful player in addition to Aral was now going to be weakened further.

3) A third option for Deutsche BP was more of a side-effect of the attempt to increase the value of a purely financial stake and make more money for the shareholder BP. As we have already seen, BP had acquired the Veba subsidiary Gelsenberg in 1978 – and with it a 25% share in Ruhrgas – in exchange for crude oil supplies. However, because of the complex ownership structure at Ruhrgas (similar to that at Aral), none of the owners could take control of Ruhrgas, and the business remained a purely financial stake for all concerned. In Deutsche BP's view, however, profits and dividends at Ruhrgas did not correspond to the company's real value. So it began to think about ways to make more of its passive stake in the company. One option for Deutsche BP would have been to launch Ruhrgas on the stock exchange and then sell its own share – the resulting proceeds would have amounted to many times the dividends it could still expect. To this end, the chairman of the Deutsche BP board met the member of the E.ON AG board responsible for Ruhrgas (E.ON being one of the shareholders) who – because of E.ON's shares in RAG AG – was also one of the most influential managers within the group of Ruhrgas shareholders. In these talks Deutsche BP explained the option of launching Ruhrgas on the stock exchange, and the board member from E.ON presented a new variant. Why should E.ON agree to Ruhrgas being listed on the stock exchange and not acquire Deutsche BP's shares in Ruhrgas itself? E.ON also had something to offer in exchange for Deutsche BP's stake in Ruhrgas: Veba Oel with its subsidiary Aral. Deutsche BP understood the historic opportunity on offer: at one fell swoop – and if things could be settled quickly enough – it could take over the Number 1 in the German retail station market, Veba Oel and Aral, and achieve a comfortable market position for itself. After intense, but short, negotiations in 2001 BP and E.ON agreed to do business with each other. The core of the agreement was that BP would sell to E.ON its shares in Ruhrgas, which it held via Gelsenberg, (and pay a cash settlement) and in return receive the E.ON subsidiary Veba Oel with Aral. They agreed on a two-stage deal. At the turn of 2001/2002 BP and E.ON were to acquire majority stakes in Veba Oel and Gelsenberg respectively through capital increases. With this takeover of 51% of the shares in Veba Oel with effect from 1 January 2002 BP acquired complete control over Veba Oel and could start the integration. From April 2002 BP and E.ON could exercise their put options and sell the remaining shares to the contract partner, who could then completely acquire the respective company.[30]

At the time of the acquisition of Veba Oel, John Browne, BP's CEO, spoke of the significance of this takeover for BP:

> In the last three years we have succeeded in building up outstanding positions in the most important markets, but after we ended our joint venture with Mobil we had no assets of any note in Germany. This transaction has the potential to change our position in one fell swoop, bringing us the leading and most successful fuels business in the third largest economic area in the world. [31]

On 19 December 2001 the German Cartel Office authorised the sale of Veba Oel to Deutsche BP and the joint venture between Shell and DEA – but it imposed conditions. BP / Veba Oel and Shell / DEA together now had a market share in Germany of more than 50%, and they would therefore have to give up market shares in order for the deals to be approved.

30 Cf. the BP press release: BP (2001) – BP sells Ruhrgas stake in deal that would make it market leader in German fuels. www.bp.com/genericarticle.do?categoryId=2012968&contentId=2014392, accessed on 17 November 2005

31 Deutsche BP AG (2003) – BP in Deutschland 2002. Bochum. p. 46

The most important requirements for Deutsche BP were:[32]

- The sale to third parties of BP and/or Aral roadside stations with a turnover volume corresponding to around 4 % of market share. For BP this amounted to around 750 stations.
- The sale of 45% of the equity share in Bayernoil Raffineriegesellschaft mbH to a third party which had no stake in any major refining company with its own retail station network. This was to improve sourcing options for independent filling stations.

Together, BP / Veba Oel / Aral on the one side and Shell / DEA on the other had to divest themselves of a total of around 1,500 retail stations. At that time there were altogether around 16,000 stations in the German market. Both, BP and Shell / DEA, welcomed the approvals for the mergers. BP met all the requirements laid down by the Cartel Office by selling 494 stations to PKN Orlen from Poland in February 2003 and 247 stations to Austria's OMW oil company in July 2003.

32 Cf. the German Cartel Office's written comments dated 26 February 2002 at www.bundeskartellamt.de/wDeutsch/archiv/EntschFusArchiv/2001/EntschFus01.shtml

The strategic integration

Three of the most important and urgent elements of a strategic integration process are: defining the strategic direction of the new company, deciding on the approach to be adopted for the integration, and organising the integration process, as it is here that decisive markers are laid down for the future of a company and the behaviour of its employees. The most important strategic decisions with regard to the future direction of the "new" Deutsche BP after the integration of Veba Oel and Aral had already been taken before the formal takeover and without the involvement of managers from the companies taken over. Thus BP London, on announcing the deal in its press release of 16 July 2001, already formulated goals to be reached through the takeover, as well as the corresponding measures:[33]

– Achieving cost synergies by means of merging two headquarters, exploiting procurement potential in a larger group of companies and optimising processes; synergies totalling at least $200 million a year were to be achieved, with around 15% of costs being saved.[34]
– Giving up the BP logo in the German market and rebranding BP's stations to Aral. The justification given for this step was the exceptional brand awareness of the Aral brand in the German retail stations market.[35]
– Selling individual businesses (e.g. parts of Veba Oel's upstream business or the closure of fuel depots or of sales offices in the b-2-b business).
– Integrating both companies swiftly in order to create a workable unit in Germany.

33 BP (2001) – BP sells Ruhrgas stake in deal that would make it market leader in German fuels, www.bp.com/genericarticle.do?categoryId=2012968&contentId=2014392, accessed on 17 November 2005

34 Cf. for example Handelsblatt (2001) – BP ist mit Aral künftig die Nummer eins in Deutschland. 17 July 2001. p. 4. author's initials: beu

35 Cf. the detailed account in Vangerow, Bernd & Franke, Uwe (ed.) (2005) Markenfusion. Strategie und Gestaltung – Warum ARAL kommt und BP bleibt. Basel

Fig. 5: Rebranding a BP station to Aral

There was not, however, much in this integration that corresponded to the usual post-takeover integration schemes.[36] For example, BP in London gave out the motto **"Best of Both"** for the integration of Veba Oel into Deutsche BP: the best of each company was to be adopted, "instead of simply pressing Veba Oel and Aral into a BP mould".[37] Decisions on allocating people to jobs, on processes or brand appearance were always to be taken only after a careful analysis of both companies. For example, although BP took over the Aral brand in Germany it was decided after a thorough analysis to discontinue Aral's Pananino shop concept and take over Deutsche BP's Petit Bistro concept instead.

What was certainly surprising was that Wilhelm Bonse-Geuking – the former chairman of the company taken over, Veba Oel – was appointed chairman of the "new" Deutsche BP. This meant that the chairman of the larger company – which was larger in terms of numbers of employees and turnover, but was the one which had in fact been taken over – was responsible for the entire "new" Deutsche BP. Dr. Uwe Franke, up to then chairman of Deutsche BP, was appointed deputy chairman and, at the same time, Business Unit leader of the retail business in Germany, making him the head of the most important asset: Aral. He steered the complex, sensitive integration process at Aral, which included, among other things, the re-branding of the BP retail stations. All the German companies involved – Veba Oel, Aral and also Deutsche BP – experienced both gains and losses in this restructuring.

Veba Oel, for example, lost its brand name, its own independent identity in the market and its previously relatively autonomous position as the oil subsidiary of Veba; but it had the most employees and, by providing the chairman of the new organisation, it occupied a key position. In addition many jobs were to be moved from Hamburg to the Ruhr District.[38]

Although Aral, by contrast, was able to retain its valuable brand name, it had to bow to a new, strong owner and apply BP standards in many of its work processes. In addition the new chairman came from Deutsche BP.

As far as Deutsche BP was concerned, it was not entirely clear either whether it was one of the winners of the takeover. True enough, it did on the one hand keep its processes, and its importance within BP increased dramatically as a result of the takeover (after the takeover it had over 11,000 employees – around 10 percent of all BP staff worldwide); but on the other hand a new chairman arrived and some of its activities were relocated to the Ruhr District. This resulted in a lot of pressure on everybody involved to work together to make the integration succeed. The focus of the ensuing integration lay in the companies wholly-owned by BP. The Ruhr Oel joint venture with the Venezuelan PdVSA in the refinery sector remained untouched in the first step.

36 For a classic approach cf. for example Ashkenas, Ronald N., DeMonaco, Lawrence J. & Francis, Suzanne C. (1998) – Making the Deal Real: How GE Capital Integrates Acqusitions. In Harvard Business Review 1/2 1998. p. 5 ff. or Grube, Rüdiger & Töpfer, Armin (2002) – Post Merger Integration, Erfolgsfaktoren für das Zusammenwachsen von Unternehmen. Stuttgart

37 Deutsche BP AG (2003) – BP in Deutschland 2002. Bochum. p. 46

38 Hamburg remained the legal headquarters of Deutsche BP AG

The necessary **appointments to management positions** were made quickly. The new board and the leaders of the Business Units were appointed with effect from September 2001 – by BP in the UK. The second tier of management at the new Deutsche BP was appointed to their positions with effect from December 2001, i.e. long before the partial acquisition of Veba Oel on 1 February 2002 or the complete acquisition on 1 July 2002. These appointments were made by the management of Deutsche BP. In this selection process BP in the UK merely looked to see that these management appointments were in line with the company's official Diversity & Inclusion policy, i.e. that the whole diversity of BP employees with respect to gender and age, background and experience, was considered in a balanced way. Diversity and Inclusion thus appeared explicitly as a further selection criterion beside performance and potential.

As early as September 2001 a **project organisation** for the integration was set up, working top-down. Its task was jointly to prepare important decisions for the new Deutsche BP, e.g. on the organisation, the management model and reporting procedures. The decisions were then made by a Joint Council of German and British BP managers and managers from Veba Oel. The new organisation structure was announced on 7 November 2001. In the first stage of the integration the leadership team for this overall project and for the part-projects maintained even parity: one British and one manager from Veba Oel acted as joint leaders in each case. In a second phase of the integration new integration teams were formed which no longer upheld the system of even parity. They had the task of identifying projects the necessary synergy potentials could be realised with.

In this first phase preceding BP's acquisition of a 51% share in Veba Oel with effect from 1 February 2002, BP and Veba Oel were still, formally speaking, two separate companies acting as competitors in the German market although they already had a wide range of common activities before the acquisition (e.g. joint holdings in Bayernoil or supply and swap contracts). Contacts between employees of both companies were allowed within the framework of these normal relations. The exchange of sensitive data between both companies (e.g. on price calculations or on remuneration schemes in the marketing field) was, however, forbidden, as this might have led to disadvantages for competitors. Such an infringement would have been punished by the Cartel Office. For this reason any exchange between employees of both companies was only allowed to take place in a manner strictly regulated by the integration team.

BP in the UK made it clear from the beginning that there were certain subject areas which, in its view, had to be implemented uniformly worldwide. These included, for example, a uniform controlling system in line with UK-GAAP. In this case there were no discussions about whether this should be done – only questions about how this standard used worldwide throughout the group could be introduced fast. All issues relating to health, safety, security and the environment (HSSE) were another such area as BP, like all oil companies, was, and still is, under the critical eye of public opinion where issues like environmentally friendly production or the transport and refining of crude oil and refinery products are concerned. Also, a number of hazards can arise for employees in the refineries during the refining processes which expose them to pressure and heat. BP set stringent standards for these potentially hazardous processes, which were also measured continuously. A further subject area was that of Diversity & Inclusion, which was designed to distinguish BP as an employer consciously utilising and promoting the diversity of its employees in respect of background, age, gender, race, abilities or education.

An issue which – at first glance – belonged to the "soft" factors was BP's **business policies,** which were published in the "What we stand for" guidelines. In these guidelines BP defined the core of its corporate philosophy:[39]

We are committed to
- respecting the rule of law, conducting our business with integrity, and showing respect for human dignity and the rights of individuals wherever we do business;
- creating mutual advantage in all our relationships so that people will trust us and like to do business with us;
- demonstrating respect for the natural environment and work towards our goals of no accidents, no health risks and no environmental damage;
- managing our financial performance to maximise long-term value for our shareholders.

These business policies were outlined in greater detail and supported by binding definitions. They also laid down binding rules for implementation and policy assurance; BP allocated the decisive coordination and control functions to functions in its matrix organisation. In the implementation of this Group-wide policy it used performance indicators which were also introduced at Deutsche BP. To implement the "What we stand for" guidelines, Deutsche BP used the "IGNITE Workshops" (see section on cultural integration). In these workshops the top management presented these business policy guidelines to managers and discussed them together. The managers were in turn given the task of discussing the guidelines with their staff. To this end the Internal Communications department provided them with brochures and PowerPoint presentations to enable them to structure both their presentations and the subsequent discussion.

The "What we stand for" policies were replaced in 2005 by the 75-page Code of Conduct, which laid down regulations applicable worldwide in the fields of HSSE, behaviour towards employees (e.g. Diversity & Inclusion, respect for one another, data protection and confidentiality), relations with business partners, contacts with governments and municipalities and the protection of the company's assets and its financial integrity.[40]

In 2002 Wilhelm Bonse-Geuking gave a clear answer to the question posed by staff about when the integration process would be completed in his view:[41]

When everything we want to accomplish with the integration has also been reproduced in the books. Our aim is to achieve an improvement in results amounting to €200 million by the end of 2003. Intensive communication is the only way to build up close cooperation and a common corporate culture across the new BP Group. We must work closely together on personnel issues, for example in order to push staff development. Staff in Cologne, for example, should also have the chance to work in Bochum or Gelsenkirchen. Anyone who wants to prove themselves internationally should have the chance to do so. That's how we'll create the feeling of all belonging to one company, BP. And this will have to be accompanied by good cooperation at management level. The integration will have succeeded when no one says, "He used to work for Aral" or "She used to work at BP" any more – but, rather, when we all look upon ourselves as BP employees.

39 Deutsche BP AG (2002) – Grundsätze der Geschäftspolitik (German translation of "Business Policies"); available on CD-ROM included in Deutsche BP AG (2003) – BP in Deutschland 2002. Bochum

40 Cf. BP (2005) – Code of Conduct, www.bp.com/sectiongenericarticle.do?categoryId=9003494&contentId=7006600, accessed on 21 November 2005

41 Deutsche BP AG (2002) – strong2gether 5/2002. p. 4 f.

The structural integration

The structural integration of Veba Oel and Aral was managed quickly, and without these two companies being consulted, by integrating them with their structures into the BP organisation. Business was run at the top level of the company by the Group CEO, John Browne, the Group Chief Executives[42] and the Chief Executives of the four business lines: Exploration & Production, Gas & Power, Refining & Marketing and Chemicals. The Group Chief Executive Committee they formed controlled BP's business worldwide. However, what was more important for the CEOs of the four business lines than the legal structure (the sub-classification of the units by Aktiengesellschaft or GmbH) was the direct, immediate control of their units. For this reason so-called Group Vice-Presidents (GVPs) reported to every CEO of a business line. These GVPs in turn were in charge of segments (Strategic Performance Units) consisting of self-contained Business Units. The leader of a business line and his Group Vice-President agreed annual performance contracts, which reflected all the significant components of the business, including important financial and operative data. This absolute performance orientation may be considered as signature feature of BP's culture. The performance contracts were supplemented by important non-financial targets, for example in respect of safety and environmental behaviour.

At the next level of the company the Business Units (BU) as operative units were responsible for running one business each. They were not, however, restricted to one country. This meant, for example, that a "Refining" Business Unit could comprise all the refineries in Europe or in certain groups of countries and, in doing so, cut across the typical country units and the legal structures. The performance contracts between the Business Unit leaders and the segment leaders (GVPs) were also used as management instruments in order to run the Business Units. These performance contracts were regularly monitored and assessed with regard to the fulfilment of targets. However, they only reflected a kind of framework and within its boundaries the subordinate integrated in this way enjoyed a large measure of freedom.

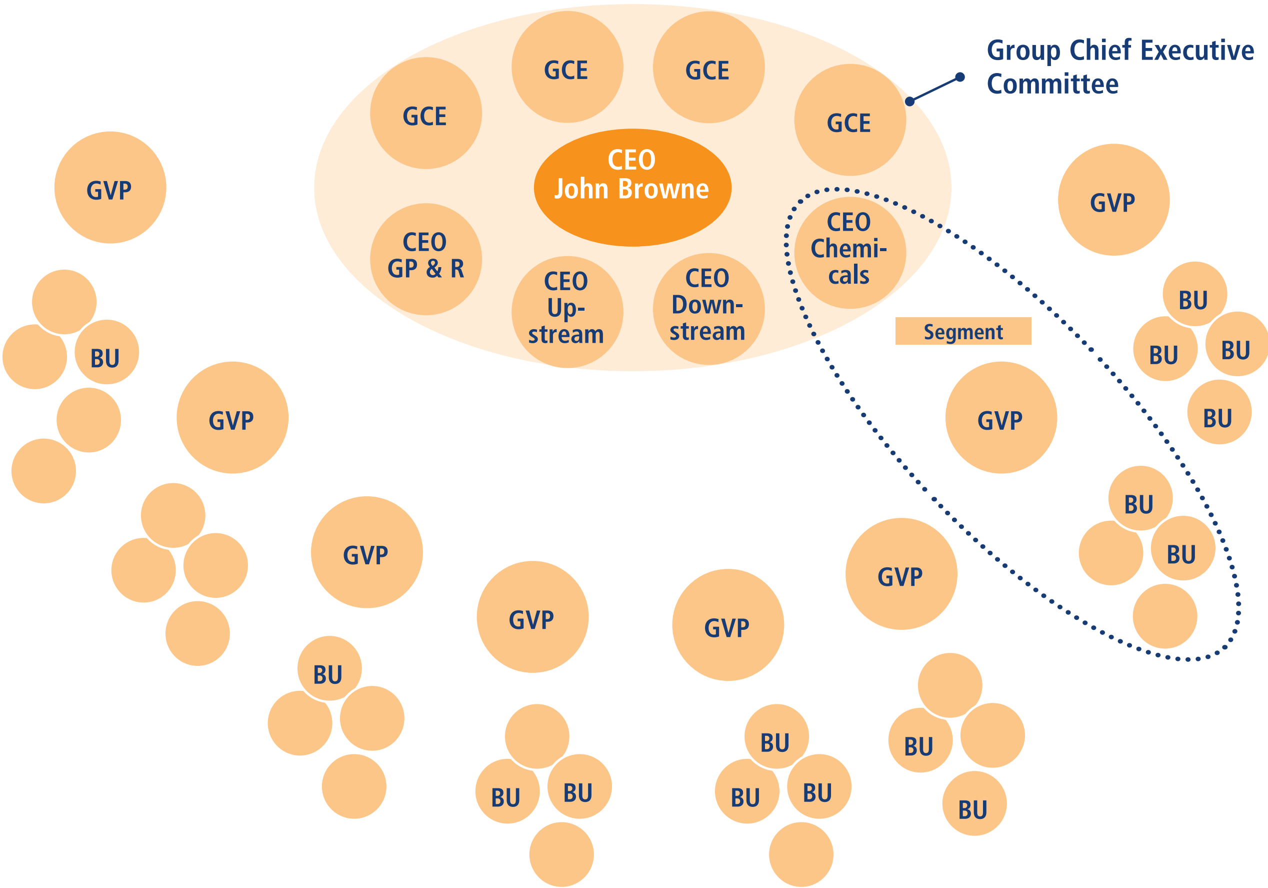
BP describes the benefits of this way of working and of this form of corporate governance as follows:[43]

> The outstanding feature of this management structure is that it allows fast, innovative reactions to new situations without having to overcome major bureaucratic hurdles and without necessitating constant queries back to a higher level – but in a context that makes allowance for audit and performance requirements.

42 Deutsche BP AG (2003) – BP in Deutschland 2002. Bochum. p. 9, mentions the following functions which work centrally for all BP companies: Internal and External Communications, Diversity & Inclusion, Controlling and Finance, HSSEQ, HR, Internal Audit, Marketing, Strategic Planning and others.

43 BP (2005) – BP Organisation, www.bp.com/sectiongenericarticle.do?categoryId=2010545&contentId=2015525, accessed on 2 June 2005

Fig. 6: BP's organisational structure in 2001[44]



GCE = Group Chief Executive, responsible for strategy
CEO = Chief Executive Officer
GVP = Group Vice President, responsible for performance assurance
BU = Business Unit, with operative responsibility

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One of the first tasks for the "new" Deutsche BP now consisted in setting two processes in motion: the integration process into the BP organisation with the formation of Business Units[45] and, at the same time, the process of finding a new legal structure. To achieve this, new companies had to be established because there were, for example, two retail station companies and two lubricants companies, each of which had to be merged into one new German entity capable of functioning; there were also two holding companies in Hamburg (BP) and Gelsenkirchen (Veba Oel) which had to be merged.

[44] Cf. BP (2005) – BP Organisation, www.bp.com/section genericarticle.do?categoryId=2010545&contentId=2015525, accessed on 2 June 2005

[45] After the integration there were four BUs in the refining sector and one BU in retail in Germany; five further BUs operated in Europe

One of the first tasks after Deutsche BP's official takeover of Veba Oel and its companies was therefore the creation of new, viable **legal structures.** These new legal structures were the necessary pre-condition for all further personnel measures as well as a more detailed definition of the organisation's structure and the positions in it, the harmonisation of different regulations, the subsequent selection of personnel and other measures. Internally, the date for the legal reorganisation and integration of Veba Oel into Deutsche BP was named the Legal Completion Date (LCD). On 1 October 2002, i.e. just three months after the complete acquisition of Veba Oel with effect from 1 July 2002, the new legal structure was in place. A total of 34 existing companies were grouped into eight new companies, although the joint ventures such as Veba Oil Refining & Petrochemicals GmbH Gelsenkirchen (VORP) as a joint venture with PdVSA remained unchanged. Of the 11,138 employees of the new company BP Deutschland, around 3,000 changed companies – and thus also their employer – with effect from 1 October 2002. The biggest new companies were BP Oil Marketing GmbH with around 2,000 and BP Lubes Services GmbH with around 1,000 employees.

As can be seen, the reporting lines between the segment leaders – the Group Vice-Presidents – and the leaders of the Business Units were very important in the British parent company, more important than the formal relationships required by German law between, for example, the supervisory board of an Aktiengesellschaft and its management board. But German law stipulates legally binding, compulsory regulations for German companies which have to be fulfilled – with the result that the "new" Deutsche BP, as an Aktiengesellschaft, needed a supervisory board as well as a management board (as the "old" Deutsche BP used to have).

Fig. 7: Creation of new legal structures at Deutsche BP AG [46]

3 companies	**Deutsche BP AG**
19 companies	**BP Oil Marketing GmbH**
4 companies	**BP Lubes Services GmbH**
2 companies	**BP Energie Marketing GmbH**
3 companies	**BP Köln GmbH**
1 company	**BP RP GmbH** (Refining & Petrochemicals)
1 company	**BP GE GmbH** (Gelsenkirchen – Veba Oel Verarbeitungs GmbH)
1 company	**ERE GmbH** (Erdöl-Raffinerie Emsland)
14 companies	**Non-consolidated companies**

[46] Quoted from: Deutsche BP AG (2004) – Presentation given by Hans-Jürgen Fleckhaus, Arbeitsdirektor (Labour Director) of Deutsche BP AG, to the working group Internationale Personalarbeit (International Personnel Work) on 26 February 2004. Gelsenkirchen (unpublished)

But how were the official German legal structure and BP's corporate governance requirements to be reconciled? BP partially solved this problem firstly by appointing important office-holders from its organisation as representatives of the shareholders to the Deutsche BP supervisory board. This meant, for example, that on 31 December 2002 seats on the supervisory board were held by the Group Vice-President Chemicals, an Executive Vice-President Chemicals, the President Downstream Human Resources, the Regional President Europe, the Vice-President External Affairs as well as the Group Vice-President European Marketing Operations.[47] Secondly, all leaders of German Business Units were appointed to the management board of Deutsche BP.

Dr. Uwe Franke articulated this contradiction clearly in an interview with the staff magazine strong2gether:[48]

Business Units (BUs) are the cornerstone of BP's work. By definition BUs work across national borders. The challenge we face is to embed these BUs within the legal entities we have in Germany. Aral and Veba Oel were controlled by these legal entities very much more strongly than BP... The task of management now consists in modelling a forum from all the BUs, which will allow to cover everything that would otherwise disappear between the "silos" of the Business Units.

In Germany personnel policy and human resources are strongly regulated by means of the Co-Determination Act (Mitbestimmungsgesetz). However, this Act does not know BUs. Here we must find a way to work together on solutions which go beyond the BUs and include the issue of co-determination. This is especially important right now in the integration phase. We shall have to form a new, shared culture which also gives staff the opportunity to find a new identification within the German company without losing their identification with the BU.

However, what remained strange and took some getting used to, as far as Veba Oel managers and staff were concerned, who were used to German conditions, was the fact that a company's activities could belong to several Business Units and also be controlled by the leaders of these Business Units. Business Units were thus more important than the formal legal structures. It was therefore possible for staff to belong to a BU whose leader was located abroad. So they received their functional directives from him, from abroad, and they were appraised on the basis of the results of their Business Units. At the same time, however, they were bound into the German legal structure with all the laws, collective and in-company agreements which applied to them.

47 Deutsche BP AG (2003) – BP in Deutschland 2002. Bochum. p. 51

48 Deutsche BP AG (2002) – strong2gether 5/2002. p. 7 f.

The cultural integration: internal communications and integration measures

At the same time as work was proceeding on strategic and structural integration, cultural integration had to be tackled. But a first glance revealed the following differences between the companies involved.[49]

Table 2: Major differences between the corporate cultures

BP/Deutsche BP	Aral/Veba Oel
View of the world	
• International; part of a Group with global activities • Identification not with a product but with the company as a whole	• Company rooted in Germany • Proud of largest retail station network in Germany and market leadership; identification with the product – the fuel brand Aral
Values	
• Generalist approach • Self-reliance • Integration of managers in teams • Simple, fast and flexible organisation	• Specialist approach, thinking along lines of business • Control of processes • Managers want to decide • Processes have to run along planned, orderly paths
Symbols	
• Informal interaction • First-name terms (Anglo-Saxon ways) • English as working language; many English expressions in German, too • Casual dress reflecting personal taste	• Formal interaction • Use of surnames (German "Sie") • Virtually no English terms adopted in German • "Business fashion" with suit and tie
Structures	
• Part of an international Group with high degree of autonomy for individual businesses • Flat hierarchies with cross-unit cooperation	• Part of a company with more of a German focus and quite bureaucracy-like structures • Clear responsibilities and separation of hierarchical levels
Management Styles	
• Decisions are made locally; competence is delegated • Networking across all units and levels • Search for simple, fast and flexible solutions; tendency more towards open tasks; tendency for mistakes on the way to success to be tolerated	• Top-down approach with decision-making processes running along hierarchical lines • Separation of company's divisions • High status of planning; tendency for employees to be given closed tasks; low tolerance of mistakes

So the task of achieving cultural integration was difficult, as the cultural differences between the companies were big on several levels. However, these differences between themselves and their former competitors were not clear to all employees. Not only were they unaware, but they were also afraid of losing their own jobs – and there was resistance to the takeover on both sides as well. This had to be broken down by cultural integration measures. Deutsche BP pursued two closely interlinked approaches for integration. One important element was information for all employees and communication with them. Another one was measures to support the integration (shown below).

The most important internal communications medium for comprehensive, **up-to-date information for all employees** was the bi-monthly integration magazine **strong2gether,** which appeared around a dozen times between the beginning of the integration process and its end in 2003. strong2gether was a new name which symbolised the "best of both" approach adopted in the integration process and which was supposed to provide a new identity for the integration phase. As all employees were to find a new "umbrella", none of the names used for the BP, Veba Oel or Aral staff magazines were used.

Fig. 8: strong2gether logo

49 Compiled from Scholz, Holger, Studt, Jürgen F. & Zech, Rainer (2004) – Integrationsprozesse bei der Fusion von BP und ARAL. In OrganisationsEntwicklung, Issue 4/04. pp. 58-71

In strong2gether all 10,000 employees of the new Deutsche BP were given up-to-date information on all important issues. The topics dealt with in strong2gether covered all integration-related issues (e.g. new organisation structure, legal completion date, new BP systems such as HSSE or the employee survey at BP) as well as articles on Business Units, sites or products which were new to one set of the employees or the other. One special feature of strong2gether was the interviews with managers such as the chairman of the board or the British integration manager. These were not conducted by magazine staff but by BP employees. The integration magazine also contained articles written by employees.

Fig. 9: Communication with strong2gether as a print medium

In addition to this print medium there was also fast electronic communication. The issues dealt with in the strong2gether extranet were similar to those in the print medium, but there was the extra option for employees to ask the editors questions about the integration. These questions were then fully answered in collaboration with the company's works councils. In addition, success stories from Business Units and project teams were published on the Intranet. Electronic newsletters supplemented these communication media with up-to-date news on the merger process which was reported daily – and sometimes even hourly.

Fig. 10: strong2gether on the extranet

The following were also used in internal communications:

- E-mails "to all staff" relaying information rapidly to all employees and supplementing the extranet. Issues covered were, for example: company results; comments on press articles on BP; the ministerial dispensation in the Cartel Office proceedings; quality problems; donations after the floods in eastern Germany.[50]
- TOP 200 Newsletter from the chairman of the board every two weeks, providing senior managers with the latest information for them to pass on to their staff; topics: integration issues, latest news (e.g. from supervisory board meetings); reports on visits to Deutsche BP by the BP CEO John Browne or by John Manzoni, Chief Executive Refining & Marketing; results of management questionnaire.
- One area within the BP/Veba Oel/Aral Intranet was set up exclusively for the TOP 200 Management Team; the aim was rapid supply of information and work material to this target group – e.g. minutes of meetings, important presentation transparencies, speeches or pre-formulated questions and answers to prepare managers for direct communication with their staff.
- A dictionary was drawn up containing business jargon used on both sides.

This elaborate approach to communication had many different aims. For example, all employees were to be involved in the processes and structures of the new company; their motivation was to be increased by means of this rapid, open, comprehensive communication; integration projects were to be implemented faster now that all employees had received such comprehensive information; the company's attractiveness as an employer was to be heightened.

What was difficult was coordination between communications for internal target groups (BP staff) and external groups (all external stakeholders such as customers, suppliers, investors, municipalities, authorities and the press). Both target groups – internal and external – had to be served, and not only did communications have to be consistent in what they were saying, but the timing between the two had to be right as well. As Britta Kopfer, Internal Communications Manager at Deutsche BP, said:

> We always tried to inform our staff first... First our employees, then the public, so that they never had to get information from the press first. That was the order in which we did it. Mostly it was successful but sometimes, unfortunately, it wasn't.[51]

At the end of the integration process strong2gether became the new BP staff magazine Kompass, with a somewhat different layout, other topics and the Kompass intranet appearance. This clearly marked the end of the integration process.

In addition to these information channels, a platform was set up to allow a high volume of communication and dialogue between senior managers and employees. This included the so-called town-hall meetings. The basic idea behind these meetings is direct, unfiltered communication between managers and employees. For this form of communication to succeed, manageable units with up to 500 employees are chosen (locations or businesses) which still provide a framework to foster open questions from employees. Employees can either put their questions in the town-hall meeting itself, or submit them in writing beforehand. The questions are not filtered and managers have no opportunity to prepare their answers. For managers, this was a different form of communication than the traditional staff

50 Cf. ABB (2005) – The Dormann Letters, Zurich, which contains all the e-mails which Jürgen Dormann wrote every week from 5 September 2002 to 31 December 2004 in his capacity as CEO of ABB Ltd.

51 Interview with Britta Kopfer (nee Blanz) (Internal Communications) and Ulrich Winkler (External Communications) at BP in: Ulrich, Christina (2004) – Beyond Petroleum. In: prmagazin. Number 10, October 2004. p. 22

meetings (Betriebsversammlungen), which have a ritualised agenda and are characterised not so much by mutual dialogue as by classic one-way communication in the form of speeches by members of the works council and management. Employees' questions arose predominantly from the current situation in the company or from the short introductory statements made by managers. Because of the large audiences managers were under considerable pressure to react spontaneously and make credible statements they could not later retract – which, at a time of job-cutting and painful changes to old ways, was far from easy.

Fig. 11: "Grüne Welle" (= "green lights") in the Ruhr Area – more than 1,000 BP-employees from all over Germany took part as a team in the Ruhr Marathon 2005

Lunch & talk was a further instrument of communication to be introduced. In this form of communication a member of the board met a group of up to 15 staff for a joint lunch at which the staff could ask him questions without any restrictions. All members of the board upheld this practice – sometimes in parallel lunches – as long as company staff felt a need to talk. For lunch the senior managers served sandwiches, so that the focus was not on the lunch itself and on "correct manners", allowing an informal atmosphere to develop. In such an informal atmosphere very close contacts were quickly established between senior managers and staff, with the result that not only could pressing questions on the integration be asked very openly, but senior managers could also be given honest feedback on how the integration process was proceeding. The following are examples of the questions asked during these lunches, which lasted around 90 minutes:[52]

– What will training and personnel development schemes be like in the new company? What career opportunities do German staff have within BP?
– What does "best of both" mean precisely? Will Veba Oel be "swallowed up" by BP? (This particular fear was expressed by both Veba Oel and Aral staff.) Will BP be "swallowed up" by Veba Oel? (This was expressed by BP staff.)
– How does BP function? How should I act at BP?
– What are the future relocation plans? Which departments will be working in which cities? What assistance will there be for relocations?
– What are the plans for employees in the BP joint ventures (e.g. in the refineries operated jointly with PdVSA from Venezuela) as regards further inclusion in the integration?
– How is the integration process proceeding? What are the individual integration teams doing?
– Will I have a job in the long-term? Which company will I be working for in the future? How much will I earn?

Participation in the lunch & talk sessions was voluntary. All that was required was for staff to make their interest known. Separate sessions were, however, organised for members of staff and senior executives. For the board members the lunch & talk sessions provided a lot of feedback and important insights into the mood in the workforce at grass roots level. The advantages of this approach are the high degree of visibility of top managers, and the creation of an awareness of the current business situation among the staff involved. The effectiveness of such a communication instrument does, however, depend to a high degree on the personality of the managers participating, as they find themselves in unaccustomed situations entailing a high degree of psychological pressure for them ("serving" sandwiches, the closeness of the staff and their spontaneous questions). In addition, this form of direct communication involved a lot of work – not only in organising the appointments for a variety of locations, but also for the managers. In this time of upheaval top managers' daily routines changed significantly: the routines were increasingly characterised by face-to-face talks.

52 Compiled from Deutsche BP AG (2002 and 2003) – strong2gether. Magazine for employees of the BP Group in Germany, Veba Oel, Aral, Veba Oil Refining & Petrochemicals and Veba Oil & Gas. Gelsenkirchen. 3/2002, p. 8 f. and 1/2003, p. 10 f.

Britta Kopfer, Internal Communications Manager, drew the following preliminary conclusions on communications during the integration process, seeing this integration as a form of change process:

Changes must be communicated to all staff early and, as far as possible, openly.

Speed is one of the – if not the – most important critical success factors in change processes. This includes the speed of open communication with the company's own staff.

The right form of communication has to be found for each employee – whether it is via print media, electronic media or personal contact.

It became clear quite quickly that dialogue and information via printed and electronic media are no substitute for face-to-face talks and communicating with staff directly. In change processes managers must take more time for direct communication with their staff, even if the large number of issues they have to deal with means that less of their working time is actually available for it.

In a change process the top managers must be visible for staff and give them direction. This includes communication with staff on the emotional level. Simply providing facts and figures is not enough.

Communication must only promise what can be delivered. Information couched in flowery language is quickly seen to be "cheap propaganda" and leads to a loss of trust.

Fig. 12: Wilhelm Bonse-Geuking and staff during a lunch & talk session

In addition to the forms of communication already shown, Deutsche BP also used a **whole range of other instruments to promote integration.**

The following overview[53] shows examples of some of the measures, along with the objectives pursued:

Table 3: Integration measures at Deutsche BP

Ignite – Management Alignment Meetings
Target group: around 150 top managers from Germany and Central and Eastern Europe (see description below)
Peer Mentoring between Senior Mentee / Senior Mentor
Goals: induction of staff into the BP world with its structures and rules by a partner from BP of equal status but with explicit "diversity". Bridging cultural differences through getting to know each other and personal assistance Mentoring partners found by integration team; "dissimilarities" taken into account so as to avoid homogeneous pairings with respect to company, age, gender etc. No stipulations regarding communication or aims; the programme ran for three months, the mentoring pairs were autonomous
Mutual Mentoring
Goals: induction of staff into the BP world with its structures and rules by a partner from BP from a higher position Mentoring partners found by integration team; no stipulations regarding communication or aims
Gender Speak
Goals: Creating awareness of gender-specific communication and teamwork by means of discussion rounds; Diversity & Inclusion issue
Cross-Cultural Training and Workshops
Goals: creating awareness of cultural differences, i.e. different values and behaviours within the BP world and with customers/suppliers; identifying the potential to be found in these differences and definition of rules for working groups with an intercultural mix Topics: dealing with different values in everyday working life; communication models and their everyday application; use of English as company language for everyone Duration: two days; course language German or English

FLL – First Level Leadership Programme

Goals: information on global BP standards as regards not only procedures and processes but also the BP philosophy and management style

Target group: all team leaders and department leaders in the commercial sector, as well as master craftsmen and shift-leaders from the technical sector (= First Level Leader"); around 12,000 employees worldwide, over 500 in Germany

Every year around 150 workshops take place just for the first two modules

There are four modules per group of participants on the following topics:
1) Context & Connections: overview of BP; BP's strategy; results; company values; BP's leadership model; HSSE, Diversity & Inclusion; organisation model; Duration: 2 days
2) Leadership event: leading self; leading others; leading highly effective teams; leadership stories; action challenge; Duration: 4 days
3) Supervisory essentials: HSSE; ethics; people (e.g. holding discussions, labour law); relationships; finance & control; Duration: 7-10 days
4) Peer partnership: accompanying mentoring concept

HR Orientation

Goals: creating awareness of the BP philosophy / HR strategy / BP corporate values

Target group: all new BP employees

"Away days" for individual departments / sections

Complete departments leave the office for 1-2 days to go on such an "away day"

Goal: improving internal cooperation; getting to know each other better; having fun (ratio of fun : work approx. 30 : 70)

Topics for "away days": specific department topics such as "Who does what?", "Who comes from which organisation?", "Where do we need better coordination?"

Methods: workshops, supplemented for example by outdoor exercises

These measures were staggered according to target group.

[53] The following information was taken from: Deutsche BP AG (2004) – Presentation given by Hans-Jürgen Fleckhaus, Arbeitsdirektor (Labour Director) of Deutsche BP AG, to the working group Internationale Personal-arbeit (International Personnel Work) on 26 February 2004, Gelsenkirchen, as well as interviews with Mr Fleckhaus and Ms Kopfer. Cf. also the quotation from Christensen, Marx & Stevenson on the use of instruments to support cooperation and change: "One of the rarest managerial skills is the ability to understand which tools will work in a given situation – and not to waste energy or risk credibility using tools that won't." From Christensen, Clayton M., Marx, Matt & Stevenson, Howard H. (2006) – The Tools of Cooperation and Change. In Harvard Business Review, October 2006. p. 80

Fig. 13: Integration measures by target groups[54]

<table>
<tr><th>Level „TOP 150“</th><th>Level „Teamleader“</th><th>Level „Employees“</th><th># of employees (plan)</th></tr>
<tr><td>Ignite I + II</td><td></td><td></td><td>150</td></tr>
<tr><td>Peer Mentoring</td><td></td><td></td><td>150</td></tr>
<tr><td colspan="2">Gender Speak</td><td></td><td>100</td></tr>
<tr><td colspan="3">Cross Cultural Workshops</td><td>According to requirements</td></tr>
<tr><td></td><td>First Level Leadership</td><td></td><td>300</td></tr>
<tr><td></td><td colspan="2">HR Orientation Workshops</td><td>7,500</td></tr>
<tr><td></td><td></td><td>Lunch & Talk</td><td>According to requirements</td></tr>
<tr><td colspan="3">BP Corporate Internet / BP Corporate Intranet</td><td>10,000</td></tr>
</table>

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The concrete approach to promoting integration will now be exemplified on two measures. Using the example of the IGNITE workshops for the company's top 150 managers and of the subsequent integration forums in the Aral Business Unit, the procedure and methodology used in the integration will be demonstrated in greater detail.

The two IGNITE workshops were designed for the new company's top 150 managers from Germany and Central and Eastern Europe.[55] The **first IGNITE workshop** took place as early as July 2002, i.e. shortly after BP had taken over the remaining parts of Veba Oel. The idea of these workshops was to provide (like the spark that ignites the fuel) the starting signal to a shared future for the employees from the "old" Deutsche BP, Veba Oel and Aral. These workshops were also designed to produce networks between managers who, so soon after the merger, did not yet all know each other personally. In addition, important issues were also to be discussed and worked on by the managers themselves. For this reason, although the board members gave talks on BP's strategy, the participants also had an opportunity – through the open design of the workshops – to raise issues important to them and work on them together with the members of the team leading the workshop.

54 Quoted from Deutsche BP AG (2004) – Presentation given by Hans-Jürgen Fleckhaus, Arbeitsdirektor (Labour Director) of Deutsche BP AG, to the working group Internationale Personalarbeit (International Personnel Work) on 26 February 2004, Gelsenkirchen.

55 Zusammengefasst nach Deutsche BP AG (2002) – strong2gether 4/2002, Zeitschrift für die Mitarbeiter der BP-Gruppe in Deutschland, Veba Oel, Aral, Veba Oil Refining & Petrochemicals und Veba Oil & Gas. Gelsenkirchen. S. 10 f. sowie diversen Interviews des Autors

In the first IGNITE workshop, the following issues were addressed:

- Role and tasks of internal communications in the integration process
- Employee motivation
- Integration and positioning of the brand
- The question how decision-making processes were organised at BP
- BP's organisation model – work within the Business Unit structure
- Rumours during the merger – and what was actually true
- The question of a hidden agenda in the integration.

The methods used in these two-and-a-half days were unusual for many managers. In order not only to speed up the process of getting to know each other, but also to break down prejudices, the managers were made to form small groups to work on various issues. One of the first tasks for each group was to paint a picture as a group showing the future of the "new" Deutsche BP. The aim of this exercise was to trigger a discussion process on the common future (just one picture per group!), and also to open up new, creative ways to approaching this important issue. Team formation was also promoted in a new way: The participants were given percussion instruments and told to make music together. After rehearsals in small groups, 150 participants came together and succeeded in playing together in the same rhythm. The logic behind this exercise was obvious: if the participants could manage to make music together despite all their individual differences and without a long process of verbal exchanges, then they would also be able to handle this complex integration.
Moreover, a digital voting system was used in these workshops which allowed the managers to submit their views on various issues anonymously. The leadership team thus received a direct picture of the mood among the most important managers in the company. At the end of the workshop the participants were given the task of talking with their staff about the IGNITE workshop and about the issues discussed and worked on.

The **second IGNITE workshop** took place half a year later in January 2003. The workshop opened with a short review of the integration process so far, followed by a discussion of the issues that needed to be addressed. These included:

- Open personnel issues such as appointments, relocations and redundancies
- The integration of the various corporate cultures
- How to proceed in the question of existing joint ventures (e.g. in refining)
- The simplification and acceleration of processes, and
- Increasing value creation.

In this case, too, there were talks – e.g. on the strategy for the downstream business, the strategy for the Europe segment and a report on BP's takeover of Arco. The core, however, was an information market in which 19 different Business Units and functions presented themselves. At this time the old Veba Oel structure with its three independent subsidiaries had just been integrated into the BP Business Unit structure. Employees were being newly allocated, and processes and accountabilities had to be reorganised – often across national borders. The Business Units' tasks consisted in preparing pinboards for this IGNITE workshop to present their work, their strategies and their goals for 2003. All the pinboards were displayed and the workshop participants were able to gather information for themselves according to their individual needs during the time the information market was being held. Each pinboard bore the name of one person responsible who could give further information directly.

A further point in the programme was the discussion of the "What we stand for" brochure – more precisely, the corporate values and how to implement these new policies for Deutsche BP. The appearance of a theatre group provided the opportunity to deal with another important aspect. The actors slipped into the role of "former" BP, Veba Oel and Aral employees before the merger and presented typical aspects of their behaviour. After this performance the participants drew up their ideas on how the managers of the "new" Deutsche BP should behave. The core points named were: being open and considerate, acting as partners, being willing to change and take risks, setting an example and being true to themselves. This workshop, too, ended with the managers being called upon to discuss the contents of the workshop with their staff. The detailed reporting in strong2gether gave staff a first impression of the workshop, and they were encouraged to speak to managers directly if required and thus actively get the information they wanted.

The IGNITE workshops were not continued after the integration. What was continued, however, was this type of management conferences. Once a year the board and the top management meet to talk together about important strategic issues, sometimes also about highly topical issues. Subsequent conferences each featured different mottos such as "One Company", and "Fit to lead – Leading in Europe", for example.

After the integration of the company's top managers had started with the IGNITE workshops, thus making the strategy and the thrust of the integration clear, the integration measures in the individual Business Units could also start. Two consecutive **integration forums / dialogue conferences,** each with between 100 and 150 participants, were organised for staff in the retail stations division with the three departments operations, asset management and shop & fast food.[56] These events, too, were held in line with the motto 'strong2gether'. Before the first integration forum the participants could submit their two most important questions on the integration in writing, so that the senior managers and moderators conducting the presentations and discussions could include the issues and questions which most interested the participants.

The objectives for the first integration forums were:[57]

– "Employees from both companies should get to know each other and discuss the working methods and experiences in their respective companies.
– Everyone should have the same level of information; the integration process should be transparent.
– Differences of opinion should be mentioned and discussed openly.
– Trust should be created and motivation increased.
– Staff should be involved in the process, contributing their expertise in order to build a new, strong team.
– Staff should be strengthened to take on the challenges of entering new territory.
– The changes to be made should be tackled collectively."

56 Compiled from Scholz, Holger, Studt, Jürgen F. & Zech, Rainer (2004) – Integrationsprozesse bei der Fusion von BP und ARAL. In OrganisationsEntwicklung, Issue 4/04. pp. 58-71; Scholz, Holger, Studt, Jürgen F. & Zech, Rainer (2004) – Unternehmensreport ARAL: strong2gether – die Fusion von BP und ARAL. In Knauth, Peter & Wollert, Artur (ed.) – Human Resource Management, 53rd supplement October 2004. Cologne: Deutscher Wirtschaftsdienst. 9.57; Interview conducted by the author with Dr. Jürgen F. Studt, Implementation-Manager at Aral AG

57 Scholz, Holger, Studt, Jürgen F. & Zech, Rainer (2004) – Unternehmensreport ARAL: strong2gether – die Fusion von BP und ARAL. In Knauth, Peter & Wollert, Artur (ed.) – Human Resource Management, 53rd supplement October 2004. Cologne: Deutscher Wirtschaftsdienst. 9.57 p. 31

Both days were to be organised in such a way as to combine a maximum of important information and face-to-face meetings with productive confrontation with the companies and their respective cultures. The methods chosen for the dialogue conferences therefore included – in addition to talks, which rather tend to turn participants into passive recipients of information – methods which “moved” the participants physically, motivationally, holistically etc.

First Dialogue Conference – Agenda for Day One

A) Participants were welcomed via a prepared sketch in which two employees from BP and Aral meet on the way to the conference. They each scoff at the way the other one is dressed (casual dress with rucksack, dark suit with attaché case); the sketch was designed to loosen up the atmosphere and at the same time point out cultural differences. The aim of the sketch was also to set standards for the next two days as far as interaction with one another was concerned (being open, honest and unbiased).

B) Talks by senior management on the current status of the integration provided answers to the following questions: “Where have we come from – where are we going? What is green – what is blue? How can we move on together?”

C) During the talks, participants made notes on the following questions: “What do I think is good?” “Where do I have a different view?” and “What is still unresolved?”. The participants’ questions were put up on pinboards, clustered and subsequently answered by managers, stimulating an open dialogue.

Fig. 14: Examples of participants’ answers to the first exercise in the 1st integration forum[58]

What do I think is good?

- The attempts to get to know and understand each other (Aral + BP)
- The work being done jointly on integration
- Mixed blue / green blood: new ideas + the tried and trusted
- Search for the best of both companies for the future
- Openness and clear information from the management

Where do I have a different view?

- We are more different than publicly acknowledged
- Strategic differences did exist
- Job security still unresolved
- Integration period too long
- Event takes place too early; some specific details are not allowed to be mentioned

What is still unresolved?

- Procedure for further communication
- Transparency of appointments to integration team
- Structure and processes of future organisation, details
- Questions of company culture: How do we interact with one another? / leadership style
- How do we work together effectively in the coming weeks?

58 Scholz, Holger, Studt, Jürgen F. & Zech, Rainer (2004) – Unternehmensreport ARAL: strong2gether – die Fusion von BP und ARAL. In Knauth, Peter & Wollert, Artur (ed.) – Human Resource Management, 53rd supplement October 2004. Cologne: Deutscher Wirtschaftsdienst. 9.57 p. 31

D) Partner interviews on what was successful and conducive in the other partner's corporate culture, based on the appreciative inquiry (AI) method: "What works well in your company?"; interviews in pairs, with 50 minutes for each interview; afterwards, in groups of 8, introduction of partner interviewed and presentation of his success story.[59]

Fig. 15: The Appreciative Inquiry interview guide[60]

Please describe something that happened in your working environment, or a situation, which you thought was especially positive. It should be something you experienced or observed yourself. Either something unusually good your team achieved or a nice gesture from everyday working life or from the integration process, or anything else. Report on a situation which struck you because it inspired you and was thoroughly positive.

Describe what happened, or the situation:

- Who was involved? What was your role? How did you feel? Name the causes which led to the success (success factors).

Looking towards the future:

- Name three important decisions or measures which would have to be taken if there were to be even more success stories and highlights than there have been so far.

E) End of the event with open space catering[61] – an evening meal prepared by all the participants themselves. The more than one hundred participants were required to make all preparations for the meal themselves; this form of organisation called for initiative and shared responsibility from all participants, which was designed to give the integration process a decisive push forward.

First Dialogue Conference – Agenda for Day Two

A) Welcome by external moderator and feedback on participants' behaviour on Day One from his point of view: Where were the differences and what did the participants and their corporate cultures have in common?

B) Open space: the participants of the dialogue conference organised Day Two themselves, deciding on the issues they wanted to work on. The 150 participants set themselves 10 issues, working intensively on each for two hours. Finally, the presentations of the working groups' results led into a discussion.

59 Cf. the account in Holman, Peggy & Devane, Tom (ed.) (2002) – Change Handbook. Heidelberg: Carl-Auer-Systeme Verlag. The approach of the Appreciative Inquiry is aimed at producing an appreciative atmosphere, by consciously not asking about existing problems but about what worked well and what was felt to be positive in other colleagues'/ departments / divisions. These things found to be in common are then used to change the organisation.

60 Scholz, Holger, Studt, Jürgen F. & Zech, Rainer (2004) – Unternehmensreport ARAL: strong2gether – die Fusion von BP und ARAL. In Knauth, Peter & Wollert, Artur (ed.) – Human Resource Management, 53rd supplement October 2004. Cologne: Deutscher Wirtschaftsdienst. 9.57 p. 37

61 Named by analogy to Open Space Technology (OST). In OST there are no fixed routines, the participants steer themselves and deal with issues important to them. The four basic principles of OST are – according to Holman, Peggy & Devane, Tom (ed.) (2002) – Change Handbook. Heidelberg, appendix: "Each participant is always the right person. What happens is always the only thing that can happen. The event always starts at the right time. When the event is over, it is over." Cf. Owen, Harrison (1992) – Erweiterung des Möglichen – Die Entdeckung von Open Space, Stuttgart: Klett-Cotta

Fig. 16: Open Space issues in the 1st Integration Forum[62]

1. What must we do for the integration not to succeed?[63]
2. Organisation of events for staff and colleagues to discuss job issues
3. Coming together – getting to know each other
4. Definition of Regional Managers' competences
5. Convincing instead of commanding
6. Requirements for district managers
7. Integration of retail station managers (dealer-owners and dealer-operators)
8. Training for the new job – "Transfer of know-how"
9. Joint visits to green / blue retail stations
10. Having a say in new field of employment

Second Dialogue Conference – Agenda Day One

A) Talks by management on the new strategy of the retail stations Business Unit and on the consequences for the individual regions (as kick-off for further proceedings). The participants made notes on the talks, guided by the questions "What was the most important information for me?" and "What would I still like to know?"

B) Afterwards the issues covered were discussed in more detail with the (in some cases newly appointed) regional and divisional managers in parallel 90-minute workshops in teams of eight. In this more intimate setting specific questions could be clarified between managers and staff.

C) The dialogue conference was concluded by a final round of feedback given by the participants and the management on the work results, the working atmosphere and relations between "the two camps".

About six to eight weeks after this first event there was a second block, by which time the starting position for the participants had changed significantly. The new structures had been defined and managers and staff had been allocated to work teams. The assignments set for the second event were no longer getting to know each other or talking about corporate cultures. The aim was to work on specific issues such as team organisation or reaching business targets.

The three steps in the event were 1) "We've made it!" – Saying goodbye to the past, 2) "Let the future begin! – What does it look like for us?" – Breaking down the company's strategy to business areas, and 3) "Let's go! – What are the next steps into the new world?" – Information on specific targets for teams and individuals, with action programmes derived from the targets.

62 Scholz, Holger, Studt, Jürgen F. & Zech, Rainer (2004) – Unternehmensreport ARAL: strong2gether – die Fusion von BP und ARAL. In Knauth, Peter & Wollert, Artur (ed.) – Human Resource Management, 53rd supplement October 2004. Cologne: Deutscher Wirtschaftsdienst. 9.57 p. 40 ff.

63 The answers to this paradoxical question were interesting: "Malevolence (e.g. "Call BP the loser in the merger because their brand is disappearing"); ill feeling ("Brits go home"); modes of behaviour (e.g. "Wait-and-see", "Don't give anyone powers", "Integration is a matter for the integration managers", "Systematic them-and-us communication"); customs and habits (e.g. "Colour distinctions based on clothing", "We've always done things this way") ... quoted from Scholz, Holger, Studt, Jürgen F. & Zech, Rainer (2004) – Unternehmensreport ARAL: strong2gether – die Fusion von BP und ARAL. In Knauth, Peter & Wollert, Artur (ed.) – Human Resource Management, 53rd supplement October 2004. Cologne: Deutscher Wirtschaftsdienst. 9.57 p. 40 ff.

C) World Café: The participants were divided up into small groups with up to eight people per table, and, under the guidance of a moderator, each group had to work on one identical question. In this dialogue conference the topic was, “Last service station before the motorway: What I just wanted to say or ask before we really get going …” After the participants had worked on the topic, the results with their ideas and statements were visualised on flipcharts. After 20 minutes each participant had to choose a new group and discuss the same topic again with the other participants on the basis of the ideas already produced. After a third such round the result was that many ideas had been exchanged intensively and systematically with a high level of involvement from all participants. A plenary discussion on the results of these discussion rounds rounded off the day.

Second Dialogue Conference – Agenda Day Two

A) Short talk given by a consultant on the subject of “Winning Teams“, followed by an assignment for the newly set-up teams and their respective managers: “Draw up for your department/division the “Ten Commandments” with which you want to ensure successful teamwork”.

B) The second assignment for the teams on that day was: “What in your opinion are the one or two biggest levers that you yourself have to operate for the strategy to be successfully implemented?” This assignment was supplemented by work on the customer-supplier relationship inside the company: “What can we do ourselves to make cooperation with other departments, divisions and our customers more successful?” All the results were visualised on pinboards and made available to all participants in an information market.

C) The assignment which concluded the second day was designed to send the participants emotionally on a further journey together. In an artistic action workshop the participants had to build a road into the future together. Each participant received a prepared, framed canvas as one “cobblestone” in this road which he had to fashion in his own way. The idea was for all the participants in this dialogue conference to leave their footprints on this road; as a result they painted their feet and created their own cobblestones. The jointly designed road into the future was subsequently constructed. A vernissage ended this dialogue conference.

In addition, all Deutsche BP staff were included in the **BP People Assurance Survey** already in existence, an anonymous survey of all BP employees worldwide.[64] The aim of this annual survey was to investigate the atmosphere at work. Later it was carried out every two years. All employees at BP were asked in writing or online how they assessed their manager’s behaviour, the management in general, how they felt the company was treating them, what they knew about the company and how strongly they identified with BP. Using a standardised set of questions, a picture could be built up of the opinions and mood of the workforce on the following issues:

– BP as a unique company
– Brand awareness/BP’s orientation
– Work environment/manager
– Pay/benefits/recognition
– Trust and respect
– Diversity & Inclusion
– Personal development.

64 BP reports that in 2004 74% of eligible employees took part in the People Assurance Survey. BP (2005) – Sustainability Report 2004. London. p. 3

The evaluation of the results was standardised:[65]

1) Firstly, the results are presented to the works councils by Human Resources.

2) In the second step the individual results are discussed with works councils and staff in working groups, with a view to arriving at a common assessment of the results. Needless to say that possible improvements are then discussed immediately.

3) Improvements should be implemented sooner rather than later, not least so that the effects can be seen in the next People Assurance Survey.

An index was drawn up – the Employee Satisfaction Index (ESI) – which gave an idea of how employees felt. This ESI could be aggregated at will on the location / business unit / function level, which meant that differentiated statements could be made on how employees felt. In this way the integration team could check and see, in a standardised manner, whether certain issues had not been paid enough attention to during the integration process. Optimisation measures could subsequently be taken. The comment on the results of the 2004 People Assurance Survey can be seen as an example:[66]

The answers show that
– Work in the teams is running well
– Relations with immediate superiors are good
– Employees are by and large proud to work for BP

At the same time, and this is very important, there is a need – and sometimes a clear one – for improvement in some areas:
– Results for Deutsche BP show, among other things, that managers evidently do not speak to their staff often enough.
– The exceptional work load for every employee was given a very critical assessment.
– Many employees are not sure whether they can trust the management. This distrust is made clear by the fact that around half of the staff believe the People Assurance Survey results are not taken seriously and that measures for improvement are not taken.

Fig. 17: People Assurance Survey

65 Deutsche BP AG (2004) – Information for employees from Wilhelm Bonse-Geuking and Hans-Jürgen Fleckhaus on the results of the People Assurance Survey

66 Deutsche BP AG (2004) – Information for employees from Wilhelm Bonse-Geuking and Hans-Jürgen Fleckhaus on the results of the People Assurance Survey

Employee integration

Employee integration, with its often “hard” measures such as redundancies, is the litmus test both for the core values presented in policies covering the relationship between the company and its employees, and for the behavioural standards postulated by those values. In the case of Deutsche BP it was clear from the beginning that jobs were going to be cut in order to achieve the planned synergies. This considerable reduction in employee levels was realised without any business-related redundancies; this says a lot for the company and how it handled its staff, its relationships with members of the works councils and union representatives, and thus for the corporate culture. Overall, the challenges for the company’s management and for the Human Resources (HR) department with respect to employee integration were many and varied.

They included, for example.[67]

– The rapid creation of a viable position within the various HR departments (BP, Veba Oel and Aral) in order to be able to start negotiations with the works councils at all.
– Status-quo analysis of the different starting positions and draft future objectives for regulations with the corresponding financial consequences for the staff and for the company.
– Participation in the creation of new organisational entities under company law, with the corresponding transfer of employees to the new entities.
– Negotiations with the works councils: merger of two organisations from different work cultures with all the legal regulations (wage agreements, in-house agreements and other regulations).
– Definition of the new organisational structure with allocation of staff to positions.
– Staff selection and negotiations with the works councils in respect of staff reductions.
– Drawing up regulations for the requisite relocation of staff to new places of work.
– Organisation of HR work within the new organisational structures.[68]

The **negotiations** to be conducted with the trades unions and works councils were certainly among the most important tasks of employee integration. Deutsche BP acquired a 51% stake in Veba Oel with effect from 1 February 2002, which gave it operative control. The integration could now formally begin. An **integration agreement** was already signed with the relevant trade union – Mining, Chemicals and Energy (Industriegewerkschaft Bergbau, Chemie und Energie, IGBCE) – and with the works councils in February 2002.[69] In this agreement the management gave assurances on job security and co-determination.[70]

67 A catalogue of examples for the range of work to be undertaken by a team working on employee integration can be found in Scharfenkamp, Norbert et al. (2002) – Erfolgreiches Personalmanagement im M&A-Prozeß: Düsseldorf. p. 87 ff.

68 For example, a decision had to be made on the question of which HR issues should be dealt with by the holding, which by the subsidiaries and which by the Business Units.

69 All the following agreements quoted from: Deutsche BP AG (2004) – Presentation given by Hans-Jürgen Fleckhaus, Arbeitsdirektor (Labour Director) of Deutsche BP AG, to the working group Internationale Personalarbeit (International Personnel Work) on 26 February 2004, Gelsenkirchen.

70 Cf. Scharfenkamp, Norbert et al. (2002) – Erfolgreiches Personalmanagement im M&A-Prozeß. Düsseldorf. p. 140, which expressly points out that it is best to make such agreements with trade unions and works councils before a takeover or directly after it, in order to avoid legal disputes and problems.

The following assurances were given on the issue of job security:

- The company’s main activities remain in North Rhine-Westphalia
- Safeguarding locations
- Creation of a Group-wide job market
- Continuation of vocational training
- In-sourcing and out-sourcing to be reviewed, taking into account aspects of economy, quality and HSSE (Health, Safety, Security, Environment)
- Reduction of overtime worked
- Expansion of part-time work
- Offer of skills-improvement schemes.

The following assurances were given to the works council with respect to co-determination:

- A supervisory board with 20 members will be formed for the “new“ Deutsche BP.
- The IGBCE trade union has the right to make proposals in the appointment of Labour Directors (Arbeitsdirektoren).
- No Labour Director may be appointed against the votes of employees’ representatives.
- All members of works councils remain in office until new elections are held.

It was certain that the new company would continue to negotiate with the IGBCE as the relevant trade union, as the merger did not change the industrial sector the company belonged to. The works councils had a mandate from their workforces and with the new structure they themselves would also be switching to new companies as yet still waiting to be established. However, who was to participate in drawing up the complex agreements to regulate new working conditions in the new companies if they did not yet have a works council? It was therefore agreed with the works councils that a working party would be set up comprising all the works councils involved in the restructuring. Works councils and economic affairs committees would regularly be informed of the status of the integration process and of measures planned. The management also gave assurances that existing works council structures would be continued until the new works council elections, due to be held in October 2003 after the completion of the restructuring.

In addition, the following **principles of personnel transfer** were agreed with the works councils in February 2002:

- All transfers of employees are to take place on the basis of Section 613a BGB
- There will be a “gross” transfer of employees, with all employment relationships being transferred to the new companies to be set up. Only after this gross transfer will organisational alternatives be drawn up with proposals on jobs and qualifications so that “net” organisations can be created on this basis.
- There will be a harmonisation of the conditions laid down in the various employment contracts ("terms & conditions"), with the involvement of the works councils.
- There will be a continuation of the existing redundancy programmes and pension schemes.
- A unified BP pension scheme will be introduced for new employees.
- A Deutsche BP company sickness insurance scheme will be set up.
- Business-related redundancies cannot be ruled out but remain a last resort.

Details became more specific in the next step. A comprehensive **package of measures on the new organisation** was agreed with the works councils, and this included statements on job cuts already announced:

- Continued early retirement at age 53
- Early retirement at age 49 in individual cases
- Provisions for partial retirement
- Provisions covering settlements
- Non-renewal of fixed-term contracts
- Staff relocation
- Assistance with relocation costs for any move necessitated by the integration
- Informative talks on, and trips to, new locations etc.
- Job market
- Recruiting staff internally in order to solve any problems of filling vacancies arising from the integration.

But even after the new legal definition of the company (Legal Completion Date on 1 October 2002) and their transfer to a new BP company, employees went through a phase of uncertainty regarding their individual employment situation. The reason was that these transfers were only so-called “gross” transfers, i.e. they only allocated employees to companies without regulating anything about their future position. Permanent jobs for the new companies were not created before the second step, and it was thus also only in this second phase that any statement was made regarding the necessary job cuts as well as the allocation of jobs to salary levels and qualification requirements. The company’s management had agreed with the works councils that the necessary job cuts should be carried out in a socially acceptable way. In a first step, therefore, all employees over 53 were offered early retirement. In a second step employees were questioned on their willingness to move to other jobs, for example in the wake of the merging of the headquarters. With the third step the specific jobs in the new companies were finally linked up with the workforce still remaining. After the works council had first agreed on jobs and names in a closed meeting, managers could talk to their staff. At the same time, an internal job market was set up in which vacancies were offered to staff who did not wish to relocate or who no longer had a permanent job as a result of the restructuring. All in all a total of 920 staff relocated, which meant that regulations had to be drawn up, e.g. on the reimbursement of estate agents’ fees and relocation costs.

Moreover, the various sets of **HR rules and regulations** of the companies involved had to be harmonised. When it acquired Veba Oel, Deutsche BP with its 1,500 employees had not just purchased one company with a workforce of around 8,600 staff and a compact set of HR rules and regulations, but rather Veba Oel (as a holding company) in Gelsenkirchen with its subsidiaries and their subsidiaries both in Germany and abroad. This meant that there was a wide variety of regulations which had to be harmonised with the BP world. Among the objectives of this harmonisation were, for example, the drawing up of comparable contractual conditions for certain groups of employees in order to create more transparency and justice and offer managers standardised regulations for similar positions; the implementation of corporate policies from the BP world in the newly acquired companies; and potential cost synergies as a result of standardised personnel management (simplification of administrative processes). In a first step, stock was taken of all relevant wage agreements, in-house agreements and guidelines existing in the companies acquired and at Deutsche BP. This stock taking comprised core components of employment relationships (e.g. salary, working hours), but also regulations affecting only a small group of employees (e.g. non-tariff staff) or benefits with a low monetary but a high symbolic value (e.g. the Aral fuel card).

This inventory contained for example:

- More than 15 different collective or in-house agreements: e.g. collective agreement, remuneration agreement (12 or 13 wage groups; different pay levels within one wage groups), agreements on capital-forming benefits, agreements on partial retirement, agreements on protection against rationalisation measures, agreements on short-time work including regulations governing regular working hours (37.5 or 38 hours per week on the same pay), overtime, standby duty, continued remuneration in the case of bereavement or during holidays, income maintenance in later years, etc.
- In-house agreements on salary systems for non-tariff staff
- In-house agreements on ergonomics at the workplace
- Regulations on acquiring an Aral fuel card
- Regulations on bonus payments
- Guidelines on allowing participation in in-service training
- Guidelines on travel expenses and business trips
- Guidelines on the purchase of employee shares
- Guidelines on company cars
- Guidelines on secondment of staff abroad ...

An initial review showed that there were more than 50 different sets of regulations. This review also showed that some companies had concluded valid regional agreements with the IGBCE trade union, and that others had an in-company agreement. In around 95% of the regulations inventoried, trade unions or works councils had to be consulted in drawing up any new regulations, as the issues involved were subject to co-determination. Any standardisation of all these regulations through negotiations with the works councils would probably have turned out to be very expensive as in the works councils' view the regulations most favourable to the employees were the more acceptable solutions. Therefore the working group consisting of works councils and members of the HR departments had to develop a system which defined in a sensible way where standardisation was necessary and where it was not. The working group jointly defined the following three categories of regulations as needing varying degrees of standardisation.

Fig. 18: Structuring of the assessment of the status quo within HR[71]

A – Policies with uniform application to all employees in Group, e.g.
- Safety policies (e.g. alcohol and drugs policy)
- Corporate pension schemes
- Protection of vested rights in the case of employee transfer
- Performance and performance rewards, appraisal system
- Policies on salary system for non-tariff staff

B – Regulations applicable to individual GmbHs, e.g.
- Wage agreement for this company
- Corporate pension scheme for this company
- In-company agreements applicable across several work sites
- Bonus policy

C – Regulations applicable to individual sites within the GmbH, e.g.
- Regulations covering working hours and flexitime
- Regulations covering the canteen, the car park and standby duty
- Skills-improvement systems

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– Category A consisted of regulations which had to be harmonised. The existing regulations would have either infringed BP corporate policies or led to the individual companies drifting dangerously apart.
– Category B consisted of agreements each company could negotiate itself. In these cases it was not necessary to harmonise regulations across company borders, it was only necessary to find a consistent regulation for all employees within the respective company.
– In category C there was only a need to harmonise at the level of individual sites, which were free to negotiate with their works councils. The HR department then had to calculate the potential financial consequences of any harmonisation negotiated with the works councils and define what in its opinion needed to be done. A summary was drawn up showing the most important regulations and giving the management recommendations on what to do.

Many regulations had to be negotiated with the works councils under great pressure of time. The time between setting up the working groups and the preliminary end of negotiations marked by the signing of the first reconciliation of interests on 30 September 2002 was just six months. On that day works councils and management signed the reconciliation of interests on the new terms and conditions. The situation was also made more difficult for the working groups by the fact that not all companies affected were wholly owned by BP. In many joint ventures changes to existing regulations could only be addressed and negotiated in agreement with the joint venture partner.

71 Deutsche BP AG (2003) – Terms & Conditions at VORP and VVG, an assessment of the status quo.

Fig. 19: Executives use management conferences to exchange ideas

Lessons learned

Conclusions in the company's view

In retrospect, any concluding assessment of an integration process will always produce different results depending on the angle taken. For example, employees who are (together with their families) personally and directly affected by being moved to another job or relocated to another place of work will assess the integration differently from managers who look at it from a more global and less personal perspective because their focus will be on the rapid viability of the organisation, the company's position vis-à-vis the competition and the costs of the integration. At this point, Wilhelm Bonse-Geuking and Dr. Uwe Franke, the two chairmen of Deutsche BP after the merger may be quoted:

Wilhelm Bonse-Geuking delivers the following positive summary of the integration:

The merger of BP and Veba Oel/Aral was a great success, as is demonstrated by the "new" company's commercial success and its undisputed market leadership. In addition to the professional way in which these "hard facts" were managed, there were, in my opinion, three key factors contributing to the success of the merger:

Firstly, the speed at which both companies were merged was of immense importance. We were able to keep the period of unavoidable uncertainty for employees comparatively short. This was possible because the new owner BP had planned this process in minute detail, and because, in contrast to the usual practice in mergers, the great majority of Veba Oel/Aral managers stayed on board – which was a factor not to be underestimated. In addition, the excellent cooperation of the works councils and the unions, who made an enormous contribution, paid off and was very important to the fast and smooth integration of the companies concerned.

It was, moreover, extraordinarily helpful that, years before the merger, the Veba Oel Group had already begun to develop itself into a "Learning Organisation". In this context, managers and employees were made aware – by means of early, comprehensive and open communication – of the fact that changes had to be seen as something necessary. As a result, it was understood that BP (in contrast to E.ON) welcomed Veba Oel/Aral as an important strategic strengthening of its business in Europe.

And finally, it was a great advantage that there were hardly any "losers" in the integration of BP and Veba Oel. There was a new beginning and for almost all of our employees numerous changes in their jobs and in their private lives – as a result of relocations, new managers, new brands, new business processes, new corporate cultures, English as the company language, etc. This new beginning was symbolised by the new motto in our communication – "strong2gether". The programme had a name: out of 1 + 1 make more than 2. And that is what happened.

Dr. Uwe Franke, who at the time of the interview with the corporate newspaper strong2gether was still chairman of Aral AG, a member of the Deutsche BP board and the retail business unit leader for Germany and Luxemburg, said the following on the subject of different corporate cultures coming together:[72]

There was already a range of different cultures at BP. At BP we also had a newly acquired culture – from the joint venture with Mobil. We have the Castrol culture, which is completely different from the BP culture. In petrochemicals, when we took over Erdölchemie (today BP) we also took over a culture that was almost 100% Bayer. The reason was that Erdölchemie, with over 2,000 employees, was under Bayer management and the employees saw themselves as Bayer employees. The same applied in a similar way to the employees in Marl, who came to BP from Hüls AG. So BP itself is a mixture of different cultures, not just one.

But what we describe as the BP culture is based on a relatively flat hierarchy, strong networking and empowerment. At Aral and Veba Oel we found a little more of the German corporate culture, although the two companies also have their clear differences.

Corporate culture does not develop merely from a company's history. In manufacturing you find a very different culture from the one in marketing. Aral has acquired a culture influenced more by marketing, a culture which is in many respects like the one at BP in Germany. There are still things we have to talk about at Veba Oel. We often have to clarify points because we approach things differently...

I don't believe it's possible to bring everything together by saying that you're going to adopt just one culture. The trick consists in creating something new from all these cultures.

What's really important is that we don't put up barriers, uncouple ourselves from the international BP system and say that BP in Germany is largely tied to its national business environment and will therefore go its own way. Such an attitude would certainly be doomed to failure, because Deutsche BP is no fortress within the BP world. We have to find our place in the international BP organisation. That may be a balancing act – but we have already walked a fair way along the tightrope, we're holding our balance and we won't fall down.

72 Deutsche BP AG (2002) – strong2gether 5/2002. p. 7 f.

Concluding remarks by the author

What does a distant observer find striking about the integration approach chosen by BP and presented in this study? Firstly, the complexity of the situation at the beginning and of the tasks to be dealt with. The smaller company – smaller in terms of number of employees, turnover and market share – had bought a larger one. So who would integrate – incorporate – whom? In addition, the company making the takeover was part of a very large international company with strong Anglo-Saxon characteristics. The other company had most of its employees in Germany and was more geared to the domestic market. So in addition to traditional integration issues there were in this case also other issues relating to different management philosophies and procedures as well as to cultural differences. Moreover, there were employees from two companies who had until recently been competitors. It was not therefore immediately apparent whether it was a case of a merger or an acquisition. From the point of view of the British parent company it was clearly an acquisition – if a very large one – in which, however, the company acquired really had to be “taken on board”, along with its managers and employees. This complicated the matter for the subsidiary Deutsche BP and shifted the focus of the integration to approaches suggesting a merger of equals. This changed focus was reflected in the integration motto “best of both”, which was rather unusual for an acquisition, but which made clear that the managers and employees in the company taken over were being involved in shaping the integration.

Moreover, the issue of corporate culture was looked at and tackled in a differentiated way. It was not considered necessary to harmonise the corporate cultures of the companies involved in every detail. So although there were issues under a BP “umbrella” which were valid for everyone (for example, a standardised reporting structure, the worldwide implementation of HSSE or the Code of Conduct), the “new” Deutsche BP also had its own corporate culture (in line with the motto already mentioned: “best of both”) with subcultures from Aral, Castrol or the refining sites – which could coexist side by side without any difficulty.

What is also apparent is the use of many different new methods in the cultural integration. Many companies, for example, often choose traditional communication tools to announce new strategies, with talks by top managers supported by PowerPoint presentations, leaving little room for interaction with the audience. Deutsche BP, in contrast, opted for livelier forms of information (e.g. the strong2gether print medium containing interviews employees had conducted with board members and not the company’s journalists) and – a feature which deserves special mention – new forms of dialogue between managers and staff which involved participants actively in organising the events and thus involved them in the integration process (e.g. town-hall meetings, lunch & talk, open space, information markets and the use of theatre groups).

Using this option only makes sense, however, if the top management does not just see this method as providing decoration or clever packaging for the messages, but sees the methods themselves also as part of the message and the management are serious about their offer to the employees to create something new together. The employees for their part will soon notice if this is just a cosmetic effect, or if it is an offer that opens up scope for action and not only makes participation possible but also demands taking on responsibility. In the example described here BP opted for an approach in which it mixed two things together: elements of a top-down change involving set goals, and a bottom-up approach in which employees had the leeway to choose the methods for reaching these goals.

What remains difficult and controversial is defining the sense and the benefit of such multifaceted und elaborate actions to inform employees and involve them in change processes, as the benefit cannot be measured directly. Improved employee motivation can be felt, or it can be roughly verified by means of an employee survey. But when all is said and done, the financial indicators needed to set off the benefit (whatever it is in the end) against the money and effort invested in the form of work, support by external people (moderators, consultants), the costs of the publications and events, the hours of work missed through workshops, etc. are not available as yet. The decisive criteria remain, therefore, the leadership style of senior managers and mutual interaction – which are all soft factors in a corporate culture. What must not be underestimated in all this is that the top management have to be prepared to take a special type of risk: involving employees in changes in this way will (in all probability) lead to a high degree of identification and motivation, but the final results of such processes are, to a considerable extent, more open. This means that implementation may possibly take longer than in a straightforward "ex cathedra strategy". From the point of view of the top management there is one further disadvantage: the great amount of personal time and work invested in face-to-face communication with staff. A manager involved in the integration process to such an extent will become "tangible" for his staff with all his personal strengths and weaknesses – a loss of distance he must actually be aware of and want.

Biographies[73]

Wilhelm Bonse-Geuking

Born 26 August 1941 in Arnsberg / Westphalia. Married, 3 sons (1975, 1977, 1984). After graduating as a mining engineer he first worked for two years at Landesgasversorgung Niedersachsen AG (Veba Group). From 1974 to 1978 he worked at Veba AG, Düsseldorf, as head of the energy department. From 1978 to 1994 he was a member of the Veba Oel AG board, responsible for "Exploration & Production". From 1995 to 2002 he was chairman of the Veba Oel AG board, still responsible for "Exploration & Production", and also a member of the Veba AG board.

On 1 October 2002, in addition to his job as member of the Deutsche BP AG board, he took on the position of Country President Germany. From 22 January 2002 to 30 June 2004 he was chairman of the Deutsche BP AG board. From 13 January 2003 he was also Head of Country Germany at Deutsche BP AG and BP Group Vice President Europe.

In August 2006 Wilhelm Bonse-Geuking gave up the management of BP's European business but remained chairman of the supervisory board of Deutsche BP AG.

Dr. Uwe Franke

Born on 19 January 1949. Studied chemistry in Hamburg and received his PhD in 1979. He then joined BP and worked initially for the chemicals division in Hamburg and Cologne. In 1986 he moved to BP London and took on a variety of positions for business units in Africa, the Middle East and continental Europe.

In 1990 he moved to Brussels, where he assumed responsibility for the development of BP's retail stations network in western and eastern Germany, Austria, Switzerland and Sweden. In 1992 he became head of the trading business, i.e. of BP's light heating oil and wholesaler business in Europe. In September 1994 Franke became chairman of the BP Portugal board in Lisbon and two years later, in September 1996, was appointed Deutsche BP board member with responsibility for the retail stations business. In January 1999 he took on the additional function of chairman of Deutsche BP in Hamburg.

From 2001 onwards he was head of the retail business unit for Germany and Luxemburg. In addition, he was deputy chairman of the Deutsche BP AG board, chairman of the Aral AG board and managing director of BP Oil Marketing GmbH. Since 1 July 2004 he has been chairman of Deutsche BP AG and Head of Country Germany.

[73] From Vangerow, Bernd & Franke, Uwe (ed.) (2005) – Markenfusion. Strategie und Gestaltung – Warum ARAL kommt und BP bleibt. Basel: Birkhäuser. p. 146

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Interview with Hans-Jürgen Fleckhaus, Arbeitsdirektor (Labour Director) at Deutsche BP AG, on 27 June 2005

Interview with Britta Kopfer, Manager Internal Communications at Deutsche BP AG, various dates

Interview with Hans-Jürgen Chmielek, HR Manager BP Gelsenkirchen GmbH, on 27 June 2005

Interview with Rainer Stephan, HR Manager Retail Germany / Luxemburg at Deutsche BP AG, on 27 June 2005

Interview with Dr. Jürgen F. Studt, Implementation Manager at Aral AG, on 20 September 2006

Picture credits

The following photos were provided by Deutsche BP:

Figure 3: Under one roof in Bochum: Deutsche BP and Aral

Figure 4: Logos of the companies involved – BP, Veba Oel and Aral

Figure 5: Rebranding of a BP station to Aral

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Figure 17: People Assurance Survey

Figure 19: Executives use management conferences to exchange ideas

Photos of Wilhelm Bonse-Geuking and Dr. Uwe Franke

74 All quotations for which no source is indicated are taken from interviews conducted by the author or are original contributions.

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He studied German, political science and philosophy at the Universities of Marburg and Saarbrücken. After his studies he was head of personnel development at ZF Getriebe GmbH in Saarbrücken, an international supplier to the automotive industry. Next he moved to Düsseldorf to join Veba AG, which merged with Viag AG from Munich to form E.ON AG in 2001. At Veba AG he was responsible for cross-group management development. He subsequently became head of personnel support and development at Viterra AG, Essen, a company of the E.ON AG Group.

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