

The Logic of a Novel Institutional IR Practice

Abstract prepared for the IIRA 15th World Congress (Track 1) Sydney, Australia, 24-27 August 2009.

KARLSEN, Jan Erik. University of Stavanger (Norway); jan.e.karlsen@uis.no.¹
NYBOE, Geir. University of Stavanger (Norway); geir.nyboe@uis.no

1. Aim and relevance to the debate

This paper refers to the «Norwegian IR model». It examines the underlying logic behind voluntary redundancy packages (VRP), and how they represent a fundamental breach of central values of the historic Norwegian IR model. VRP arrangements are also in sharp contrast with explicit political positions held by all our political parties, from the most liberal right to the socialist left.

This VRP practice originated and has been applied by the petroleum industry to obtain increased numerical and functional flexibility, but is now more widely diffused into other sectors (Karlsen and Nyboe 2006). However, it has been lacking a general legitimacy as a common principle for regulating employment and contractual matters on the Norwegian HRM arena.

A recent and very important case which might play a significant legitimizing function is the merger between Statoil and Hydro, the two major, largely state-owned oil companies in Norway; partly because of the size of the new merged corporation in the Norwegian context (4/5 of the activities offshore of an economic sector totally contributing 1/4 of GDP and 1/3 of total national export), and partly because of the state ownership and its central role as an executor of national oil policy. What happens in this mega-company is likely to have important spill-over effects to other parts of the economy.

In this paper we examine the extensive and generous VRP offered by StatoilHydro to employees 58 years and older and discuss the logic behind them and their relation to dominant values and general IR policies. VRP may represent “innovative approaches to rewards and remuneration”, as stated in Track 1. However, how is it possible to maintain one set of values and practices explicitly expressed by the unions, the employer federations, the Government as well as most other political parties, while on the other hand allowing the quite dominant and state owned operator to pursue a practice which is quite contrary to those values?

2. Theoretical and empirical contributions

IR systems are important social institutions, and as such, elements of stability in social relations. Assumedly, such institutions are also changing, and this change process typically follows a linear development (Greenwood et al. 2002).

However, previously we have argued that a segmented institutional system is emerging, where new institutional practices are confined to specific segments of the economy, while the old pattern is maintained in others (Karlsen and Nybø 2007). A segmented structure needs to have a structural basis to be sustained. Arguably, it also needs to be legitimized by some general and uniform values. Processes of segmentation must be sought both on a structural as well as a normative level.

In this paper, particular emphasis is placed on discussing principles of corporate social performance (CSP); which areas of activity and impact are out of its corporate scope and in the domain of the public or the political system, as addressed in the

¹ Correspondence can be directed to: *Professor, Dr. Jan Erik Karlsen, University of Stavanger, N-4036 Stavanger, Norway.* Tel: +47 5183 2273; Fax: +47 5183 1550; E-mail: jan.e.karlsen@uis.no.

classical article by Preston and Post (1981)? Wood (1991) reformulated the CSP model, outlining three principles guiding corporate responsibility; the institutional principle of *legitimacy*, the organisational principle of *public responsibility* and the individual principle of *managerial discretion*, all relevant to our empirical case study.

Thus, various differentiating processes of normative legitimization will be analysed in the paper. What is the structural logic behind the practices observed and how are these practices normatively supported and legitimized and the implicit values aligned with previous held institutionalized values and norms?

3. Research questions, design and data

The VRP-system represents a totally new element in the national IR institutional arrangement, opposing important values and norms in the prevalent Norwegian IR system. Hence, we try by use of interviews and documentary data to illustrate whether there is a collision, replacement or coexistence of rationales among the two IR models identified. An in-depth case illustration, discussing the VRP practice experienced in the aftermath of the 2007 amalgamation of StatoilHydro, is presented.

Arguably, a process of normative legitimization is taking place in the public media. In addition to interviews of key informants, we use data from the leading national media to analyze positions and arguments used by important social actors: politicians, corporate officials, leading representatives of unions and employer associations. Our research questions are:

- a. How does adoption of VRP depend on employability of employees, incentives of employers and attitude of union and employer organisation officials?
- b. How does the corporate VRP performance of StatoilHydro comply with the three principles of the CSP model?

4. Key findings

Our study relates clearly to how IR systems change and evolve in the face of new management strategies (c.f. Track 1). Interestingly, in Norway the major labour market partners do neither support nor strongly oppose the new IR system, thus making enough room of action for an alternative system to be institutionalised. The direction and pace of change is driven both by employers' strategies, preferences of larger groups of employees, the regulative platform, and strategies and power of labour unions.

The latest development is an extensive offer of severance payment and early retirement schemes connected with the merger of the two largest national and partly state owned oil companies. These practices, the attitude of the largest owner – the state – and the national unions and employer associations as well as political parties, indicate that we de facto have a strongly segmented system of employee relations, thus challenging the monolithic IR system of Norway.

5. Selective references

- Greenwood, R., R. Suddaby, et al. (2002). "Theorizing Change: The Role of Professional Associations in the transformation of Institutionalized Fields." *Academy of Management Journal* 45(1): 58-80.
- Karlsen, J.E. and G. Nyboe (2006). Diffusion of Redundancy Packages in Norwegian Industry. IIRA 14th World Congress, Lima, Peru, 11-14 September 2006.
- Karlsen, J.E. and G. Nyboe (2007). The Emergence of a Dual Institutional IR System. IIRA 8th European Congress, Manchester, UK, 3-7 September 2007.
- Meyer, A. D., G. R. Brooks, et al. (1990). "Environmental jolts and industry revolutions: Organizational responses to discontinuous change." *Strategic Management Journal* Special issue: 93-110.
- Preston, L. E. and J. E. Post (1981). "Private Management and Public Policy". *California Management Review*, Spring 1981, vol XXIII, No. 3: 56-62.
- Wood, D. J (1991). "Corporate Social Performance Revisited". *Academy of Management Review*, Vol 16, No 4:691-718.