

Values Based Compliance in an Energy Company: Statoil and Helge Lund

Today is August 1 and the Houston Astros have put a July record of 3-27 in the rearview mirror. Can the Astros change this culture of losing? Hopefully by dumping the few true major leaguers that the team had and repopulating the team from its AAA affiliate will lead to better record in August. At least that appears to be management's plan.

I thought about the Astros plight in context of the questions of whether a company can change its culture of compliance. It is often said that it all starts with 'tone at the top' and if the top executive of the company is not committed to running an ethical company, that company has zero chance of doing so. However, there are examples of company chief executives who have such ideals and who make them a part of their company's DNA. Not only are there examples of such executives but there are examples of such companies which are doing well even in today's world economy. A case in point that was written about in the July 30 edition of the Financial Times (FT) in the Monday Interview column through an interview with the President and Chief Executive Officer (CEO) of Statoil, Helge Lund.

The piece began by noting that Lund "is almost the antithesis of the classic oil man" and that he also "stands out for his somewhat philosophical take on the industry." Lund's philosophy says that what gets him out of bed each morning is "not the performance of Statoil's share price" but the need to "contribute to the wider society." But, as the article notes, this is not simply another altruistic Scandinavian dreamer. No, Lund is a well-trained and highly schooled corporate executive who understands that doing business the right way can bring greater financial benefits to a company.

Statoil has been through its own enforcement action under the Foreign Corrupt Practices Act (FCPA), in part for paying bribes to secure oil contracts from foreign government officials. Lund was brought in partly as a response to these issues. Interestingly, Lund said in the article that these actions demonstrated "how inexperienced [the company] was at working abroad." One of the programs that Lund instituted is a values-based performance system, under which managers would be "judged by how transparent, courageous and open they were, not just on how much they boosted profits and production."

Lund also has a different perception of the role of an extraction based industry. He believes that a shift to a more transparent business model is necessary in the 21st century "where oil companies are being held to a higher standard than ever before." Lund believes that the "call for transparency, openness and integrity is just increasing." The reason is the countries which have resources should be viewed as partners, working with energy companies to not only develop the natural resources. This speaks to a public-private partnership that has benefits for both parties.

This philosophy seems to have worked with a recent big win for Statoil, an agreement reached with Rosneft, the Russian state-owned oil company to drill together "in an area the size of Portugal that is thought to contain billions of barrels of oil." Lund said that the agreement was

the result of “years and years” of building relationships with the Kremlin and Rosneft to persuade them that “Russia and Norway could be natural partners on complex offshore developments.” More directly, as Lund noted, “It’s a perfect match, we have the technology and they have the resource.”

I found much in the FT article to commend to the compliance practitioner. First and foremost is that a company can change its culture of compliance and do business ethically, profitably and within the bounds of national anti-corruption laws. However the final point made in the article about relationships speaks to a need to get out of the office and meet the people that you will not only be working with but working for as your customer base. Winning the trust of those you work with is a clear way to show your company’s ethical values. Think the Astros might be able to learn some lessons in this manner?

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