An interview with
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Interview conducted by Tor J. Larsen,
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JGIM: Please describe Norsk Hydro first.

Höeg: Norsk Hydro is Norway’s largest industrial corporation, with approximately 32,000 employees (about 16,000 in Norway and 16,000 abroad.) Norsk Hydro conducts business in more than 100 countries. Revenues in 1996 were USD 12 billion, distributed roughly as follows: Europe 78 percent, the Americas 13 percent, Asia 6 percent, and Africa 3 percent.

The main product areas are fertilizers, oil and gas, light metals and petrochemicals. The corporation is organized in sixteen divisions. As a general rule, each division operates as an autonomous business unit, although a considerable degree of harmonization has evolved over the last few years.

Norsk Hydro experienced a strong expansion period during the seventies and early eighties. Revenues increased by a factor of 60 from 1972 (about USD 150 million) to 1986 (about USD 8.6 billion.) This was primarily due to the acquisition of fertilizer companies throughout Europe and heavy involvement in exploration and production of oil and gas in the North Sea. The aluminum activities expanded greatly through acquisition in 1988. Today, Norsk Hydro is the world’s largest producer of fertilizers and Europe’s largest producer of aluminum metal and extruded profiles.

JGIM: We understand that Norsk Hydro, through consensus building, during the last five years has moved from a very decentralised IS organisation with many different IS solutions, to more coherent and integrated systems across the corporation. How did the information systems and services evolve during these years?

Höeg: From its initiation until about 1985 Hydro adapted a traditional and excellent central IS organisation. However, this organisation had a rather technical focus and did not have the capacity to respond to the new needs that emerged in the growth period. The acquired fertilizer companies in Europe were run by a “hands-off” policy for many years. The new oil and gas divisions grew so fast that they demanded full control over IT solutions. In the mid eighties, the central IS organisation was given the opportunity to strengthen its services towards the core business divisions. Central IS proved quickly that it could deliver high quality services at competitive prices. To facilitate business thinking, Hydro Data was in 1985 organized and run as a profit center and a separate business unit. During the following years the core business divisions voluntarily “outsourced” most of their IS-activities to Hydro Data. This solution required that Hydro Data understood the general IS/IT market. As a vehicle to ensure this understanding, Hydro Data was mandated sell their services outside the corporation. Although this strategy had many strengths, new IT developments and the need for a clear business vision required rethinking.

JGIM: What were the main elements of the new strategy?

Höeg: These are the key issues we considered and the key changes we made:

- IS/IT was recognized as an important enabler for the future development of the corporation.
- The core business divisions were asked to develop strategies and plans for their IT/IS utilizations. Simultaneously, they were asked to consider corporate as well as divisional needs and aspects when planning and selecting new IS/IT solutions.
- Hydro Data’s charter was redefined making it the internal service provider, to concentrate on the Hydro internal market, and to deliver competitive services.
- An IS steering committee with 4-5 representatives from the divisions’ top management was formed.
- A co-operative “IS-Forum” was established, consisting of the 12-15 IS/IT managers from the core business divisions and major staff units.
- To support the IS steering committee and the IS Forum, a corporate IS Staff group was formed. The IS Staff group also facilitated the administration of approved IS standards.

JGIM: Is this when the “consensus” process started?

Höeg: Yes, the revised IS strategy, expressed in one of very few Corporate Directives, legitimized spending time and
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