



EMCC case studies

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Introduction

Using electricity is a fundamental element in the everyday lives of all European citizens and companies. A huge responsibility lies on the shoulders of the electricity providers, and as their numbers decrease in sync with the energy companies' mergers and acquisitions, the responsibility is shouldered by fewer companies. E.ON is one of the largest investor-owned energy providers in the world. The company delivers energy to millions of customers and, together with EDF, is the biggest energy supplier in Europe. Therefore, E.ON bears a major responsibility to ensure steady energy deliverance at affordable prices – a responsibility the company manages with great effort. Employing more than 80,000 people, E.ON also has the duty to establish favourable working conditions for its employees; in fact, the company carries out a vast number of initiatives for work–life balance, employee health and employee development.

E.ON was founded through the merger of two German companies in 2000; thus, it is a relatively young company. However, in less than a decade, the company has managed to focus its activities from delivering a wide range of services including real estate, telephones, chemistry and energy to just zeroing in on electricity distribution. As E.ON puts it, 'our business is power and gas'.

Company structure

Although E.ON consists of a large number of subsidiaries, its overall structure is quite simple (see Figure 1). The company structure is established to reflect E.ON's markets, i.e. the Nordic MU department is the company's business unit in the Nordic market.

Figure 1: *E.ON company structure*



Source: <http://www.eon.com>, 2007

Challenges

E.ON's economic growth and increasing locations have been impressive, but in recent months, the company faced a major challenge in the shape of the EU's newly proposed unbundling policy. The proposal implies that energy suppliers are not allowed to own transmission networks – a proscription in E.ON's perspective, since the company owns and operates transmission networks in Germany and does not believe the unbundling proposal is the only way to ensure effective energy markets. Implementation of the unbundling initiative might also have a negative impact on E.ON itself since one of the company's main strategic goals is to become a fully integrated company. Being forced to let go of its transmission facilities might constitute a barrier to the company's fulfilment of its main objectives for corporate development.

The recent accidents in nuclear power plants have caused a return of the debate on the desirability of nuclear power. However, E.ON continues to 'believe in nuclear energy', especially as climate change has become the number one subject on the international political agenda – a belief which nevertheless has been challenged by political forces and large sections of the European population.

Methodology

Carrying out a case study on a large, global and complex company such as E.ON implies that one must embrace and consider the company's diversity. Although the E.ON Group in general operates as a united force, specific initiatives are often elaborated and launched in the individual business units and subdivisions. Although the group-wide total of initiatives may lead to general conclusions, regional divergences within the company may occur, thus adding some uncertainty to the overall conclusions of the case study.

Sources of information

This company case study is mainly based on sources of information from the company itself. As E.ON's websites contain information and publications on every subject relevant to this case study, they were the most important sources of information on the company. The publications, which have been utilised the most are the company's annual reports, CSR reports and the 'Strategy and Key Figures' documents. In addition to these, a number of press releases have been included for the description of a few specific issues and developments in the company. The E.ON websites also include much valuable information on working conditions and initiatives in specific areas. Among the E.ON websites, the ones that have been utilised the most are the websites of E.ON AG, E.ON Energie and E.ON Ruhrgas.

In addition to these sources of information, E.ON employees have been included as sources of inspiration and confirmation.

Company history

In comparison to other major European energy suppliers, e.g. Vattenfall and EDF, E.ON is a relatively young company. Founded through the merger of two of Germany's largest industrial groups, VEBA and VIAG, from its inception, E.ON was among the world's largest investor-owned energy service providers and the world's biggest speciality chemicals group (<http://www.eon.com>, 2007).

From two to one

While E.ON has only existed for less than a decade, the history of its antecedents can be traced back to before the Second World War. VIAG (Vereinigte Industrie-Unternehmungen AG) was established in 1923 by the German government. The company's task was to manage the industrial holdings of the government. During the following decades, the company expanded its activities, and in the 1980s, the company became privatised as the German government sold the company shares to private investors. After the privatisation, the company decided to focus its attention on energy, telecommunications and innovative industry. It also acquired shares in other companies, thereby moving its operations across German borders.

The history of VEBA (Vereignite Elektrizitäts- und Bergwerks Aktiengesellschaft) began in 1929, as the Prussian government established the company in order to create a financial holding office to manage the region's power and mining activities. The company was partially privatised in 1965, when a majority of the company shares were sold to private investors. The following decades included further development, and VEBA gradually became an internationally operating company. At the end of the 1980s, the company was fully privatised, leading to the restructuring and refocusing of its activities.

In 2000, the merger between the two companies was announced. The merger received overwhelming support from the company's shareholders and was concluded in June 2000.

E.ON

Subsequent to its establishment, E.ON launched a restructuring process in order to focus on its core businesses. E.ON Energie was simultaneously established by the merger of the companies Bayernwerk and PreussenElektra (<http://www.eon.com>, 2007). Due to the European energy market deregulation and Europe's excess energy-generating capacity, E.ON chose in October 2000 to shut down about 17% of its electricity production. By the end of 2000, E.ON gained activities in a wide range of countries, such as Austria, the Czech Republic, Lithuania, Norway and Sweden.

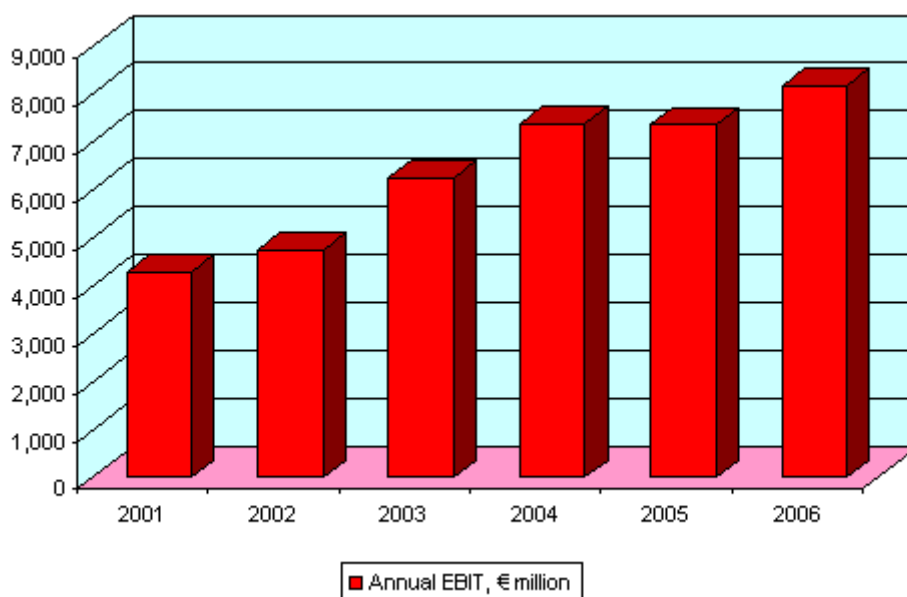
In the following couple of years, E.ON furthered its energy production activities, purchasing shareholdings in, for instance, British, Bulgarian, Finnish, German, Hungarian and Romanian companies while gradually letting go of its telecommunications activities. However, not all of the company's acquisitions can be characterised as unproblematic. E.ON's attempts to acquire Ruhrgas led to major objections, but in the beginning of 2003, after reaching a few out-of-court settlements with the opponents, the transaction was concluded. During these years, subsidiaries such as E.ON Hanse, E.ON Benelux, E.ON Nordic and E.ON Westfalen Weser were also founded, and the following year included the establishment of E.ON Ruhrgas and E.ON UK. The massive development in terms of furthering and delimiting E.ON's operations also implied a concomitant restructuring process inside the company.

Among other activities, 2005 included the establishment of E.ON Avacon, E.ONMitte, E.ON Vendita, E.ON Edis and E.ON US. Among other things, 2006 included major investments in energy technology development due to E.ON's ambition of becoming the leader in this area. At the same time, E.ON continued its efforts to strengthen its position in the European markets. As mentioned earlier, not every E.ON acquisition attempt has been successful. In 2007, E.ON had to give up its attempt to take over Spanish Endesa due to major obstacles created by Spanish legislation and opposition from the Spanish government.

The Endesa takeover attempt was not the only acquisition activity undertaken by E.ON in 2007. The company acquired majority shares in Russian and US energy companies that year.

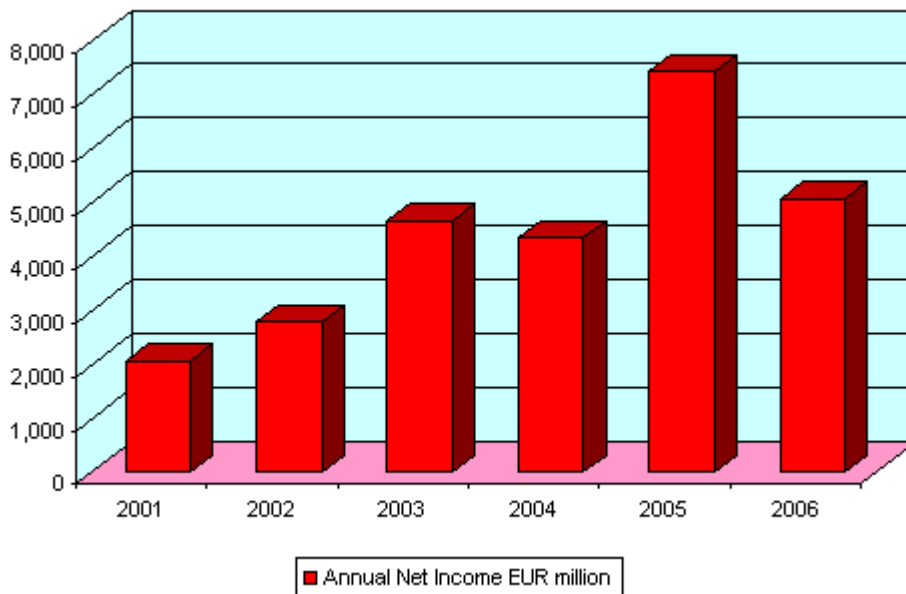
In the recent years, E.ON has not only developed in terms of narrowing its activities, but has also experienced considerable growth in income. Between 2001 and 2006, the company's earnings (EBIT – earnings before interest and tax) almost doubled. As Figure 2 shows, the company's income growth has been relatively stable.

Figure 2: E.ON's growth in EBIT



Source: E.ON annual reports 2001 to 2006, 2002–2007

Figure 3: E.ON's growth in net income



Source: E.ON annual reports 2001 to 2006, 2002–2007

However, while the annual EBIT data imply a steady growth in the company's earnings, the development in net income has been subject to fluctuations, as illustrated by Figure 3.

Nevertheless, the general impression of the company's development is that E.ON has managed to develop in a sustainable way while also benefiting from opportunities that the continued deregulation of the European energy sector has provided.

Looking ahead

Today, E.ON has operations in more than 20 countries and an annual gross profit on sales of approximately €11 billion (E.ON, 2006, 2007c). In the future, E.ON wishes to further increase its locations and economic growth. For instance, the company will soon be entering the French and Turkish energy markets. E.ON's future also includes a major investment programme which will make the company one of the biggest investors in Europe in the next 10 years.

A few factors can be characterised as decisive elements for E.ON's long-term development. As mentioned in the introduction, EU regulations have a major effect on E.ON's operations.

EU initiatives in market liberalisation involve major growth opportunities for E.ON. As new markets emerge due to EU initiatives, E.ON's growth opportunities increase as well. Therefore, E.ON makes an effort to support the EU in its desire to ensure an open energy market with a reasonably high degree of competition. For instance, E.ON has improved its transfer system across country borders to ensure the best possible conditions for energy trade across national borders.

However, some EU initiatives also entail challenges for E.ON. The unbundling initiative, which prohibits an energy company's ownership of transformation nets, constitutes a barrier for E.ON's goal of becoming a fully integrated energy company, since E.ON will be forced to either sell off their transition nets or create an autonomous business unit to manage the nets. Although E.ON generally supports competition-improving initiatives launched by the EU, the company does not consider the unbundling initiative to be the optimal solution to ensuring healthy competition in the energy market; therefore, it proposes an alternative – the regional system operator model (E.ON, 2007, 2007e).

The climate change challenge is also a subject that E.ON will be addressing in the future. In the years to come, the company will make large investments in renewable energy sources and in increasing energy production efficiency.

Values and strategy

Company values

Being a large, global corporation, E.ON must make an effort to create an all-embracing, unifying corporate culture that ensures cohesion within the entire company. E.ON has defined a number of values and behaviours to be shared in every unit of the corporation. Through its OneE.ON programme, E.ON tries to create a common understanding among its employees of its means and ends. The programme includes a number of initiatives aimed at forming a shared corporate culture based on the values and behaviours described below. The values are:

- integrity;
- openness;
- trust and mutual respect;
- courage;
- social responsibility.

‘Integrity’ encompasses E.ON’s inclination to observe formal and informal rules for its activities. By defining integrity as one of its corporate values, the company emphasises the importance of taking responsibility for its actions. ‘Openness’ is related to internal communication in the shape of knowledge-sharing and debate. In comparison with Vattenfall, E.ON’s comprehension of openness is highly focused on the company’s internal functions and not so much on the company’s behaviour towards the outside world. ‘Trust and mutual respect’ imply that respect and equal treatment among the company’s employees, plus mutual trust between the company and its employees, are essential parameters for a positive and productive working environment.

‘Courage’ requests the company’s employees to act bravely, i.e. to act on their convictions and engage actively and positively in discussions. Application of this value implies the practice of ‘openness’. E.ON has also defined ‘social responsibility’ as a key value for its conduct. This value requests the company and its employees to act responsibly and think of far-reaching results when dealing with stakeholders within and outside the organisation.

In order to ensure uniform efforts toward the fulfilment of the company’s goals, E.ON has also defined a number of behaviours, i.e. recommended courses of action, based on the company’s values. These behaviours are:

- customer orientation;
- drive for performance;
- change initiation;
- teamwork;
- leadership;
- diversity and development.

In essence, the behaviours constitute the guidelines for the employees’ work.

Company strategy

Although E.ON works out individual strategies for the specific markets in which it operates, it has also formulated an overall strategy for its activities. Before 2005, the overall goals were to transform E.ON into a focused energy company and subsequently to further the integration and performance of the company. The first goal prevailed in the first three years after the establishment of the company, while the second was in force from 2004 to 2005. Since 2005, the overall strategic target for the company has been 'growth in the energy business'. This growth includes acquiring small and medium-sized companies while also searching for further growth opportunities 'regardless of transaction size'. These must be supported by investments in generation and networks and must advance target growth options. The company also maintains a strict financial investment policy (E.ON, 2007c).

Since the company is very large and expands by leaps and bounds, a high degree of focus on strategy development is important. Every year, E.ON issues a Strategy and Key Figures report in which the company's overall objectives are adjusted or reformulated.

The current strategy, i.e. the strategy described in the Strategy and Key Figures report of 2007, issued in March 2007, is generally focused on growth in market position and location as well as a reduction of CO₂ emissions (E.ON, 2007b). The prioritisation of the company's strategic goals is as follows:

- strengthen and grow E.ON's position in European markets while considering the US as a long-term growth opportunity;
- grow European generation position by 50% by 2010;
- integrate and strengthen assets in France, Italy and Spain from an agreement with Enel/Acciona;
- significantly expand the company's renewables portfolio;
- reduce specific carbon dioxide emissions by 50% by 2030;
- strengthen gas supply position through own production and potentially LNG (liquefied natural gas).

The fundamental point of these strategic goals is E.ON's key belief in sustainable market success. In 2007, E.ON considered vertical integration, convergence of power and gas, growth and strong market positions in a competitive market environment, including value from experience, to be the key parameters for sustainable market success (E.ON, 2007c).

As mentioned above, E.ON has also worked out strategies for its individual markets. For the Central European market (Austria, Belgium, Bulgaria, Czech Republic, France, Germany, Hungary, the Netherlands, Poland, Romania, Slovakia and Switzerland), the overall goal is to fortify the company's market position in gas and power. Among the main efforts are the company's support for privatisation processes and its investments in the development of the region's power production facilities. For the UK market, the overall goal is integration and position strengthening. In this area, E.ON wishes to make large investments in diverse and less CO₂-intensive generation of power, including renewables. In the Nordic region, E.ON's goal is to consolidate and expand its market position. In E.ON's opinion, the key to this development is organic and external growth; therefore, the company considers supply and infrastructure development, plus consolidation of this market, to be of major importance. E.ON's targets for the pan-European (i.e. almost the entire Western European market) gas unit are to 'strengthen and diversify', i.e. to strengthen the company's market position and to diversify its production in terms of sources and cooperations. In the US market, the overall goal is to maintain organic growth (E.ON, 2007c).

Environment

Due to its position as the prime energy supplier in Europe, E.ON is a major player in the drive against carbon dioxide emission. The company states, 'If we don't start taking action on this late stage, we will have to answer to our grandchildren some time in the future' (E.ON, 2006, 2007b). In fact, the company considers climate change to be the number one challenge in the European energy sector.

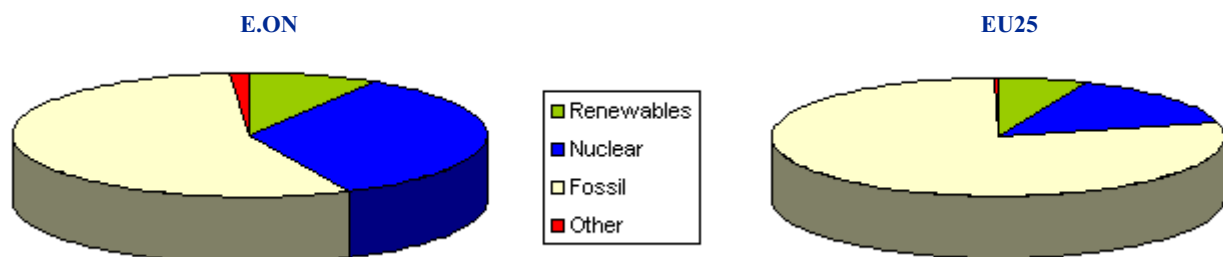
At this time, only 8.9% of the energy generated by the company is covered by renewable energy sources, while approximately 55% is covered by fossil fuels, but the company is making large investments in renewable energy and carbon dioxide emission-reducing technologies. For instance, in 2007, E.ON acquired windmill farms in the US, announced plans to build an offshore wind farm on the UK coast, acquired activities in renewables in Spain and Portugal, launched the establishment of a pilot power plant with a 90% carbon dioxide emission capture and established a company unit for renewables and climate protection (www.eon.com, 2007). The Renewables and Climate Protection unit will be responsible for the company's renewable energy business and will manage the company's climate protection projects (E.ON, 2007).

Indeed, E.ON is making a decent contribution to the fulfilment of the EU's environmental goals. In this regard, the company finds it imperative that EU regulations be coherent and that EU regulators make an effort to ensure rules harmonisation among the Member States, because at this time, E.ON finds the current situation, where 'some Member States are exploiting emissions trading to achieve their own industrial objectives', to be unacceptable (E.ON, 2007f).

In spite of the company's efforts to protect the environment, at this time, in comparison with other major energy suppliers such as Iberdrola and Vattenfall, E.ON is not making the same progress in increasing the share of energy produced from renewable energy sources; moreover, the company is currently responsible for 0.6% of the world's manmade CO₂ emissions (E.ON, 2006, 2007b). E.ON's primary concern regarding energy production from renewables focuses on the way this type of energy production generally implies use of public subsidies – a business that E.ON is reluctant to enter.

Although E.ON is not the leading European energy company in terms of using renewables, a considerable share of its energy production is indeed based on renewables. In comparison with the EU average on energy production, E.ON is still among the European energy companies with the highest amount of renewables in its energy mix. While the EU25 average is at 6.3% renewables in the energy mix, E.ON is well above the average with 8.9% renewables (see Figure 4).

Figure 4: *The energy mix of E.ON in comparison with the EU25 average*

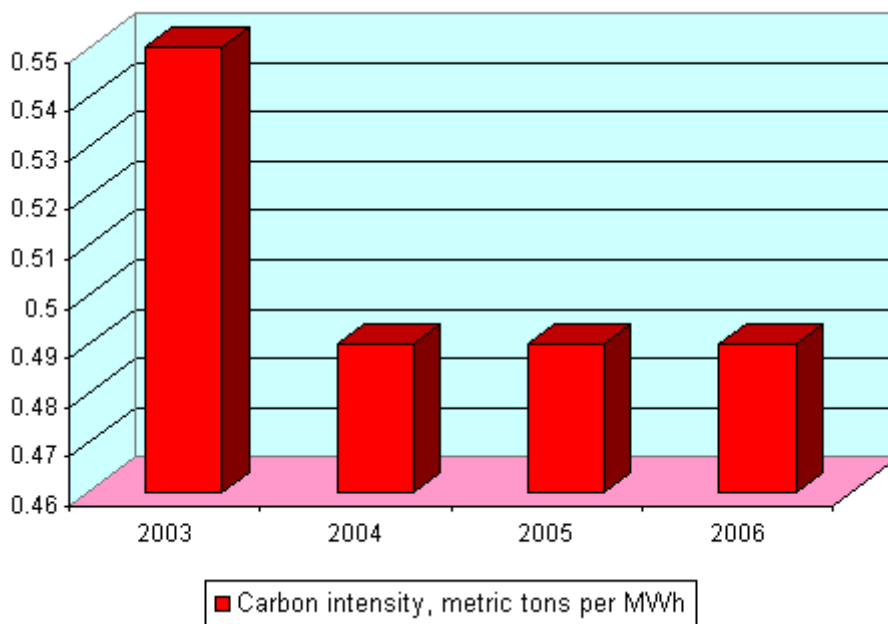


Source: E.ON (2007) and European Commission (2006)

As mentioned earlier, E.ON attributes great importance to the effort of minimising carbon dioxide emissions and has a goal of reducing its specific carbon emissions by 50% by 2030. One of the means to achieve this is the company's

ambitious investment programme. By 2012, E.ON will have invested approximately €6 billion in renewable energy, and in addition to this, some of the company's subdivisions will have further defined individual targets for their future energy mix and emissions decreases. For instance, the UK division of E.ON, which is the second largest electricity generator and is thus among the leading energy suppliers in the UK, has announced that it will reduce its carbon intensity by 10% by 2012 (E.ON, 2006, 2007b). E.ON Nordic – which is the part of the E.ON Group with the largest share of energy production from renewable sources by far, covering 38% of its use of energy sources with renewables – has decided to reduce its carbon dioxide emission by four million tons by 2015 (E.ON Sweden, 2006, 2007).

Figure 5: Carbon intensity, E.ON's electricity production



Source: <http://www.eon.com>, 2007

Despite the low percentage of renewables in E.ON's energy mix, the company's carbon intensity has decreased significantly. As illustrated in Figure 5, carbon intensity has decreased from 0.55 to 0.49 metric tons per MWh electricity. This implies that the extent of carbon dioxide emissions per unit of electricity produced has decreased, thus making electricity production less polluting.

In recent years, the overall level of carbon dioxide emissions from E.ON's energy production remained unchanged. The main reason for this invariability is probably E.ON's increased electricity production, i.e. as E.ON enhances its share of the electricity market, its amount of carbon dioxide emissions grow simultaneously. But since the company's level of emissions for every MWh of electricity produced has decreased, it still contributes to the global decrease in CO₂ emissions (presuming that the electricity consumed is unchanged).

E.ON as employer

E.ON's number of employees has decreased concurrently with its focus on business towards the energy sector only. As companies have been sold off and rationalisations have been carried out, the number of employees in the E.ON Group has decreased from 200,000 to approximately 80,000 people today (E.ON, 2001, 2002, 2006, 2007c).

Figure 6: E.ON's development in terms of employee number



While the overall employee number in the last two years has been relatively steady, the number of employees in the individual E.ON market units has been subject to fluctuation. The largest increase happened in the UK market unit, where the employee number has grown from 12,891 to 15,621, a 21% increase.

The largest decrease happened in the Pan-European gas unit, which witnessed a 7% decrease in employees from 13,366 in 2005 to 12,417 in 2006.

This decrease was due to major 'efficiency-enhancement measures' in Romania, while the employee increase in the UK market unit was mainly due to the integration of previously outsourced customer services and increased demand for technical personnel.

The average age among employees at E.ON is 40.9. About one out of three E.ON employees is between 40 and 50, which means that there is a large number of employees in the E.ON Group who will begin to reach retirement age in the next decade. The second largest age group at E.ON is the 30–40 years group, i.e. 26% of the employees at E.ON (E.ON, 2007).

E.ON has prepared itself for the future demographic challenges of an ageing workforce. For instance, E.ON Avacon, a German sub-department of E.ON, initiated a demographic change study group in 2006. The company has also launched several initiatives to retain employees.

Challenges

E.ON considers demographic development to be one of its greatest employment challenges. As the average age of the population rises, fewer individuals will be of an employable age. This implies difficulties for the company in maintaining the number of employees necessary for the company's further development. Besides, since the average lifetime record of working hours in the future will lengthen, the importance of healthy working conditions and finding the right balance between work and leisure will increase substantially. In order to complete the worker's time in the labour market in a physically and mentally healthy way, every worker must maintain a healthy work–life balance during his or her career. According to E.ON, this is an important task for employers.

Benefiting from a diverse society is also a challenge that the company must address in order to create an internal workforce reflecting what that the company considers ‘the uniqueness of each human as a benefit’ (E.ON, 2007d). Because E.ON is a large, global company, it employs many nationalities and cultures. Handling this challenge, e.g. ensuring uncomplicated communication among the individual company units, is essential for the operations of the entire company. Other major employment challenges for E.ON include supporting equality and improving working conditions in the overall society, especially among stakeholders related to E.ON (E.ON, 2006, 2007c).

Gender and equality

In comparison with other major energy suppliers such as Iberdrola and EDF, E.ON’s percentage of female workers is high. While the workforce at Iberdrola and EDF only includes 13% to 14% female employees, E.ON employs twice as many women. In 2006, 27% of the employees at E.ON were women. In recent years, the overall percentage of female employees at E.ON gradually increased, as illustrated in Table 1.

Table 1: *Percentage of female employees at E.ON*

	2004	2005	2006
Female employees (%)	24	26	27

Source: <http://www.eon.com>, 2007

The gender rate (i.e. the percentage of female workers compared to male) at E.ON is approximately 2.8, which means that there are about three male employees for every female employee. In comparison with its other business units, where the gender rate is approximately 3, the gender rate in the E.ON UK market unit is remarkably low, reaching only 1.6; hence, this business unit is noteworthy since it has a relatively close ratio of male and female employees.

When compared to the European energy sector, which has an average of 15% female employees, the European units of E.ON also have a relatively high share of female employees, reaching 27.75% (ECOTEC, 2002).

Although national definitions and laws render it impossible for E.ON to show an ethnic breakdown of employees for the entire company, the overall impression of the company is that employees have a wide range of ethnic backgrounds. For instance, the UK department of E.ON employs more than 12 different ethnicities and the E.ON Group has a diversity committee that develops measures and projects to eliminated discrimination.

In June 2007, E.ON implemented its new Equal Opportunity and Diversity Framework across the entire group. The company policy for diversity, harassment and equality is outlined in this document. The purpose of the document is to communicate E.ON’s fundamental views and to provide a framework for non-discriminatory practices and the promotion of diversity in E.ON’s work environment. In addition, the company also wishes to set a good example to the rest of society; therefore, the framework also applies to countries where the standards for the subjects discussed in the framework are lower (E.ON, 2007d).

In addition to diversity initiatives within the E.ON Group, the company has also carried out initiatives for the society outside E.ON. For example, the Nordic business unit of E.ON has organised a special summer work experience scheme for children from immigrant families. The aim of the project is to prepare young people with an immigrant background to enter the labour market, thereby ensuring a future supply of employees.

In 2006, the company employed more than 1,600 disabled people, since the company believes that ‘disability should not be a handicap’. In order to promote the integration of severely disabled employees in the company, the interests of the disabled employees are represented by the local severe disability support network and the E.ON severe disability

network. In 2005, a groupwide integration pact was launched in order to establish uniform guidelines for the company's responsibilities towards the disabled within the entire corporation.

Policies and initiatives

E.ON is carrying out a number of initiatives aimed at improving the working conditions in the company and ensuring the company's attractiveness in the eyes of potential employees. A number of the company's employee development initiatives, its work-life balance initiatives and its graduate and postgraduate programmes will be described in the following sections.

Employee development

E.ON considers education to be of major importance for its technology and efficiency improvements and for its retention of company employees. Within the entire E.ON Group, 240,000 training days are available each year. As E.ON employs 80,000 people, this figure means that for every employee in the company, an average of three training days are available. In cooperation with the individual employee, E.ON works out development plans for the individual employee. Through regular employee interviews, the individual employee's development plan is adjusted in order to ensure coherence between the development plan and the employee's current development goals; thus, the development plans are customised for the individual employee and include (in addition to the employee interview) standardised personnel development and external education programmes from a wide range of providers.

The E.ON Academy is the in-service university at E.ON. The unit offers a wide range of competence development programmes for employees at management level. The unit was established to support the company's future and current managers by developing new competences and updating their knowledge. Two thousand students are currently following the in-service education programmes offered by E.ON Academy. The aim of the unit is for employees to 'learn from the best'; hence, the unit cooperates with partners such as the London Business School, MIT and Harvard Business School. The academy offers tailor-made learning programmes, symposiums and discussion forums for various internal target groups.

In addition to the development programmes offered by the E.ON Academy, the employees are also offered 'learning abroad' programmes. As part of the individual employee's competence development, it is possible to work in other divisions and departments. Through his or her stay in a company unit different from his/her usual workplace, the employee gains new perspectives and obtains new knowledge. Since E.ON is a global company, it has a wide range of units all over the world where its employees are able to spend a period of 'learning abroad'.

Work-life balance

E.ON is aware that 'it is not always easy to reconcile' work and private life; therefore, the company has taken a number of measures to ensure a better work-life balance among its employees. The aim of the initiatives is not only to improve the working conditions of its employees, but also to ensure the continued participation of young mothers and fathers in the labour market. E.ON considers part-time working, sabbaticals, telework and flexitime as valuable instruments in the effort to keep mothers and fathers in the labour market, so the company tries to promote these solutions among its employees. In 2006, 7% of the company's employees worked part time. The fact that work-life balance was the first subject to be discussed at a OneE.ON Forum shows the high strategic priority given to this subject.

A number of 'work-life balance' initiatives launched by E.ON can be emphasised. At E.ON Ruhrgas and E.ON Energie (which altogether employ approximately 70% of the company's employees), the employees are offered a five-year parental leave with a re-employment guarantee. In 2006, 931 E.ON employees in the German, Swedish and UK departments of E.ON were on parental leave.

Parental leave is not the only measure taken to create a healthy work–life balance among employees with children – initiatives to create a sensible work–life balance after the employee has re-entered the working market have also been launched. E.ON Energie and E.ON Ruhrgas have the Balance.ON and Familie und Beruf projects, which are aimed at helping employees to find the right balance between work and family and private lives. In addition to traditional initiatives such as parental leave with re-employment guarantees, flexitime, etc., these programmes also include a mentoring system for parents on leave and various childcare facilities.

Programmes for graduates and students

One way of ensuring the labour needed for the further development of E.ON is the integration of university students or graduates in the company before or just after graduation. E.ON offers traineeships and ‘dual education’ programmes for university students as well as graduate programmes.

A traineeship at E.ON lasts for 10 months. Some €10 million was invested in the last E.ON training initiative, which included 90 additional training positions and more than 420 preparatory internships. In general, E.ON employs more than 700 trainees every year, and participation in the internship programme improves the student’s chances in obtaining a training position the following year.

The dual learning programmes give students the opportunity to combine a traineeship at E.ON with a course of studies. This programme includes a dual learning process whereby the student not only develops his or her competences through practical experience, but also through ‘regular’ studies such as university seminars. In addition to these programmes, some E.ON departments also support students during their studies. This C4U (‘Challenge for You’) programme offers highly educated technicians, industrial clerks and office clerks financial support throughout their studies.

The E.ON graduate programme is for university graduates of industrial engineering, economics, finance, human resources or jurisprudence. They must have recently completed a university degree and must have no initial work experience. The programme lasts 18 months, during which time the graduate will be employed in four different business units, among which one is abroad. During the programme, the graduate will have two contact persons, a mentor and a human resources professional. Every graduate will be offered three training modules in the shape of workshops.

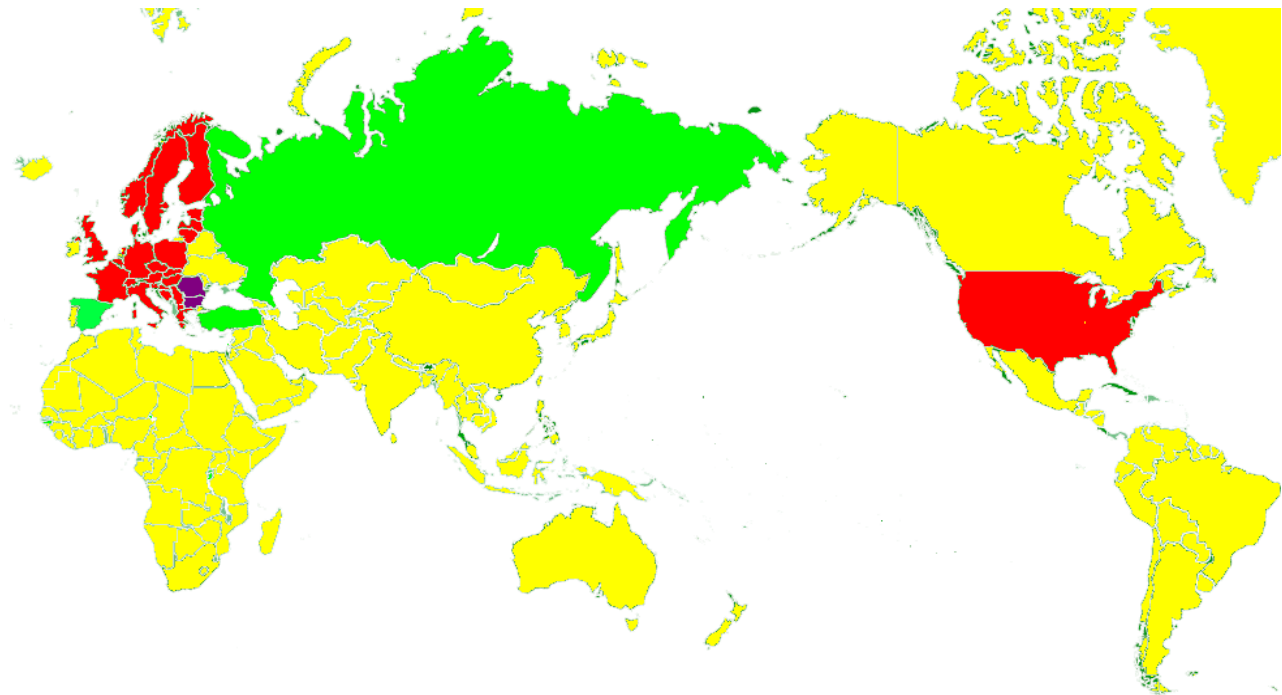
At E.ON Ruhrgas, graduates with initial work experiences are offered a development programme at the company. This graduate development programme covers a period of two to two and a half years and the graduate’s assignment in each business unit lasts between nine and 12 months. The aim of the programme is to attain new managers at E.ON and many of the graduates are offered a job after completing the programme (www.eon-ruhrgas.com, 2007). Three types of graduate development programmes are offered: the Commercial/Financial Programme, the Technology Programme and the Gas Programme. The Commercial/Financial Programme offers business (or similar) graduates experience in a wide range of areas under the commercial side of E.ON’s business. Depending on the graduate’s interests and competences, the graduate will be deployed in various functions within the company, including mergers and acquisitions, finance, controlling, group accounting, human resources, and management consultancy. The Technology Programme also offers graduates a number of areas to work in. This programme is focused on technology, i.e. information technology, mechanical engineering. The Gas Industry Programme involves a more trade-orientated approach to gas than the other programmes. In this programme, the graduate’s analytical and communication skills are essential, as the graduate will be deployed in units such as gas sales or energy and economic policy (<http://www.eon-ruhrgas.com>, 2007).

Location decisions

E.ON is a highly globalised company with activities in more than 20 countries. The company's core markets are Central Europe, the United Kingdom, Northern Europe and the US Midwest.

Figure 7 shows the current core, new core and new markets of E.ON.

Figure 7: *E.ON's markets*



Source: *E.ON, Strategy and Key Figures, 2007*

E.ON is constantly monitoring the international energy market in order to utilise potential privatisation initiatives, as written in the company's strategy 'to systematically seize opportunities, including opportunities in future markets' (<http://www.eon.com>, 2007). However, E.ON still considers the European and the US market to be its primary targets. In connection with locating operations in new markets, E.ON emphasises the target market's proximity to countries in which E.ON already has activities.

In general, E.ON's overall strategic investment policy states that investments in new markets will be made in accordance with the following market attractiveness criteria:

- a high degree of returns on the specific market;
- a reasonable growth rate;
- investor-friendly national regulations;
- a low degree of other (i.e. country-specific) risks.

E.ON is already a dominant player in the German, Hungarian and Slovakian energy markets; therefore, further growth in these countries is becoming more difficult since the markets are mature. In order to maintain its growth rate, the company must keep entering new markets. One of the energy markets which E.ON recently brought into focus as a potential growth market is Russia. In E.ON's opinion, the Russian energy market constitutes a major growth opportunity and the company is currently making great progress in its negotiations on asset swaps between itself and the Russian Gazprom (www.eon.com, 2007) in addition to the company's acquisitions of a majority ownership interest in the Russian power producer OGK-4.

The company's intentions for OGK-4 are an important strategy for E.ON in its desire to further activities in new countries. By considerably expanding the activities of the newly acquired company, E.ON furthers the particular company's market position (and thus E.ON's too). It will be easier to increase operations since the market is ready. For instance, by expanding OGK-4's power generation fleet, E.ON will gain a stronger foothold on the Russian energy market..

The Endesa case

In 2006, E.ON made an attempt to acquire the Spanish electricity company Endesa, since it is a large electricity company which already has operations in South America.

Unfortunately for E.ON, the Spanish government opposed the acquisition and E.ON gave up after working on it for more than a year. Eventually, Endesa merged with Enel, giving E.ON the opportunity to acquire individual power plants from Endesa.

A challenge for E.ON's development in furthering its operations across national borders is the renationalisation trend. The renationalisation trend implies that instead of deregulating their respective energy sectors, nation states will make an effort to maintain control and ensure that energy production stays in the hands of national players. This trend is currently prevalent in some Southern European countries, and an example of the phenomenon is the action of the Spanish government in connection with E.ON's Endesa takeover offer.

Outsourcing

In general, E.ON outsources business functions if the benefits are considerable and the quality of the tasks performed will be unharmed. For instance, the Swedish department of E.ON has outsourced its meter-reading activities.

In recent years, however, E.ON has carried out insourcing initiatives. In 2006, E.ON's UK business unit chose to close down its customer services facility in India and move these functions back to the UK since it had received a number of complaints from consumers over the decline in the company's customer service level (<http://www.bbc.com>, 2006). Some analysts consider this decision to be of major importance for the entire energy sector, as the company's decision to shut down the Indian facilities might imply a U-turn in the general outsourcing attitude – a change in attitude that might be followed by other companies which experience decreasing consumer satisfaction after having outsourced its customer services facilities (<http://www.cbronline.com>, 2006).

Summary

In less than a decade, E.ON has managed to develop from being a diversified corporation covering a vast number of different business areas to be an almost fully integrated energy provider while also maintaining a sensible growth rate. The company has benefited greatly from the liberalisation of the EU energy markets, but a new EU proposal on unbundling could result in a split-up of the energy giant's productions and transmission units.

While E.ON is not yet number one in renewables among the European countries, the company is close to being an ideal employer, offering a wide range of opportunities to its employees. In essence, the company makes a huge effort to support its employees in their pursuit of a reasonable work-life balance, integrates disabled people in the company's workforce and carries out programmes for trainees and graduates. These initiatives also clearly contribute to ensuring that the right people with the right skills are employable in the future, when the need for skilled workers within the energy sector will be more urgent.

E.ON's efforts in improving working conditions have resulted in a number of awards. For instance, E.ON Ruhrgas was included in the European Great Place to Work list of 2007 (<http://www.greatplacetowork-europe.com>, 2007) and in the top 20 of 'The Top Employers in Germany in 2007' list.

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