



## Structural Changes and Social Cohesion by Mr. Iordanis Aivazis, Chief Financial Officer, Hellenic Telecommunications Organization (OTE), Greece

The issue has both social and economic connotations. In a first reading, it would appear that there is an inherent contradiction in the term, in that if you strive for structural changes, social cohesion cannot be achievable or that if social cohesion is to be preserved structural changes are not feasible. I intend to approach the subject at micro level and not as usually is the case, at macro level. I will try also to draw certain inferences which might be applicable at macro level. My point of reference is the company I work for in the capacity of Chief Financial Officer and the social, economic, and business environment I will be referring to is the Greek one.

Hellenic Telecommunications Organization (OTE for brief) is a company publicly listed in the Stock Exchanges of New York, London and Athens. The Greek State holds a 38.7% stake in the company. Because the company in the past was entirely a public sector entity, employees were enjoying and still enjoy a civil servant's status which effectively was preventing any effective management decisions to be taken. These rigidities became critically dangerous because the telecommunications sector was deregulated at the beginning of 2001 and the company's operations needed severe streamlining if it were to survive in a competitive and ever changing technological environment.

Since revenues were under pressure, because of increasing competition, streamlining had to involve management of the cost side of the company, which in its turn would involve, among other things, severe headcount reductions. In broad terms, the company had to go through a significant restructuring process which because of its magnitude and complication within the Greek social, economic, and business context, would be an unparalleled breakthrough.

The main task was to go through the restructuring process, of which headcount reduction was an important component, as smoothly as possible aiming at avoiding situations which could seriously disrupt the company's operating capabilities. Hence, the process would have to be consensual. Negotiations with the Unions and a proper communications strategy with many constituent parties involved seeking their necessary political and institutional support, were the basic tenets of the approach, notwithstanding, of course, the financial aspects which would have to justify the whole effort. The task was by no means an easy one. There had to be an arrangement which would be acceptable by the Union and at the same time it wouldn't jeopardize the financial viability of the company. In the process, and after lengthy negotiations, an agreement was reached resulting in about 34% of the personnel leaving the company within a 12 month period in what was called a Voluntary Retirement Plan. It had to be voluntary and not mandatory because of the civil servant's status of the employees.

Why the whole scheme reached a successful conclusion? From the very beginning the Union was made privy of the company's situation and financial predicament unless restructuring would take place. No effort was spared to provide substantive data evidencing the negative course of things, while management became aware of the fact that employees eligible for early retirement should be treated in a way which would take care of each employee group's interests.

Given the weight OTE carries in the Greek economy and the successful way the process was conducted, the scheme may be replicated in other companies in which the State holds a stake and could be used as a pilot to address social security issues.

Inevitably, difficulties would be greater if a similar pattern is to be applied at macro level. Any restructuring process is, by definition, painful for either side in the negotiating table. The likelihood of a breakdown is high. If, however, either side sits in the negotiating table realizing the realities and the practical issues the other side is facing, there is a chance for success. And however slim that chance might be it really pays to reach for it in a practical and realistic way.