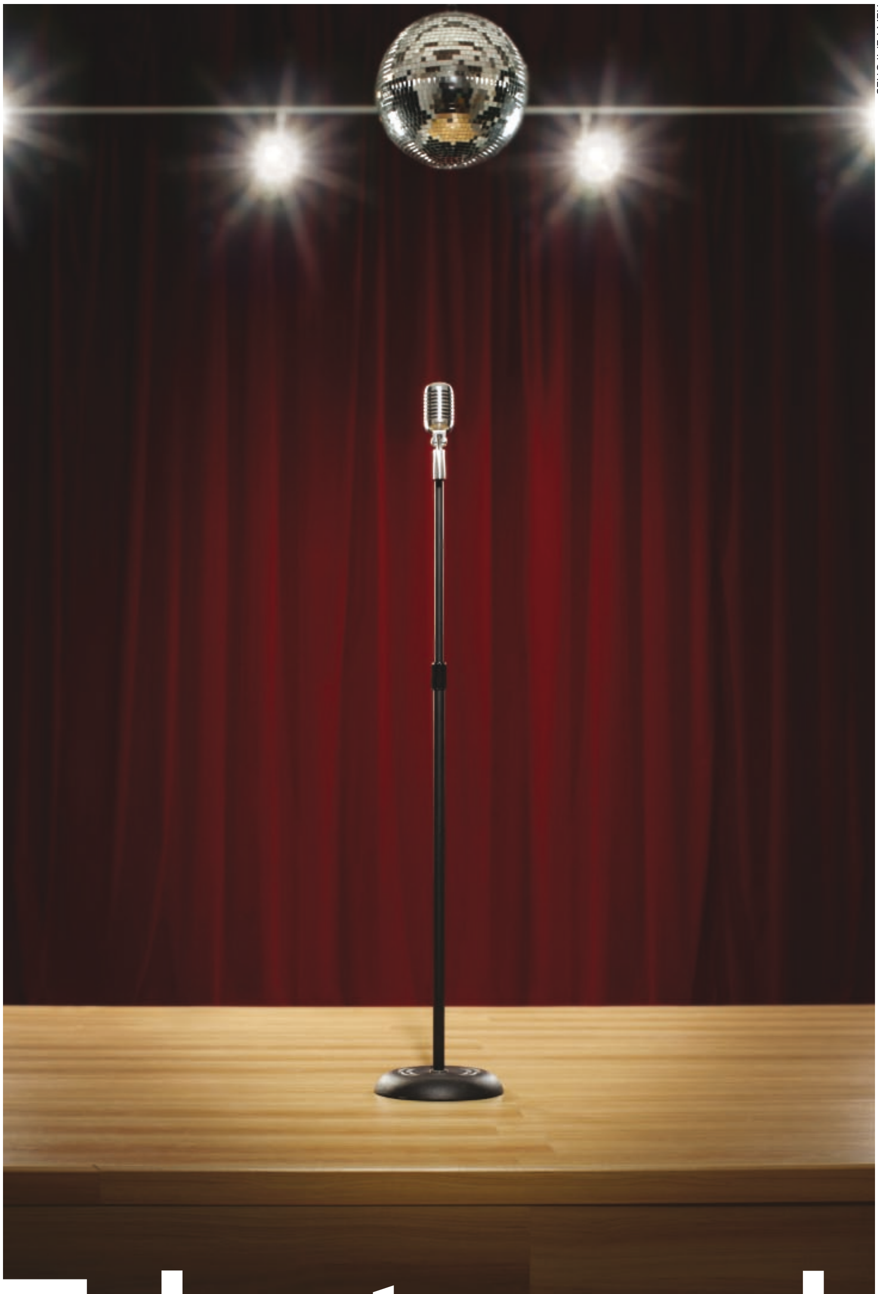

REX FEATURES

Talent search is on

Finding talented people is crucial for chemical and pharma companies focused on growth by way of international business development, concluded a recent Atos Origin industry roundtable

JOHN BAKER/AMSTERDAM

AT THE turn of the year, chemical markets are being battered on no fewer than three sides. The chemical sector's expected cyclical downturn is being exacerbated by the financial crisis and the overall economic slowdown.

Industry executives' first priorities in this unprecedented state of affairs are to manage production rates and look for immediate cost savings. But in the medium term, growth and business continuity are still the strategic goals. And in this day and age, this implies – even demands – a focus on international business development.

At a recent executive roundtable on the topic organized by Atos Origin, the France-based information technology and consulting firm, chairman Rinus Rooseboom, former general manager for Dutch chemical firm AkzoNobel's decorative coatings business, stated firmly that international business development "is a must, as companies need to drive sales as well as give continuous attention to the cost structure."

He added that markets and customers are globalizing and companies are being forced to invest overseas to grasp opportunities for growth.

European companies have indeed been spurred to invest overseas in recent decades. A number of key factors are in play: on the one hand, the maturing of European domestic markets and the lure of growth in developing markets; and on the other, the need to gain access to secure sources of raw materials and to follow the customer base, as manufacturing moves to cheaper regions of the globe, such as Asia and particularly China.

The benefits to be generated from increased scale and scope of operations are also an important driver. With the rise of competitors in Asia and the Middle East, it is also important, noted Bernard Garrette, professor of strategy at the HEC School of Management in Paris, France, that European companies grow to avoid becoming "prey" to these new entrants. "We are seeing Indian and Chinese companies taking over in developing countries, and we need to be stronger to fend this off."

Emiel Staring, managing director of BioMedical Materials, a Dutch private-public partnership, put the issue bluntly when he asked: "Can you survive without global business development?" His answer: a distinct no. "You have to operate globally, in terms of sales, purchasing, and so on," he noted. "There is no alternative to global business."

> **"Indian and Chinese companies [are] taking over in developing countries"**
> **Bernard Garrette**, professor, HEC School of Management

Nico Overbeeke, vice president of research and development at Unilever, stressed that his company has adopted a global strategy to meet the needs of its customers around the world. "We want to go everywhere and need growth. But it is also about how you achieve this growth…. It needs to be sustainable."

But what issues does this raise? How do companies assess the potential benefits of international business development and what are the critical success factors for success collaboration? How can companies secure the human capital they need? And how can companies structure their innovation and develop operational excellence internationally?

THE SEARCH FOR TALENT

Judging from the discussion at the roundtable, ensuring the supply of appropriately qualified and trained employees is a key concern for all companies, especially those operating internationally.

Hans van Haarst, managing director for technology and engineering at AkzoNobel, commented that the difficulty in securing talent is not unique to the chemical industry. There are general concerns arising from demographic changes, globalization and the rise of the knowledge worker in the sector.

"Talent is not high enough on the agenda" in the chemical industry, he said. "We take a tactical approach, but not a strategic one and our human resource departments focus on systems and processes," rather than talent recruitment and management.

Van Haarst sees this need for talent to be intimately linked to the industry's need to innovate to drive growth. But to do this, he added, we need to invest in people and this needs to be promoted on to the CEO's agenda in companies. "We need to give some serious attention to this."

Several participants raised the fact that the workplace is changing and that it is no longer a case of jobs for life in the industry. People do not expect to stay at one company for all their career, so attracting talent is a strategic issue, and developing it in the longer term is crucial. The employee/employer relationship then becomes critical and you have to work out ways of earning trust and creating value for your best employees.

Garrette also highlighted the concern that young people are much more skeptical of companies' ability to develop them these days and think the best way to progress is to move companies. They are also increasingly skeptical about industry's ethics and its claims to sustainability, which all conspire to make recruitment more difficult.

This change in attitudes among new graduates gives them a different work ethic in terms of sustainability, noted Rob De Ruiter of Dutch chemical company Thermphos, which means that companies have to change as well. Otherwise, added Garrette, we will see more escaping from business careers into NGOs [nongovernmental organizations], as they express their skepticism of self-regulation on standards in the industry.

> **"Talent is not high enough on the agenda in the chemical industry"**
> **Hans van Haarst**, managing director, AkzoNobel

There are some lessons that can be learned, however. Some companies do let talent prosper, such as US-based software and internet giants Microsoft and Google, noted Wieger Schotanus of Atos Origin. These companies seem to reinvent themselves every two to four years. »

CHEMCHINA SUBSIDIARY REACHES FOR THE STARS

Bai Xinping, deputy general manager of China National BlueStar, part of ChemChina, told the roundtable that BlueStar has ambitions to become a player on the global chemical market, but needed more resources and acquisitions to achieve this.

It has made three purchases in recent years: Adisseo and Rhodia Silicones in Europe and Qenos in Australia. Further deals are possible, said Bai, but there are no official plans at present.

Bai noted that the 20% stake taken by US private equity concern Blackstone in BlueStar late last year would bring lots of benefits and experience to the company and help boost its global capacity. "Blackstone has lots of experience in investing in chemicals," he said, "and brings management experience, capability and added value."

As part of its global ambitions, BlueStar is undergoing a transformation process with the assistance of Atos Origin in IT and SAP implementation. Part of the process, said Bai, is to transform BlueStar's purchasing operations by setting up an effective purchasing operation that will leverage the size of the company. "We want to build up strategic partnerships with suppliers in the market and seek better suppliers and better cooperation with suppliers."

BlueStar purchases large volumes of raw materials in 23 categories, notably benzene, ethylene, toluene, methanol and phenol and acetone, to feed its downstream petrochemical businesses, he explained. "We do produce some of these, but not all and not all in sufficient quantities."

BlueStar's strategy is to build up its petrochemical activities. The target, said Bai, is to move to having 95% of turnover in chemicals. It has medium-term plans to invest in five large industrial zones, at Tianjin, Shenyang, Shanghai, Nantong and Lanzhou.

They are, explained Marc God, director of e-business at Dutch life sciences firm DSM, organized in such a way that there is not a huge hierarchy to move up the ranks and the idea that you can develop yourself over time is accepted by those that work at these companies.

"If a company can position itself as a provider of opportunities and show that it can honor this contract, with trust and mutual value, then it is on the right track," said God. Microsoft works with unstructured organic teams, offering choice but with a responsibility on employees to deliver value.

As Rooseboom concluded, a large part of the answer lies in companies being credible: "It's what you do, not what you say you do" that will let you attract and retain talent. Said Staring: "You need to create a warm environment and a role for each employee to create value for the company."

On the question of the role of government in international business development, several participants commented that provision of talented people was a key responsibility, alongside fostering innovation. Menno Horning, manager of the life sciences group at SenterNovem, the agency for innovation and environment of the Dutch Ministry of Economic Affairs, agreed that government's role is to team up with industry to create a good climate for industry in terms of innovation and investment in people.

"The public challenge is to create knowledge and innovation…. We need to educate people well…. It's part of our capital." But, he admitted, it is difficult to get people to study math and take postgraduate studies; it is also then a problem to attract and keep them in the industry, let alone in the EU. Often, he noted, those students that do study science prefer to stay in the public sector and not move into industry. This, he noted, contrasts with the US, India and China, where scientists are more entrepreneurial and are keen to go into private business.

"We'd like to encourage this in the EU human talent," said Horning. One way to move academics into industry, he noted, is to create public-private partnerships with companies so that academics can get a taste of commercial practice.

Horning also noted that competition for talent these days is global but it is a liberal market in that you can't control people. "But if you want to be innovative and competitive, you need to compete globally for talent."

AROUND THE TABLE

GETTY

- **Simon Smith**, global industry director, chemicals & pharma, Atos Origin
- **Bernard Garrette**, professor of strategy, HEC School of Management, Paris, France
- **Hans van Haarst**, managing director, technology & engineering, AkzoNobel
- **Menno Horning**, director, life sciences, Dutch Ministry of Economic Affairs
- **Emiel Staring**, managing director, BioMedical Materials
- **Jean Marc Neefs**, director, J&J Pharmaceuticals R&D
- **Jacob Vlieg**, molecular design & informatics, Schering-Plough
- **Nico Overbeeke**, vice president R&D, Unilever
- **Jos Boesten**, DSM client executive, Atos Origin
- **Jessica Wang**, key account director, Atos Origin, China
- **Bai Xinping**, deputy general manager, China National BlueStar, ChemChina
- **Marc God**, director e-business, DSM
- **Peter van der Spek**, Erasmus medical centre
- **Rinus Rooseboom**, former general manager, AkzoNobel decorative coatings
- **Samir El-Awadi**, vice president sales, Atos Origin Netherlands
- **Rob De Ruiter**, director, Thermphos
- **Wieger Schotanus**, AkzoNobel client executive, Atos Origin
- **Anne Fitzsimmons**, senior vice president, Atos Origin global manufacturing markets
- **John Baker**, global editor, ICIS

CRITICAL SUCCESS FACTORS

The roundtable looked at a number of areas critical to the success of international business development. Agreement was broadly forthcoming about the need to adopt and maintain consistent ethics and operational standards across European and overseas businesses, and to ensure that innovation and protection of intellectual property rights were effectively managed wherever a company has operations.

There was wider discussion, however, on what the mix of organic growth versus growth via merger and acquisition (M&A) activity should be. And what issues the latter route might throw up, in terms of culture, ethics and operations. Garrette commented that the reason companies frequently go down the route of forming alliances and M&A is that organic growth is often very difficult, slow and risky, especially when investing abroad.

"The quick fix is the merger, but the problem is that firms pay too much as they pay a premium for control. You can see it in the share prices of the acquirer and the acquired," said Garrette.

It is a paradox, he noted, but frequently it is the shareholders of the acquired company that are the only winners.

But several participants disagreed with him on some points. Although organic growth is slower, it is often less risky, said Rooseboom. And, while van Haarst pointed to the soft issues that make mergers more difficult and risky, such as cultural mismatches, Garrette commented that slowness in itself can be a risk in today's competitive climate, but at least it does give you the time to absorb knowledge.

> **"In global markets, you need to… specialize and focus your business"**
> **Marc God**, director of e-business, DSM

Garrette also pointed out that when looking at business development, companies tend to mix up top line and bottom line growth. "Often, people talk as if one was the proxy of the other, but this is a big mistake. All companies can grow the top line and take out costs, but bottom line growth is determined by the structure of the competition in 10 years' time", he warned.

Staring commented that M&A can be used to acquire new products and technologies and so move up the higher margin/value added/innovation curve. "You can scout for technology and take small shares in companies or take part in venturing with start-ups. This gives you a multimodal way to grow your company."

The idea that M&A can be used to create growth platforms was put forward by Rooseboom. In China, for instance, there are huge opportunities for growth and if you want to participate, you need to be there. It is OK, he said, to buy your way in, whether this is the only way or if you want to use it as a base to accelerate growth.

God agreed that it was a good model to acquire growth platforms. "In global markets, you need to be excellent in what you do, and specialize and focus your business."

Agreement all around then, that international business development is a must for today's chemical companies. Agreement, too, that it's not just an easy option – but one fraught with difficulties.

Some companies are well on their way, but for others the potential benefits beckon, as long as they get the investment approach right, and solve the softer issues of talent management, ethics and consistent operational performance on a global stage. ■

» The Atos Origin chemical industry executive roundtable on international business development was held on November 4 in Amsterdam, the Netherlands. For more details, contact Simon Smith at Atos Origin, at simon.smith@atosorigin.com or go to www.atosorigin.com