

38<sup>th</sup> Annual Meeting

M O N A C O



25 - 29 september 2004

DEVELOPING PEOPLE  
THE WAY FORWARD IN OUR KNOWLEDGE-BASED INDUSTRY



THE EUROPEAN PETROCHEMICAL ASSOCIATION

# INTRODUCTION



The EPCA's 38th Annual Meeting was held in Monte Carlo on September 25-29, 2004. In his welcome address, EPCA President Dr Walter Thünker of BP Refining and Petrochemicals pointed out that the number of paying delegates attending the meeting, at 1,405, was the second highest ever. Including partners, there was over 1,600 people officially registered for the event.

Putting the theme of this year's meeting - "Developing and Retaining the Right People" - in context, Dr Thünker said that the issue represented one of the four great challenges for the European petrochemical industry. The others are feedstock costs, the optimisation of logistics and environmental obligations.

The EPCA President told delegates that this year's conference would focus on how the petrochemical industry can create and maintain a supportive culture which fosters the recruitment of the best possible candidates and offers stimulating career paths which ensure the retention of people who can help grow the industry and benefit it in other ways. In addition, the meeting would consider the latest developments in Europe as they relate to chemical industry prospects, the labour market and employment opportunities.

Dr Thünker handed over proceedings to Michael Buerk of the BBC who has now provided sterling service as moderator at EPCA meetings for 11 years in succession. In his own introductory comments, Michael Buerk pointed out that, based upon his experience with EPCA and petrochemicals, the 38th Annual Meeting conference should provide delegates with much food for thought. Despite the extent to which chemicals underpin modern lifestyles, the industry is globally more competitive than ever before and continues to underachieve when it comes to promoting a positive image. European chemical producers need to add value and to innovate just to keep up with their competitors, let alone get ahead.



"Paradoxically, although the chemical industry has traditionally relied on a highly skilled workforce to secure its many accomplishments, young people today do not find chemicals very sexy," Michael Buerk told delegates. "There appears little to entice a new generation of technicians and scientists to take up a career in the industry. This represents a considerable challenge for you."

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## THE INSIDER VIEW



The first speaker was Peter Huntsman, President and CEO of Huntsman Corporation in Houston, Texas, whose presentation was entitled, "Successive and Successful Mergers: Why and How to Establish a New Company Culture". Peter Huntsman is ideally placed to comment on workforces, considering that over the past 20 years his company has expanded, through acquisitions and organic growth, at a rate of about 20 per cent per annum in turnover terms. During that period Huntsman made 23 acquisitions, all of which have been successful, and the workforce has grown from a few hundred to 15,000 today.

Throughout the company's history, from the acquisition of a small Shell polystyrene plant by Peter's father, John, in 1983 through to the current diversified chemical group with an annual turnover of US\$10.5 billion, Huntsman has regarded its people as its top priority. More specifically, the No 1 objective for Huntsman is the safety of its people, followed by, in order, environmental protection, community outreach, job assurance, the fostering of creativity and customer care.

### People power

Getting people involved is a central plank of the Huntsman culture. Acquisitions are traumatic events for employees who usually view the development as a "failure" of the previous company. The Huntsman culture is focused on sharing its vision with its employees and on releasing the potential of its people. Experience has shown that this enfranchisement process has been successful in reincentivising individuals and winning approval and support for the company from its new employees following an acquisition. The process of getting people involved is focused on not

only employees but also local communities, the latter being an important source of future employees. "In recognition of the way we value people, it is also important that we give people work of value," Peter Huntsman told the EPCA delegates. "In addition, we need to be open to change and not to be too rigid in our ways, especially as we are involved in so many different countries. We find this flexible approach tends to elicit a similar response from those we deal with, not least the unions. Another part of our culture which is valued is our open door policy. Our senior managers are accessible to their employees, whether to talk about problems, ideas or straightforward requests."

### Giving back to the community

A further essential element of the Huntsman philosophy is that the company is valued more than just the bottom line. In line with the importance the company affords to the need to return something to society, Huntsman gives about one-third of its profits back to the community.

Looking to the future, Peter Huntsman said that the global chemical industry will change over the next two or three years in ways that we will not recognise. There will be more consolidation, and independent manufacturers, not tied to the oil majors, will come more to the fore. The reason that chemical companies, in general, have not performed well in the recent past is due to lack of investment. This will change and people will need to be a central focus of future investments, as they are a key factor in the difference between success and failure.

Providing an indication of the way the industry in general can profit from adversity, Peter Huntsman asserted, "We have always regarded each step in our evolution as an opportunity rather than a challenge. And our people have been key to everything that Huntsman has achieved."



## KEEP EUROPEANS AT WORK



Dr Wim Kok, former Prime Minister of the Netherlands and currently Chairman of the EU Employment Taskforce, gave the second presentation. Speaking on the work of his Taskforce, Dr Kok focused on the very real challenges of "Keeping Europeans at Work". The background picture he painted was not encouraging. Although there was an increase in employment levels in Europe during the period from the mid-1990s to 2002, unemployment in the European Union is still too high and economic growth, at about one-half of the US level, is still too low. Further challenges are looming in the shape of globalisation, as countries like China and India are able to produce goods much more cheaply than Europe can, and an ageing European population.

The EU Employment Taskforce has considered all these issues, as well as the impact of the recent EU enlargement by an additional 10 countries, and developed some considered recommendations on the

best way to meet the challenges ahead. What is clear from the findings of the Taskforce is that employment poses a major problem for Europe and that an effective solution depends on not only a coordinated effort across the Union but also good leadership from government, an enlightened approach from employers and a commitment from the workforce. The four key recommendations of the Taskforce are as follows:

1. Increase adaptability of all stakeholders in society, including governments, workers and enterprises. This implies the need for long life learning in order to make people more employable during their working life time. It also implies that life long job security is abandoned.
2. Attract more people to the labour market
3. Ensure the effective implementation of reforms through better governance
4. Invest more effectively in people

### Meat on the bones

Wim Kok proceeded to outline the steps that need to be taken to implement these recommendations. The steps to increase adaptability amongst the stakeholders are commonsense measures such as reducing administrative and regulatory obstacles; providing better access to finance; increasing investment in R&D; and making advisory support available. Governments need to take a lead role in ensuring these reforms are implemented. This leaves the specific measures to implement the Taskforce's two grassroots, people-oriented

recommendations. "Europe's poor economic performance compared to the US can be traced back to the poor achievement rates of students in basic education and the lack of investment in workforce training," Wim Kok told EPCA delegates. "Less than one European in 10 participates in lifelong training. Sadly, most firms undervalue training and fail to realise that their human resources are their most important capital. Unfortunately, when someone drops out of the educational system, they are not easily reintegrated."

Investment in people is an area where all stakeholders need to commit. All the parties need to invest more in human capital. Governments need to lay the foundations for lifelong learning, starting with the basic

education system. Enterprises need to be aware that investments in people, not least in training schemes, benefit productivity and competitiveness and that these investments can be shared across the business spectrum to mutual benefit. And students and workers need to realise that there is a direct correlation between their career prospects and their own commitment.

An increasingly adaptable workforce also needs to be an increasingly mobile one. The latest EU enlargement comes with a seven-year moratorium on the free movement of labour. Wim Kok told delegates that when the moratorium ends, workers must be allowed to move freely, not least because their services will often be needed in distant business centres.





## IN CAPITALISM WE TRUST



The final presentation at the 38th Annual Meeting was a thought-provoking commentary on capitalist culture by Hernando de Soto, President of the Institute for Liberty and Democracy in Lima, Peru. The speaker based his talk, which was entitled "People's Development Helps Capitalism Triumph", on the premise that, until an alternative system which is even better at enfranchising all participants comes along, the capitalist system offers the best way forward for mankind.

Mr de Soto began with a look at the foundations upon which capitalism is built. The work ethic of Europe, North America and Asia is conducive to the free market approach but "trust" is the key ingredient vital to the success of capitalism. The market economy is based on exchange, primarily the exchange of a promissory note in return for goods and services. For this exchange to work there has to be trust between the parties - trust

in the description of the goods and services to be provided and trust in the credit rating of those issuing the note.

There are other important constituents of capitalism's success, notably a body of law, collateral in the form of personal property and an understanding of how the system works by all the players. These ingredients reinforce the trust upon which capitalism is based. This culture has had a chance to lay down roots in the west for 150 years, to the extent that today capitalism is a pervading, symbolic force that drives economies. It is a paper, and also a plastic, exercise in which little physically changes hands. Most transactions are carried out through "representation".

### Third World obstacles

The trust-based system works in the west, said Hernando de Soto, and has been firmly embraced in Asia over the last 50 years, because individuals have a means of identifying themselves and the property they possess, as well as an address. Most people in the Third World, in contrast, do not yet have this capability. While steps have been taken to embrace capitalism in Latin America and other Third World nations over the past 35 years, many of the key building blocks are not yet in place. Legal systems, in particular, have not evolved to the extent necessary. As a result, many of these nations continue to function as black market economies in which the law will not allow individuals to gain title to land and property.

However, the good news is that these illegal economies tend to represent the early stages in a longer term

transition to a solid capitalist culture based on trust, a sound legal system and enfranchisement of the masses. Today's black market entrepreneurs are tomorrow's homeowners and operators of small businesses.

In the west the first major step towards functioning capitalism came in the mid-19th century when individuals were given the right to own and organise companies. Prior to that, companies could only be established under an Act of Congress or a royal charter, thus concentrating wealth in the hands of an elite merchant class. For capitalism to thrive everyone needs to be enfranchised; the process must be democratised.

### Optimistic for the future

Hernando de Soto reported to EPCA delegates that he was optimistic for the future of capitalism, and hence industry in general and chemicals in particular. The World Bank is doing a good job at spreading enlightenment in developing countries, not just in pointing out the benefits that will stem from a free market full of individuals with possessions and disposable income but also in highlighting all the hidden costs entailed in artificially maintaining a black market economy.

In many developing countries dramatic change is already taking place within their societies as old political systems fall away. As opportunities for democratisation open up, it is incumbent upon the majority to press for measures that will benefit the community at large. In this way, perhaps, oligarchs and dictators can be deterred and the number of painful diversions on the road to a fully enfranchised, open market can be minimised.

In this debate information technology is a red herring because computers only speed the market transactions which take place under the capitalist system. They have no power to facilitate the introduction of a soundly based, society-wide legal system. That must come from the people themselves.

### Social integration

However, as Hernando de Soto admitted in the discussion session following his presentation, the transition to a global free market, capitalist system will not be a smooth process. Many countries are only now beginning to put systems in place that have been embedded in the west for over a century. In addition, a number of good opportunities for progress were missed in the 1990s and it is inevitable that some countries will make quicker progress than others.

"Consensus politics and enlightened leadership will help speed progress towards a free market based on trust," concluded Hernando de Soto. "However, it will not be so much a question of right and left politics but, rather, up and down. The populations of these emerging nations need to be socially integrated."

### INSPIRING PEOPLE

In summing up the proceedings of the 38th Annual EPCA Meeting, Dr Walter Thünker stated that the speakers at the event had "stimulated our thought processes and shown how we have it in our control to develop people as we develop our management skills".

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