



The Chemical Way in Talent Management

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Can outstanding, professional people decisions help companies in the chemical industry rise to the challenges that lie ahead and add real value? What are these industry challenges and what exactly does "Talent Management" mean? At our Chemical Forum 2010, entitled "The Chemical Way in Talent Management", Egon Zehnder International's European Chemical Practice drew on its extensive experience in the chemical industry to structure discussions with top executives around a number of related key issues. Topics included the industry's attractiveness in terms of employer branding, the Asia challenge, the value of hiring outside leadership talent and diversity issues. This expertise, along with the insights offered by discussions during the forum and the keynote speeches made by the two guest speakers, Dr. John Atkin and Rolf Deusinger, are presented in this small brochure. The discussion was conducted by Dr. Wundrack and Dr. Flueckiger of Egon Zehnder International.

At A Glance

- The chemical industry is highly successful and in good shape, but highly volatile and vulnerable in terms of potential crises
- The chemical industry is not the favourite industry for top talents on all levels; capital market valuation indicates an “old economy” condition
- The chemical industry is clearly “going Asia”, but Talent Management needs are not yet tailored to this future challenge

To Bridge These Gaps, Chemical Companies Need to:

- Understand that Talent Management is a cornerstone of success, especially when talents are in short supply
- Define clear operational and strategic Talent Management targets
- Explain the benefits of the industry to society, orchestrating a joint effort to communicate future potential to the market for top talents
- Focus on process, product and business model innovation and hire suitably qualified managers who are able to trigger and implement complex projects
- Hire industry outsiders on all levels, especially from downstream industries, and integrate them more systematically
- Reflect the degree of internationalization on all management levels, including the executive and supervisory boards
- Enforce a corporate culture of diversity, especially “thought diversity”, to ultimately generate value for the company
- Put in place consistent, transparent and sophisticated global Talent Management so as not to miss out on rare talents in growth markets

- Ensure greater transparency about compensation inside and beyond the industry and develop more flexible compensation systems
- Provide incentives beyond compensation, such as recognition and international career development opportunities
- Maintain a company-wide overview of in-house and outside talents, which implies that certain aspects of Talent Management should not be decentralized
- Foster teamwork and team effectiveness



Sustainable Leadership Solutions to Industry Challenges

The European chemical industry staged a remarkable recovery in 2010 and has made a brilliant start to 2011, mainly thanks to the current upturn in the global economy, but also because chemical companies have done their homework over the past decade. However, the industry remains sensitive to economic cycles, as well as to events like the uprisings in the Arab world and the recent catastrophe in Japan.

Other challenges facing the chemical industry include its centre of gravity shifting towards Asia, the increasing importance and volatility of raw material prices, significant portfolio shifts, partnerships along the value chain, and tighter regulation, which has intensified pressure on European chemical companies in recent years in particular. Furthermore, chemical companies must continuously renew their “licence to operate” with relevant stakeholders, due to the nature of dealing with hazardous chemicals and natural resources.

Looking to the future, what are the strategies that will ensure sustainable leadership of a highly volatile industry in transition? In our view, supplementing a shrinking talent pool with outstanding industry outsiders and fostering global, consistent and transparent Talent Management that is deeply embedded in the corporate culture are potential solutions to many of the challenges mentioned above.

Building a Better Image to Attract Top Talent

Is the chemical industry in general suffering from an image problem? Do talented youngsters see chemical companies as part of the “old economy,” offering few exciting new career opportunities and comparable with industries like steel, for example? A survey of MBA graduates conducted by the German Manager Magazin¹ reveals that only two chemical companies (ranked 27 and 36) were among the top 100 preferred employers for MBAs. The sector scored slightly better among engineers, with four firms making it into the top 100, but the statistics are still disappointing in terms of the chemical industry’s appeal to top talent.

So how can chemical companies raise awareness of the industry’s seminal importance? Chemicals are hidden in most products, but consumers are not always aware of their existence. Indeed, many of today’s global challenges in terms of energy, the environment, demographics, food supply etc. cannot be resolved without substantial input and innovation from the chemical industry. But while this is indeed an advantage when it comes to attracting talent, in fast-growing economies like China in particular, our Chemical Forum discussions suggest that young talent is not always attracted by “hidden materials”, but rather by high profile (consumer) brands.

¹ German Manager Magazin, June 2010

The 2011 United Nations International Year of Chemistry represents a golden opportunity for the industry to showcase the contribution that chemicals make to society. Several participants at our latest Chemical Forum felt strongly that the industry also needed to spotlight its contribution to society to enhance its image and attract talented executives. However, half of our forum participants nevertheless thought that the industry was attractive to young talent and offered a wide variety of functional, operational and general management roles, as well as international opportunities, especially for high potentials seeking broad career paths.

Chemical Forum 2010 Spotlight: “The Chemical Way in Talent Management”

The Chemical Forum 2010, organised for the third consecutive year by Egon Zehnder International, was entitled “The Chemical Way in Talent Management”. After analysing the role of value pricing in the industry (2008) and marketing and R&D (2009), the 2010 event focused on a broad range of talent issues facing the chemical industry. Guest speakers were Dr. John C. Atkin, Chief Operating Officer, Syngenta International AG, and Rolf Deusinger, Senior Consultant, Deusinger Consulting Limited, formerly a senior HR executive at major companies including Pepsi-Cola and ICI Paints, who shared their experiences of the challenge of Talent Management. Dr. Peter Flueckiger and Dr. Carsten Wundrack from Egon Zehnder International moderated this lively event. Discussions, which were followed by an informal opinion poll of two dozen senior decision-makers mainly from Germany and other European countries, covered topics like the industry's appeal to high potentials, recruiting outside talent at management level and diversity in Talent Management.

Europe vs. Asia:

Boosting Innovation and Customer Focus via Outside Talent?

One of the major strengths of the chemical industry in Europe is its ability to innovate, or more specifically to promote process efficiency, product modifications and business model innovation. While Asia benefits from rapid growth and huge market potential, and the Middle East enjoys tremendous raw material advantages, Europe's ability to innovate represents a key competitive advantage.

To ride tomorrow's innovation wave, European firms will need to focus on the development of environmentally-friendly technologies that represent more efficient use of natural resources. Segments offering significant potential for innovation and growth include biologically decomposable plastics, wind power, photovoltaic chemistry and chemicals used in energy storage media such as batteries for electric cars. Many major players have already defined a path away from commodities/base chemicals and towards specialities/fine chemicals.

To implement such major changes, however, companies naturally require high calibre leaders. Given the shrinking executive pool within the industry, this injection of outstanding talent may have to come from the outside. In response to the question of whether the chemical industry needs an influx of outside talent at middle or upper management level, 52 percent of our forum guests were unsure and only 26 percent agreed with this view. Although such an influx may initially seem beneficial, many executives reported cases of major failures in their companies. In one participant's opinion, a thorough understanding of the chemical business is the key to success in the industry, regardless of an individual's background.

Chemical companies, on the other hand, generally need to improve their ability to integrate outside and diverse talent into their organisation at an executive level, not least so as to better understand customer industries and their decision-making processes. As far as formal qualifications are concerned, many forum participants felt that attracting more high potentials with a business or commercial background as opposed to those with a background in sciences was important, as companies need a mix of chemists and non-chemists to boost their performance. Indeed, this can be seen as a form of diversity.

Compensation

Our informal poll at the Chemical Forum 2010 also reveals a widespread belief that the chemical industry is competitive with other sectors when it comes to compensation. Despite its conservative reputation, forum participants believed, however, that the sector should adopt a more versatile approach to compensation when it comes to critical talent. Indeed, the prevailing opinion among participants was that pay philosophy should be flexible in certain situations like growth markets, for instance, while remaining as closely aligned as possible with corporate strategy. However, chemical companies need to be aware that hiring outsiders, as well as engagement in growth markets, lead to disparities in the corporate compensation structure, with possible implications for those managers who have been with the company for a long time. Firms need to be better prepared for such situations to avoid an upward salary spiral. Elements of such precautions are mainly non-

monetary and involve incentives that are more difficult to quantify, including international assignments, transparent talent development opportunities and long-term benefits.

A Shrinking Talent Pool in the Chemical Industry

As statistical data shows, the chemical industry is potentially facing a serious talent crisis driven by the imminent retirement of ageing executives and a drop in the number of students opting for careers in science. On top of this dilemma, the popularity of the chemical industry is waning fast. So what appeal does the industry hold for high-calibre individuals?

Market capitalisation speaks volumes about the attractiveness of the chemical industry for top talent. A comparison of three chemical industry giants, BASF, Dow and DuPont with their Internet counterparts Google, Apple and Amazon reveals that the former trio's combined sales revenues in 2010 were about 25 percent higher than those of the Internet firms (123 bn EUR vs. 90 bn EUR). However, this substantial difference disappears when it comes to market capitalisation, as the combined value of Google, Apple and Amazon is over three times higher than that of the three chemical giants (405 bn EUR vs. 124 bn EUR). What do these figures mean in terms of talent? Given that market valuation reflects future potential and investor confidence as well as upside fantasy, the chemical industry is not in great shape. Will young leaders really want to work in an industry that suffers from a less creative image?

On top of these factors, a dramatic narrowing in the population pyramid is forecast by 2060², giving the chemical industry some key Talent Management issues to tackle if it wishes to attract and retain top-quality leaders.

A Strategic Approach to Great People Decisions

In today's turbulent economy, it is difficult for firms to foresee changes in the business environment, but they can plan how they manage the people who are going to deal with these changes. By adopting a sophisticated concept of Talent Management, companies can systematically apply a set of disciplines to enhance people decisions at all levels and maximise their return on investment in human capital.

In a fast-changing industry it is essential for companies to have an accurate picture of their executive team's competencies at all times and in all parts of the world, so that they can deploy the right people when changes occur (see also Sidebar 2: "The Chemical Way in Talent Management").



² Eurostat, EUROPOP2008 the 2008-based national population projections convergence scenario

**Keynote Speech by Dr. John C. Atkin,
Chief Operating Officer, Syngenta International AG**



Syngenta was created ten years ago from a merger between Novartis' and Astra Zeneca's agribusiness and currently has sales of around \$11 billion. The company's market capitalisation at its launch was \$5.5 billion; today it is around \$29 billion. Although we did not know how the company's fortunes were going to develop when we started out, people were always an important part of our strategy.

Talent Management is essentially about linking talent to our business strategy.

Our technology is essential for improving crop yields and ensuring adequate and affordable food supply. Today's sophisticated products do this without risk to the environment or the health of farmers. Unfortunately, however, crop protection products (pesticides) are not generally seen in a positive light in Europe and this is leading to excessive regulations and unnecessary use restrictions. This is not the case in most other parts of the world.

In my opinion there are four main reasons for Syngenta's success: firstly, we made a very strong start with our initial product range. Our biggest legacy companies, Ciba-Geigy and ICI, had operations in place across the world and this constituted a major competitive advantage. Secondly, we focused entirely on agriculture. Our parent companies were pharmaceutical multinationals active in a multitude of markets, whereas we were able to concentrate on just one market segment. Thirdly, the fact that we were the product of two organisations brought together generated a hybrid vigour that certainly helped the company to flourish. In terms of talent, we benefited from the forced integration of

diverse corporate cultures, which proved to be a very powerful driver within the organisation. Our strategy was naturally a critical fourth factor in our success and one that was formulated by the company's executives, while the other three factors, I would say, were simply innate to the company.

To me, Talent Management means more than just selecting talented individuals who will move up via classical promotion to leadership positions. That is undoubtedly part of the process, but Talent Management is essentially about linking talent to our business strategy.

Gender and nationality are not true measures of diversity: the real goal is diversity of thinking.

When we started the company we knew that innovation and marketing were absolutely essential for us. We were already strong in innovation, but less so in marketing. So our talent programmes are not just about promotion to higher levels of management, they are about creating senior experts in critical functions.

Not everybody is fit to be a senior leader in Research and Development, but recognition of high achievers is critical so we have created a fellowship program. Our fellows are paid more than their colleagues and become internal consultants, which is a status that they deeply appreciate. In our experience, the R&D community is highly motivated by this notion of recognition.

More recently we introduced marketing masters and marketing professionals, which are highly demanding, peer-reviewed awards. I was amazed to attend the first award event and see one of our good marketing men, who was never going to move up the management ladder,

become extremely emotional upon receiving this accolade. Achieving such recognition within the company meant a lot to him. In our experience, Talent Management also involves creating recognition without hierarchical progression.

The second key aspect of Talent Management is diversity. At present 50% of our \$8.4 billion crop protection business is in emerging markets, whereas this figure was significantly lower when we started out. In fact, emerging markets have accounted for 75% of Syngenta's growth and we have a wealth of expertise in China, India, Vietnam, the Philippines, Brazil and Argentina.

We have definitely learned the hard way how difficult it is to embrace all the different cultures required if you want to create 50% of your business in emerging markets. Creating an environment or a culture in which people of many different nationalities will remain at home and feel a real sense of belonging is a major challenge.

Yet diversity, or more specifically thought-diversity, is critical to us. In my view gender and nationality are not the only true measures of diversity: the real goal is diversity of thinking. Achieving this kind of diversity has been a difficult journey for us. We haven't arrived yet, but we definitely recognise the importance of diversity in driving innovation and change.

Dr. John C. Atkin is Chief Operating Officer of Syngenta International AG. His former positions include COO of Syngenta Crop Protection, Switzerland (at the time of the Chemical Forum 2010) as well as head of product portfolio management and COO for the Crop Protection business at Sandoz AgroSciences. He has also held senior executive positions with Novartis.

**Keynote Speech by Rolf Deusinger,
Senior Consultant, Deusinger Consulting Limited**



Talent Management has been the focus of my entire career, which includes 15 years in the chemical industry. For many people Talent Management is a highly intangible concept, so it is essential to be clear from the outset what this means for your company. Talent Management agenda items will differ from firm to firm since they need to reflect the requirements of the business, so clarifying your company-specific Talent Management priorities is the cornerstone of success.

This involves thinking about your Talent Management targets and what it is exactly that you are trying to achieve: good scores in your employee survey, high retention rates or whatever. I advise companies to approach Talent Management on this basis: be clear who you want to manage, set out good principles for that management and be very clear about what you want to achieve.

**Clarifying your company-specific Talent Management priorities
is the cornerstone of success.**

What does this mean for the chemical industry? In order to answer that question I would like to contrast and compare: a few years back I spent some time working at Pepsi-Cola, in an environment marked by organisational growth. In such a growth-driven environment, Talent Management is mainly focused on identifying where your talent is and where the opportunities lie. You are able to grow individuals by using the underlying growth of the organisation. By contrast, during my time at ICI, I was working in a business under high pressure to constantly reduce costs, downsize and streamline operations. Being responsible for Talent Management in such an environment requires more in terms of active management. And this is where I also see the challenge

for Talent Management in the chemical industry: programmes are not enough, active and professional management of Talent Management is the key to success.

That leads to the final question of who should be responsible for Talent Management within a company. Should this lie with Human Resources or should it be delegated to individual divisions? In my opinion, Talent Management should be centralised. It cannot be effectively decentralised because individual line executives do not have an overview of the totality of a company's talent or the opportunities that the organisation as a whole can offer. The only way to keep this in check is by centralising Talent Management in HR, where you have a helicopter view of opportunities, needs and individual talent.

In other words, I believe that you can manage performance decentrally, but Talent Management must remain central. That's why I think that HR is a good place for Talent Management, as every company has a group of professionals who can assess talent, understand opportunity and translate business strategy into talent requirements.

Rolf Deusinger was formerly Chief Talent Officer at Kohlberg Kravis Roberts & Co. (KKR), London. He has also held senior HR executive positions at several major companies including Pepsi-Cola International Vienna and ICI Paints.

Sidebar 1

Diversity: the Cornerstone of Sustainable Talent Management?

Diversity, whether defined in terms of gender, nationality or culture, is an issue of growing importance for the chemical industry. Indeed 75 percent of the industry leaders surveyed in our informal poll agreed that diversity was a key success factor looking to the future in the chemical industry. So what does the term “diversity” imply?

Today's understanding of diversity goes beyond gender and nationality. It is about achieving thought-diversity, or embracing new and different educational backgrounds and professional track records. In recruitment terms, this involves achieving the right balance of competencies and experience in the executive team, which may include experience abroad or as a freelancer, as well as recruiting members of different ages, nationalities and gender.

The next question facing firms keen to achieve diversity is: can their organisation deal with different mindsets and opinions? If not, this may call for an entirely new leadership approach, which could involve allowing people to make mistakes, for example, and emphasising the value of learning from these errors. If a company is not ready for diversity, but merely uses it as a marketing gimmick to improve its image, then diversity initiatives will quickly lead to bad hiring decisions that could negatively impact the firm's performance.

Taking an inclusive approach to people decisions

In the opinion of one participant, the success of diversity initiatives is closely linked to an inclusive approach to people decisions. In other words, firms that embrace diversity must be prepared to manage their leaders on an individual basis. This means implementing Talent Management programs tailored to suit highly individual needs, not standard, one-size-fits-all policies.

The Chemical Forum discussion revealed a widespread belief that diversity, or more specifically thought-diversity, can be hugely creative and massively value-adding if properly harnessed and with the right processes in place to support it. Moreover, although diversity is difficult to quantify using standard metrics, it is directly reflected in a company's ability to innovate.

Overall, industry leaders agree that diversity is the only way for chemical companies to access new talent pools that have not been sufficiently leveraged to date, making it a critical success factor and source of competitive advantage for the future. However, several industry leaders doubted the state of "diversity readiness" in many companies and highlighted the need to establish a stronger diversity culture in their own organisations.

Sidebar 2

The Chemical Way in Talent Management

In a modern approach to Talent Management, people strategy is closely aligned to the corporate strategy. Companies require full transparency regarding the excellence of their executives and top team dynamics to make people decisions that are fast and forward-looking.

In-depth analysis of people's competencies ensures that the right key executives are empowered to develop and execute a company's strategy. It also provides top management with an overview of the entire potential of the leadership team, enabling it to move quickly when a change of strategy is implemented.

Management Appraisal: helping you to know your people

Management Appraisal involves a comprehensive analysis of management resources using a highly effective and proven methodology that can be tailored to meet a company's specific requirements. A Management Appraisal delivers insights into who to retain and which roles to re-size or re-scope.

Team effectiveness: the path to top performance

Extensive research into and experience with top teams and boards have helped us identify a distinctive and pragmatic set of six dimensions that determine top-team effectiveness: efficiency, balance, alignment, resilience, energy, and openness. Different strengths are naturally required depending on a company's individual situation: in a high pressure turnaround, for example, resilience, or the ability to function in

the face of a challenging environment, is crucial. In this scenario, efficiency, i.e. getting things done fast and maintaining momentum, is also an essential attribute. For post-merger integration, on the other hand, respecting the views of both sides of the merger and using their strengths (balance) and alignment are the key dimensions. Evaluating a team's strengths and weaknesses on these dimensions at individual and group level can significantly boost its performance.

*Leadership development:
enabling leaders to develop and to deliver*

Although companies around the world see a lack of leadership when it comes to dealing with change and consider CEO succession planning a key challenge, many perform poorly when it comes to leadership development. Firms often lack focus, or address symptoms rather than root causes with development plans that are too general. The solution here is to design specific and actionable plans that prepare top management candidates for the challenges ahead.

Strategic Talent Management: a precise and proactive approach

As global demographics and fierce competition increase pressure on the supply of top talent, and increase the cost of finding and retaining top executives, all organisations need to focus on managing their human capital more thoughtfully and proactively than ever before.

In a fast-paced industry like chemicals, it is essential for companies to have an accurate picture of their executive team's competencies at all times, so that they can deploy the right people promptly and effectively when far-reaching changes occur.

Egon Zehnder International is one of the largest executive search firms in the world with nearly 400 consultants operating from 63 wholly-owned offices in 37 countries. The firm specialises in senior-level executive search, board consulting and director search, Management Appraisals, and Talent Management.

Egon Zehnder International was founded in 1964 by Dr. Egon Zehnder with a distinctive vision and structure, focusing on top management and remaining independent from the capital markets. This allows the firm to dedicate itself entirely to long-term client relationships. Egon Zehnder International has sector specialists organised into global Practice Groups, including the Chemical and Process Industries' Practice.

For more information visit www.egonzehnder.com.

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