

CHEMICAL REACTIONS

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QUOTES OF THE WEEK



“Oil prices are becoming decoupled from the fun-

damentals of supply and demand. It is rooted in the cauldrons of geopolitics and the impact of financial market expectations and psychology”

Daniel Yergin, chairman of Cambridge Energy Research Associates. *Lloyd's List* November 1

“We don't really have a factory... As a trading company, saying you can manufacture, attracts business”

Nie An, managing director, Honor International Pharmtech, in a story about provenance in international drug trade. *New York Times*, Oct. 31

“We will develop this country as a logistical hub between East and West. We are the new Hong Kong”

Ainars Slesers, Latvia's minister of transport, on the inauguration of a freight train from Liepaja in Latvia to Moscow. *Lloyd's List*, October 31

“The EC seems not to take into account the fact that markets are vastly superior when it comes to providing solutions”

Thomas Cullen, chief analyst with Transport Intelligence, on the EU's plan to make freight transport more efficient. *Lloyd's List*, November 5

“Preventing asset bubbles is like preventing inflation, and it's the government's responsibility to ensure a fair, healthy and transparent stock market”

Wen Jiabao, China's prime minister, regarding PetroChina's IPO. *New York Times*, November 5

“The environment there is not reflective of the global benchmark”

Lorraine Tan, director of equity research, Standard & Poor's in the same. *New York Times* story.



For one former ICI executive, the company's demise is the fault of complacent managers who were afraid to make bold decisions and take risks. Did they pander too much to short-term shareholders?

FAREWELL TO TRAGIC ICI

When I joined ICI in 1978, it was a leading UK company, and one of the top three chemical companies worldwide. Its farsighted management had developed a profitable petrochemicals business and had nurtured its fledgling pharmaceutical business for 20 years, while this developed into a global powerhouse of new drugs. Traditional businesses such as chlor-alkali and paints were also well-supported and led the field.

When applying for the job, I had read an interview with Sir Maurice Hodgson, then chairman, in which he carefully delineated the different roles of the main board and divisions. The latter ran the business, while the board focused on long-term strategy.

Sir Maurice regarded geographical expansion as a strategic imperative during his tenure. His decision to move out of the comfort zone of ICI's "imperial" past led to the development of major new opportunities. Establishing a significant European presence meant ICI was no longer confined to its "home" market, while the

acquisition of Atlas Chemical provided a suitable entry point into the US.

Thus, literally, ICI seemed to have the world at its feet when I joined. So what went wrong over the intervening 30 years?

Why has ICI now ended up as a medium-sized business about to be split up?

My view is that during the 1990s, ICI became too complacent. It lost the cutting-edge, the drive to try out new directions. Instead, "no surprises" became the motto.

How different from my first week at ICI. Our boss took all the new graduates aside and asked us to remember just one thing when we were at work. "If you have 10 decisions to make, make 10 decisions," he advised.

"Don't agonize about trying to make one of them perfect. Usually you get a chance to correct a really bad decision before it becomes too damaging."

Equally, senior management knew that a key part of their job was not to avoid risk, but to manage it. I remember as a young product manager, producing what I thought were an excellent set of results.

My reward was to be told by my new boss to "take more risk. I want to see you getting things wrong, and not just taking the obvious options all the time".

But gradually, top management seemed to lose these key qualities. And they became increasingly risk and decision-averse. Perhaps this was because the board gave up its strategic role, or was it because the directors felt they had to respond to pressure from more short-termist shareholders?

Whatever the reason, ICI began to focus on divesting current activities instead of building new ones for the future. Certainly the current management has reinvigorated it. But it had been clear for a while that only one decision remained – at what price to sell?

All that will now be left is its legacy of its inventions, and the high standards with which it operated. So farewell then, ICI. I, and your other employees, am proud to have had the opportunity to work for you.

Paul Hodges was a senior executive at ICI until 1995, and now chairs consultancy, International eChem

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