

VOEKS AT 50- SHELL AT 110

VOEKS is 50, the Koninklijke 110 years of age. My father and I together have been there for 53 of those years- 1936 to 1989- i.e. all of VOEKS' life and half the lifespan of the Koninklijke. What a good moment to look back as well as forward:-

THE CHALLENGES OF THE PAST

VOEKS is, obviously, strongly related to the Pension Fund. But there is a long history that preceded both. The question how can one enjoy the status of "oud employé" without the "mortal fear of what may befall him and his family should he fall ill, meet with an accident or be incapacitated by old age"? (quote from Gerretson IV, page 63) came up already at the beginning of the century. Kessler and Deterding discussed the creation of a pension fund "or something of that kind" as early as 1901. It still took more than 11 years to overcome the objections of the expatriate staff in Indonesia. They feared losing their annual bonuses (and the orgies that accompanied it). However, the merger with Shell in 1907 created the need to make remuneration comparable across a much wider international business. The new influx of young married men, replacing the colonial bachelors, finally led to a solution. In the end it turned out to be the Provident Fund, executed before J.H. Bosch, notary public, on October 17, 1912.

Although Royal Dutch was not unique in having a Provident Fund- (the "Deli" and the N.H.M. had already long ago set up real pension funds)- it still made the Group a paragon of social responsibility in the miserable world of the 1930's Depression and the Second World War. But, in the immediate post-war years, the management faced a grim reality. The Koninklijke had languished for five years in the sport club at Teddington, as the guest of its merger partner. It was short of the 40- 45 generation which it had not been able to recruit. The traditional assets of the Koninklijke in the Netherlands and Indonesia had been seriously damaged and the merger with Shell T&T had, in fact, 40 years later still not been consummated. What a challenge, what wisdom was required on both sides of the North Sea! United RDS would stand, divided they would fall. Aggressive recruitment brought in many of the names that would help build the no.2 company in the world over the next 30 years. The Provident Fund was converted into the Pension Fund in 1949. A personnel management system was introduced that was, at least, 25 years ahead of its time and that is, still today, the envy of many major international companies. McKinsey was brought in to forcefully remove the baronies in London and The Hague and to weld the top structure of the Group together. In those ten years- 1945 to 1955- the foundations were laid which allowed many of us, who are now pensioners, to be part of a growing enterprise, extending itself worldwide on the back of the oil wave that finished off the coal industry. I still remember the 1950's at Pernis; the conviction that everything was possible and that nothing would stop us. From scrap to one of the biggest, most modern refineries of the world in less than 15 years- how exciting!

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THE CHALLENGES OF TODAY

So, maybe, my generation has had the good years. What is facing those who are presently manning the Shell Group? It surely is not business-as-usual. The current Shell scenarios are called TINA: There Is No Alternative! If we would be looking at the future with those old-fashioned statistical tools of extrapolation and probabilities, we would have to say that the chances are not great that the Shell Group would still exist 50 years, or even 25 years, from now. **The average life expectancy at birth of all companies in the developed world is below 15 years and, seemingly, coming down. Even the life expectancy of the biggest companies in the world, those on the Fortune and the FT lists is on average lower than 40 years. According to these criteria, Shell is already living on borrowed time.**

Fortunately, we have nowadays more sophisticated ways of looking at the future. Fortunately also, that the Group shares some of the characteristics with that very small band of companies that are the world's business aristocracy: some 50 companies of which Dupont (200 years old), Mitsui (300 years old) or Stora (700 years old) are good examples. Those are the companies that share characteristics like "having a staff which identifies with the company and a management which is tolerant and sensitive to the world in which they live." Some of these companies, like the Shell Group, have power sharing systems that protect them against the irresistible temptation of concentrating power in the hands and mind of one chief executive. It is those characteristics that allow those companies to change gradually their core business when their customers are no longer in need of that core business.

The need to change the core business is the immense challenge that is facing the present Shell generation. Were they to think of the Group as primarily an oil company, then the chances are indeed high that it will have disappeared from the earth 25 to 50 years from now. Fortunately, the future is not a predetermined event - it is not an extrapolation of the past- a statistical probability that applies to a dead object. A vibrant living entity as the Shell Group has an influence on its own future. To exercise that influence, it is necessary to scout the range of possible futures: to know the lie of the land.

THE LIE OF THE LAND

The Group planning scenarios say that we are living in TINA times. Strong undercurrents tug at the Shell vessel. Economically, we already live in a world in which capital is no longer the dominating production factor. Capital is a commodity, like iron ore. In an economic sense we live in a post-capitalist world: the Humanistic Society in which the human being has replaced capital as the most important factor for business success. This means that we should not run our companies to maximise the return on capital even though the law still forces us to do so. Companies that cannot resolve this dilemma are unlikely to make it in the post-capitalist world.

Demographically, we see increasing life expectancies and decreasing net reproduction rates in the developed world. This means that the ratio of the old to the young increases all the time.

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Not only does this create the problem of “who-is-going-to-pay” for our pensions, but it also will make the social and political values in society more conservative and right wing. Technologically, the microchip revolution has brought us already to the start of a Long Wave (as Peter Schwartz explained in the mid 80’s when he was Shell’s scenario man). This will mean many things, one of which is miniaturisation (material products will be produced with less energy and less material and requiring less and less energy during their life time). The microchip will also empower the customer: better informed, who knows what he/she wants and where to get it.

Politically, it does not look like a society in which it is easy to live. Nation states have lost and will continue to lose more sovereign power. The Humanist Society will create new winners and new losers. Not only people, but also amongst countries. Every country that does not invest in the physical and mental health of their people, that does not educate their women or maintain sizable underprivileged minorities, will be a loser. How this world with more right wing values will deal with the tension between winners- the New Rich- and losers- the New Poor- is a good question. On the international scene, nation states are lax to empower or finance the supra national authorities. It means that multinationals like Shell will share the global field with an ad-hoc collection of supra-national institutions (UN- NATO- WTO, etc.) that are stifled by jealous nation state governments. The echoes of Seattle might rumble on for quite some time.

Gas and renewables have begun to erode the still dominant position of oil, in the same way as oil once replaced coal. Future generations will primarily consume electric power coming from an embarras-de-choix of primary energy products. And this power, including automotive power, will be produced not by huge industrial plants, but by innumerable decentralised production units. The customer will have a choice-” mass customisation” will come to the energy industry.

THE SWINGS AND ROUND-ABOUTS OF THE GROUPS PORTFOLIO

All this is likely to cause yet another swing in the internal emphasis of the Group’s organisation. Pre 1970, the Group was crude-poor, only about 1/3 of the portfolio was E&P, but Shell was well positioned in refining and marketing and strong in finance. The Group’s shortfall in crude was made up through the famous Kuwait contract. The 1974 Oil Crisis changed all that. At \$30/bbl, Shell could afford to boost its E&P operations and in one blow all other multinational oil companies also became crude-poor. For more than a decade up to 2/3 of the Group’s capital budgets and graduate recruitment went into E&P. This generation is now coming up to 25 years of Group service and they are likely to be the ones who will have to make the next swing in internal emphasis. The transformation this time will almost certainly go back to marketing, distribution and local operations, away from refineries and centralised E&P operations. Personnel policies will become a more important management tool than the capital budget. In today’s world, the effectiveness of high trust small work communities is the critical success factor rather than the efficiency of assets and capital use.

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Altogether a momentous challenge: in my opinion equal to or greater than that faced by the post-war generation. May our successors succeed in the transformation, thereby keeping the Shell Group as an exciting place to work, attracting the best from the .com generation to the benefit of their successors.

