

# Afera Annual Conference - Sicily 2013

## Captains of Industry Panel Debate

**Theme: Moving from Survival to Growth in the Post-Crisis Tape Market**

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<b>When:</b>	Friday, 4 October 2013, 11.30 CET
<b>Where:</b>	Afera Annual Conference, Atahotel Capotaormina, Sicily
<b>Participants:</b>	Mike Ayres (CEO, Advance Tapes) Laurent Derolez (CEO, Chargeurs/Novacel S.A.) Aric Getty (European IATD Business Director, 3M) Eric Pass (Director - Member of Board, Nitto Europe N.V.) Matthias von Schwerdtner (Corporate Vice President Industrial Products & Markets, tesa)
<b>Moderator:</b>	Afera Marketing Committee Chairman Michael Punter (Managing Director, Parafix Tapes & Conversions)

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### Transcript:

**Mike Punter:** The 'captains of industry' discussions. To be fair, these guys are real leaders within the tape industry. First of all, thank you for agreeing to participate. My first request is that you introduce yourselves to our audience: Who you are and what you do, please.

**Matthias von Schwerdtner:** My name is Matthias von Schwerdtner. I am head of industrial markets at tesa, and I have been with the company for the last 20 years.

**Mike Ayres:** My name is Mike Ayres. I am the chief executive of Advance Tapes. We are an independent manufacturer of specialty self-adhesive products, based in the U.K., and like Matthias, I've been with the business for 20 years.

**Aric Getty:** Hello, my name is Aric Getty. I am with 3M Company. I am the business leader for our business here in Western Europe—3M's industrial adhesives and tapes business specifically. I'm happy to be here.

**Eric Pass:** Good morning, everybody. My name is Eric Pass of Nitto Denko, and I am responsible for corporate management in our company here in Europe. This includes IT, HR, finance, legal and communications.

**Mr. Punter:** As you can see, we have a wealth of talent sitting here with us. The questions I will pose have come from the Members, so this will be very interesting. We emailed and asked people to give us their input, so thank you to those of you who contributed. The topics are varied. The questions are searching. But I trust these guys will answer them honestly. I hope you enjoy the session. Our theme is 'Moving from Survival to Growth in the Post-Crisis Tape Market,' and our first question is for Matthias.

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**Are we really moving from survival to growth? What is your company's experience in the current market? Do you see a role for Afera in determining the recovery status of the market?**

**Mr. von Schwerdtner:** Are we really moving from survival to growth? Actually there is no question for us about this, because we have no other option: We have to grow. We want to stay in the market, so we have to grow. And to do this, we have to find the right markets, the right opportunities. And as we have heard from the other speakers over the last two days, 'the pie' is big enough for all of us, so there are many opportunities out there; we just have to find them. Sometimes in searching out these opportunities, we—meaning my colleagues sitting to the left and right of me—bump up against each other. Other times not. But, again, in the end the market is big enough.

This morning we heard from Marc [de Vos, Itinera Institute (an independent think tank), during his presentation "The Future of Growth"] that there is huge market potential: The population is growing, the middle class is growing, markets are growing, and technology is still developing. So the question is not 'Is there enough growth?' The question involves finding the right growth and convincing the markets that they want our solutions. How do we do that? There needs to be a continuous drive for innovation, and we have to reinvent ourselves as an organisation. And in terms of technology and the things we bring to market, we have to continue to create new solutions.

Yesterday we heard a very interesting talk by Professor Gross [Fraunhofer IFAM, in his presentation "Quality Assurance in Adhesive Bonding technology – Nice to Have or Necessary?"] about education. We actually have to educate markets about our solutions. This means collaborating with our market partners at design centres, listening to the new demands and requirements of end-users and markets, and allowing our people enough freedom to think out-of-the-box when coming up with new solutions. So that is what it is all about: focussing on innovation, having new ideas, and then educating the market about how our solutions should be applied. This is crucial.

We have partners, such as Parafix, who take tape and turn it into something smaller and more practical to apply. So there is a supply chain made up of market partners which together help us to bring the right solution to the markets. The presentation yesterday about windows is just one example of growing 'the pie': There are markets and applications that are always new to tapes – we just have to find how these can be serviced best with our solutions throughout the supply chain.

Mike, you asked me about Afera's role: I think it is about bringing us together and providing as many opportunities as possible to learn about, discuss and share ideas and experiences related to the market, trends and future developments.

My colleagues sitting here with me nod when I say there is enough growth, there are enough marketplaces, there are enough niches out there. Yet at times it seems that there are not. That has everything to do with competition, and that is the fun part of it. We are all in this together.

One last thing related to your question about moving from survival to growth: The tricky part of the past few years, but which is ongoing, is dealing with raw materials and regulatory affairs. Some raw materials cannot be used anymore, so you must continue innovating that part of your business. It was also interesting to hear about moving into Plexiglas. In order to move forward by bringing more innovative solutions to the marketplace, we have to be open to using new products, raw materials and chemicals in producing our tapes.

**Mr. Punter:** Thank you for that. Thank you very much indeed for your valuable insight. Laurent, I have a difficult one for you. You only have five minutes.

**How can a company and the tape industry as a whole stay competitive in Europe?**

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**Mr. Derolez:** That is the only question? [Audience laughs] Let's take one step back, if I may. The economists were wrong about the last crisis, and they probably will be wrong about the next one. Looking at Europe's debt problem over the short-term—say five years—it is difficult to be optimistic, although Marc [de Vos] may have changed our minds a bit this morning. In my point of view, 'crisis' is our business landscape as the crisis is constant, and if this is our permanent situation, I do not think you should consider it a 'crisis' anymore.

The new crisis environment is what we have to function and prosper in. If I learned anything from the last marked crisis at the end of 2008, beginning of 2009, it is that adjustments need to be made quickly. In our company, we looked at our product and customer portfolios and production systems, and we quickly implemented a new strategy to enable us to recover. This taught me one thing: When there is a crisis, it never seems you have adequate time to adjust your business strategy. When there is no crisis, there is always time!

So that is my first point: Determine the right strategy for your company, stick to it, and go for it.

My second point is that we need to build on the strength we have here in Europe. We have excellent engineering capabilities, an association of manufacturers, and many industry contacts and networks, so working with competitors is relatively easy. You should be focussed on creating the right value composition for your customers, driving innovation, bringing the right quality in line with market needs, and ultimately, being exceptional in everything you do, e.g., purchasing, logistics, production, marketing, etc.

In conclusion, Europe is made up of 500-600 million people. There is plenty of room for many, many markets. Diversifying is impossible, so you must focus, and if you do this with the correct strategy, you will be competitive.

**Mr. Punter:** So we still have opportunity. That is how fantastic our industry is. We are going to end this on a high, I can tell. Mike, are you ready for this one?

**It is often said that in every challenge lies an opportunity. Where do you see them (by industry or region)?**

**Mr. Ayres:** Keeping in mind what has already been said, I think there are still good opportunities out there for our businesses. The tape industry has developed through innovation over the past fifty years or so, and I do not see any reason for this to stop.

The thing that comes out in sharper relief in times of crisis, that is actually part of business life anyway, is the management of risk. Risk management issues become a bit more apparent when we have been through a period of crisis, and they make people move in two distinct ways: de-risking or risk taking.

We see a very strong trend towards de-risking along the lines of 'how do I de-risk my business and make the downsides less severe?' This is most apparent in the financial industry with banks, but I think it is affecting all commercial organisations. De-risking offers helpful opportunities to businesses like the one I lead. In the case of reducing inventory levels, how can someone who is a supplier to your business assist this process, so you are getting stock off the books? This creates opportunities for people who want to fill them.

We are already seeing examples of businesses which were previously taking what is seen as a risk for service for their customers with extended supply chains, which are now looking to try to shorten those

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supply chains or remove the risk from them. This creates opportunities as well for people who want to try to assist that de-risking process.

As you get that extreme of people wanting to take risk out, equally, you will have some who want to take some risk, because there are some potentially significant gains to be made if you take the right risk. As Laurent was just saying, you must have the right strategy and follow it. These situations create great opportunities for people who are prepared to take risks. Probably in the middle there are businesses, and I hope we will end up being one of them, where you achieve the right balance between those two strategies: You try to minimise risk where you can but spice that with a little bit of risk that needs to be taken if you are going to push your business forward.

**Mr. Punter:** That is very interesting, thank you. For our business, we face that challenge every day, and we are much smaller. You are absolutely right, is it a head or a tail? Sometimes you do not know. Now we are going to call in on Aric.

**We are witnessing a progressive shift to ‘open innovation’, in which companies are working together with customers and suppliers more than ever before. How are you organising your company towards innovation?**

**Mr. Getty:** So how much do I have to pay to get the innovation question, Mike? It is a good question. As I look in the crowd at Christophe [Küsters]—our technical leader [and Afera’s incoming Technical Committee Chairman]—I am excited to hear you guys are going to get to see what I get to see every day with Christophe in the technical community.

Innovation was mentioned earlier today by one of the speakers as really, really critical to our industry. I think ‘innovation or die’ was the phrase used, and it could not be truer of the pressure sensitive tape industry. Our customers cannot see us as commodity or materials suppliers. They need to see us as solutions providers. So when I think about innovation, I see it in on two levels: One is from a pure chemical technology standpoint, and at this level I do not think we will move to an open innovation model outside of the realm in which we try to partner with key suppliers and thought leaders within the industry.

From an application or a solution standpoint, however, there is tremendous opportunity locally and in Europe for utilising an open innovation model. The key question here: How do we work together to expand ‘the piece of pie’ that is replacing mechanical fasteners, i.e., screws, nuts, bolts, etc.? That is really where the opportunity lies: Within industries such as transportation, electronics and metals, PSAs could be a key solution, and with each new application and technology, we expand the marketplace in a significant manner. When we become innovative solutions providers, this is our opportunity not just for growth but for profitable growth.

So how do you develop an organisation to do this? We are developing a much sharper focus with specialists and with key salespeople to collaborate with the thought leaders within an industry. So whether it is a topic, such as ‘lightweight’, we ask ourselves, do we actually have adequate input to understand the customer’s needs? And we must arrive at a product in such a way that our customers are not telling us about a tape they want. They are telling us earlier in the process about what their solutions are.

We were involved in a long development project with a customer—for the sake of this panel—in a faraway land in a faraway place [audience laughs]. We spent a long time and a lot of money and resources developing what they kind of told us they wanted. At the time I was thinking: Yeah, this is open innovation; this is what we are supposed to be doing. In the end, however, the process did not really fit their business model. They were not willing to pay for something that they told us they

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probably wanted. I thought to myself: We showed that through customer collaboration, we could provide this film or whatever we were developing for them. In reality, however, we should have been redesigning their *process*, saying: Okay, you are not happy with your product and how it goes to market because of X. I want to be your film supplier. I want to be working on a solution. On this level, we have been working really hard with new and key people to get to those insights a lot earlier.

Another important topic is: Are we partnered with the right people? That is a transformation that we are going to drive faster and faster within our company. If we simply get ourselves to commodity suppliers, we will always be a commodity supplier of a material. We have got to do a much better job now that we are starting to understand what the value chain is within the delivery of a solution. If we are partnered with the raw materials suppliers, the converters, the consultants who are the influencers through that value chain and add value for the customer—we need to be open about the solutions we are developing. So we are going to work hard to differentiate among the people who make a difference to our ultimate customers in those industries. We have not done that as much in the past. We are a big company, we have a lot of policies and lawyers, and we treat everybody the same. But we cannot do that if we are going to invest in innovation in those key industries and key technologies.

**Mr. Punter:** It is really interesting to hear some of the artificial barriers that you come up against. Even in large corporations where you have the heart and mind to do it, it is the deliverables that are more difficult. Thank you for being so honest with that one. Eric, in light of your new job,

### **Looking beyond email: How are you approaching new IT systems, cultures, etc. in your organisation?**

**Mr. Pass:** New IT systems. Before I answer the question, I will explain the current situation in our company: We have been experiencing one of the most exciting periods in our 38-year company history so far in Europe. We have transferred to a completely new IT system as of the first of this year, from a legacy system to an open system (SAP). As part of the fascinating ride, people at the company walked into work on the first of January—into the same buildings—and found a completely different type of company with a completely new way of working. This is basically what companies are about: how you work together, and the tools you utilise should facilitate that.

We took this decision to change our IT system to secure our future growth based on two reasons: One is what we internally call the move from a single-site environment to a multi-site environment. We have been rapidly expanding here in Europe over the last couple of years. We have moved from an organisation of about 700 to about 1,350 employees based throughout Europe, with some major sites not only in Belgium where we started, but in Turkey, Czech Republic, the U.K., and actually two days ago, we opened a new entity in Russia, where we also think that there is a promising market. Supporting multi-site expansion requires the appropriate IT system, so that is one of the reasons why we implemented this new system.

The second major reason is that we clearly see a big change in our interaction with customers. Marc already mentioned that you can clearly see the movement towards 'big data', and that is going to be the challenge for all of us. Maybe not in the next two years but definitely in the next decade, we are going to be challenged to learn to use all the data gathered within our information systems. In order to play in the new field and capture what customers really want more effectively, we are following the SMAC (Social Media, Mobility, Analytics and Cloud) approach.

As it has already been pointed out a few times, I agree with the fact that the days of the low-hanging fruit are over. We have to study various aspects of trends, e.g., smart materials, open innovation, etc., and figure out how to incorporate them into our business and solutions. In order to do that, we require different types of tools, and that is why we decided to invest in a completely new IT system.

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**Mr. Punter:** Timing is interesting. Watching your space. Thank you for that. We have a few minutes, so we can pose a few more questions. We will see if I can be a bit provocative on the next one.

**Do eco-products continue to be a driver for innovation? To put it another way, is anyone here making money out of sustainable products?**

**Mr. Getty:** This is a question we are all going to wrestle with for a long time. And it is an area we *need* to wrestle with. The short answer to ‘are customers willing to pay more for eco-friendly products?’: Not so much.

I remember when I was in product development—as a marketing person, not a technical person—in 3M, we did some research on this subject. We developed films and tapes that cost twice as much but were completely biodegradable or manufactured with renewable materials. How much more would the customers be willing to pay for the green tapes and films? The answer was they were not willing to pay for anything more. That was disappointing, quite honestly, because I thought this would be a huge area of innovation for us.

As we got deeper into this subject, however, the real answer was that making green products was simply an expectation of us. We are a chemical company—I think most of us are—and it is really our responsibility to be the leaders in developing sustainable solutions. Even if our customers will not necessarily pay more versus a direct substitute, they absolutely expect us to be at the forefront of environmental technologies.

If you look at low VOC technologies in the context of the auto industry or other impending environmental regulations, we must develop sustainable products not just because we trade in chemicals that are not sustainable for millennia. We have to find ways to make our own business models sustainable and profitable, and in that regard, I would say that eco-oriented business strategies are paramount to the industry. They are paramount to 3M. It is a big, big part of what we do and will hopefully do increasingly better in the future.

**Mr. Punter:** Well handled, thank you. Matthias, I have one for you. It is quite direct really.

**Managing a business during an upward curve also has its challenges – raising additional working capital, investing in human and capital resources – especially during uncertain growth. How do you assist your SMEs in your channel, both suppliers and distributors?**

**Mr. von Schwerdtner:** Let me answer that in the following way: I think you have to focus. You cannot do everything at the same time; you have to focus on the really important things. I think focussing on human capital is crucial. You have to employ the right people. Starting thirty years ago, tesa put a specialisation scheme into place to ensure the company’s growth in the future. It is critical that we invest in education beyond our own company, training our partners along the supply chain in the market: converters, customers, etc.

At the same time, another focus must be to rise above—essentially to adjust—to these uncertain times. We are the drivers of the market, so we have to drive not just innovation but quality. Resist seeking out the cheapest suppliers and using the cheapest raw materials and solutions. Producing solutions of sustained quality helps our suppliers as well.

Last but not least, I think whether we are facing a crisis or not, we always want to meet our industry colleagues and partners face-to-face, and Afera is the forum where we can do this. The Association

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organises many projects and events, offering all its Member Companies the means for figuring out how to get out of a downturn and back on the road to profit.

**Mr. Punter:** I have one here that I had to look up on Google. I did not quite understand what the hell it was about. Laurent,

### **How do you manage a new generation—Generation Y—workforce?**

**Mr. Derolez:** Well, that is a difficult one. Who are we talking about? Generation Y? Let us say, below 35 years of age, more or less, perhaps some younger?

**Mr. Punter:** Younger, I think.

**Mr. Derolez:** They are demanding, they are impatient, they are connected, they want a promotion yesterday—and quickly. But they also want teamwork. First of all, you have to get them into the tape industry. In order to do that, my experience is that you first have to sell a vision, the old story: where we want to be in the next five to ten years, and so on. You also have to understand that you will lose some of these employees after a few years. I prefer, however, an employee who works hard for three years and leaves rather than a sleeper who stays for 25 years and does nothing.

So what are you going to give them? Interesting, transversal projects which can connect them to all the departments and levels within your company. You also have to keep asking more of them, because as I always say: Be cautious of the boss who is happy with you, because he is probably not challenging you enough. If you do all of this, I think you will realise a more dynamic workforce in a positive manner. Some may go, but you will attract new employees who bring the latest best practises with them to help your company profit.

**Mr. Punter:** Well, I guess they can create some turbulence as well—conflict—but as long as it is managed properly. Well done, thank you; that was an interesting one. And thanks for knowing the answer to Generation Y. We have time for two more. I know we are going to run over a bit, but whilst we have all this talent here before us, it would be wrong not to make use of it. Mike,

### **What are the key issues you are dealing with in your business and marketplace on a regular basis? What is keeping you awake at night? What has been your recent biggest surprise lately in your business environment?**

**Mr. Ayres:** To be honest, the thing that is keeping me awake at night is the prospect of my next driving lesson with my daughter. [Audience laughs] One of the things I have particularly noticed is a general trend towards people wanting to bring back a supply nearer to the point of use. This practise is understandable considering earlier comments about risk. Within our own business, we have decided to take a significant step by investing in a new facility to produce high-quality cloth tapes. This constitutes the most significant risk we have taken as an organisation for many years, so inevitably, taking this step causes me some concern.

This is specific to our business, but on a more general level, I think incorporating Generation Y is the cause of much concern in the U.K. and perhaps on a wider European front. How do we find the right people to come and work within our organisations? Finding employees today with a strong work ethic is not easy. Whether they are coming as operators to work in a production facility or joining at a junior management level, finding the appropriate employees is probably the most difficult challenge we face in taking our company forward.

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A growing trend in the U.K.—and perhaps Europe—is businesses having to take more responsibility for training their own staff. Getting people fresh out of school or even university that are going to be able to make a good contribution to your business is not easy. Certainly for the growth of our business, I expect that we are going to have to devote a considerably higher percentage of our resources to training people within the organisation to help us take it forward. Certainly from general industrial organisations that I am involved with in the U.K., I have learned that a lot of other businesses larger and smaller than ours in the U.K. economy are having exactly the same problem.

**Mr. Punter:** What is really interesting that I am seeing here is that there is a lot of investment going on. We have new IT platforms, facilities and locations. This is exciting as we are seeing this growth, and we are getting behind the curve. Very positive. One last question, and it is particularly pertinent to a Japanese company. Eric,

**What is the ‘change management’ like in your company?**

**Mr. Pass:** I would like to first answer that question with another question: What else is there? What kind of other management is there? I think change management is the new normal, because everything is constantly changing. Companies are trying to cope with all these changes, and over the last few years, the way of dealing with this is to introduce project management. I do not know how this is for other companies, but I do not see any difference between normal management and project management. Everything has become a project. And some management gurus invented this matrix organisation where you do not know anymore what you are supposed to be doing and who is doing what. So change, which is constant, is the new normal.

The manner in which we cope with this change is key. Our boss, who happens to be Japanese, has a particular expression concerning change management: You cannot change the past and the others, you can only change the future and yourself. This is constantly said. So you may complain about your colleagues who do not change. You may continue to talk about how wonderful things were in the past, but this will not move you forward. First, you have to change yourself. You have to understand what the changes are, and why things are changing. And then you have to look toward the future, which is not necessarily the promulgation of the past.

This is the ethic we constantly stress in our organisation. I am not saying we work this way perfectly, but what we do a lot is try to explain *why* a change is needed. And when you are able to answer the question *why*, then you can motivate your workforce. If you tell your employees that they have to do this or that without their understanding the meaning behind it, you will get a lot of resistance and have to spend a lot of energy in overcoming negative attitudes.

Putting a lot of effort into why a change is needed is perhaps typically Japanese. It is a very time-consuming policy, because you need to delve deeply into the current situation. The Japanese have a way of asking *why* five times, always digging deeper. This is annoying to us Westerners, because they are continually asking for details. Currently I have a boss who asks me *why* fifty times.

**Mr. Punter:** Generation Y? [Audience laughs]

**Mr. Pass:** First of all, it is so important to understand where you want to go and why you are doing this. Then, what is wrong with the current situation? And if you do not have agreement on these elements of a project, it is impossible to have teamwork and to get your people behind the same goal. Those are a few thoughts on change management. I talk about this in much more depth in my new book [Van Confusion Naar Fusion](#), for those of you who can read Dutch.

**Mr. Punter:** Gentlemen, thank you very much. Honestly, this was brilliant.

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