

‘Integrity only really  
means anything when  
it’s put to the test’

*Feike Sijbesma, CEO, DSM*

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Feike Sijbesma is not interested in talking about integrity in general. That, he says, would be pointless – perhaps because the scientist in him wants to see the evidence of integrity (or the lack of it), liking to test assertions and theories before accepting them. ‘Rarely if ever do people say that they have no integrity. Integrity only really means anything in a particular context or specific situation – when you’re facing a challenge, or when temptation is lying in wait for you. Then the trick is to know how to deal with that pressure on you, especially when profit or money is involved. One of those contexts in which integrity becomes meaningful is the current economic crisis – and it is certainly tripping many people up.



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We have heard a lot lately about the plans for rescuing the major economies. But the CEO of DSM Feike Sijbesma is also very worried about the people in developing countries. ‘The crisis has hit some of those countries much harder than us, and over the past nine months, the number of people starving people in the world has risen from 850 million to almost 950 million. Several billions of euros will be needed to save them. We’ll also need to provide billions more to others who are not yet starving, but who may do so, unless we do something to stop it. In other words, we’re going to have a hard job preventing the problem getting any worse, let alone solving it. And yet as a society, we haven’t been able to find the funds to do it – despite the fact that, in only a few weeks, we’ve pumped over 2,000 billion euros into the global banking sector. Basically, we’ve told 100 million people in the world, “Sorry, can’t help you: we’re having some local difficulty ourselves.” There’s no global CEO, but it makes

you wonder whether, as a global community, we’ve got the right approach, whether we in the developed world are acting with integrity in this matter. It’s like a company: you need to ask yourself, “Is what we’re doing sustainable?” I don’t think it is. You can’t just say to a large part of the global population, “You can’t participate.”’

#### **Stewardship**

Sijbesma ascribes his concern for what’s going on in the world to his own upbringing and to the fact that he has two children. ‘When I was quite young, I came to believe that we’re not just here for ourselves, but also to work together and help each other. I think of it as a form of stewardship. We have a responsibility to leave our children (I have two sons), and their children after them, a world in which they’ll be able to lead a life that’s at least as good and as comfortable as ours. We owe it to them. You can’t leave a mess behind for your children.’

Sijbesma and DSM also show their concern for the present generation of children through their involvement in the UN World Food Programme (WFP), in which DSM has been participating since 2007. During the recent conflict between Israel and Hamas, DSM developed in record time a special date-and-biscuit bar for distribution to children in the Gaza Strip. It contained all the main nutrients needed by children who get very little to eat. 'We know a lot about vitamins, and micronutrients,' says Sijbesma, 'and we've set up a programme with the WFP in which we put our expertise, knowledge and innovations at the disposal of the WFP. In this way, we're able to help several million people around the world.' This is in line with DSM's philosophy, he says. 'And our own people believe this is very valuable. Even when we recently had to make people redundant, no one asked whether we shouldn't first withdraw from our programme with the WFP. I thought that was quite remarkable.'

### **A single model – the stakeholder model**

Following this line of thought, Sijbesma sees the discussion about shareholder value versus stakeholder value in companies as academic and out of date. There is only one realistic option, he says, and that is the stakeholder model. 'Pursuing only shareholder value is not sustainable,' he says. 'You have a duty to ensure the company's success both in the short term and the long term. And taking account of the interests of only one of your stakeholders is not sustainable in the long term.' Besides the shareholders, the company's other key stakeholders, says Sijbesma, are its employees, its customers and society as a whole. 'You need to find

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a balance between the interests of these four parties. We've recently seen examples of companies where that balance has been sadly lacking, with shareholders filling their pockets, and customers and society left behind empty-handed and confused.'

### **This is how we do it**

'At DSM, we've chosen the stakeholder model, so we try to establish for ourselves values and standards with regard to the various elements involved, such as the environment,' says Sijbesma. 'You have to be able to say to society, "Although we can't claim to cause zero pollution or have zero emissions (we give a full account of our environmental performance in our annual report), we can say that we're doing our best in the circumstances to limit emissions or the release of contaminants into rivers, and so on." We utterly condemn the wanton dumping of waste – even if local regulations allow it. For instance, in China, we have built wastewater installations, even though it wasn't required by law, and even if we're located next to competitors who are dumping all their polluted wastewater into the river. It's a question of standards, and it explains why we do this sort of thing.' In fact, says Sijbesma, plans



for new facilities submitted to the board often already incorporate environmental provisions that go beyond what is strictly legally required. 'Occasionally alternatives (often cheaper) are mentioned, though often with a note in the margin to the effect that "This is probably not something you'd want to do." And we wouldn't! Over the years, these values and standards have become so embedded in the company, that such decisions are no longer felt to be controversial. It's simply the way we do things.'

### Responsible care

The Triple P concept ('People, Planet and Profit'), which has been adopted wholeheartedly by DSM, is implemented along two main lines: through the programme of Responsible Care and through Product Stewardship. The Responsible Care programme, explains Sijbesma, provides the company with a systematic framework that enables it to continually improve safety at its factories. It also stimulates the company to look for 'green processes', production routes based on biochemical conversion and which therefore require much less energy and fewer chemicals. 'Responsible Care also means that you take account of the interests of all your stakeholders,' says Sijbesma. To fulfil its responsibilities to society, DSM also devotes a lot of attention to communicating with local residents, governments and other stakeholders. 'Ever since we were hit by a couple of serious industrial accidents, back in the 1970s, we've been very conscious of the safety

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risks involved in our activities. As a company, you need to dare to say to your employees: "In principle, I guarantee that you'll go home this afternoon in the same condition you arrived in this morning." Of course, you can never guarantee that 100%, but zero fatalities is our aim.'

### Risk calculation

Interestingly, says Sijbesma, what society finds acceptable on this point has changed over time. When the Hoover Dam was being built in America in the 1930s, agreements were made in advance about the number of fatalities that would be acceptable during the building. After the dam was completed, the actual number of deaths was felt to be not unreasonable, and the whole venture quite laudable. Today, allowing for the possibility of so many deaths in advance would be condemned, and the project would not have gone ahead. Changes in what we as a society find acceptable are inevitable. DSM itself has changed its views over time, says Sijbesma. 'We're actually different from other companies now. We're not inclined to take unnecessary risks. Take the current economic crisis: in their drive for unbridled growth, some companies have ended up highly leveraged, which involves substantial risks. We, on the other hand, have resisted that temptation. I came here as

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## ‘Society is a sort of family, so we need to take account of everyone’

CEO in the heyday of private equity. There were people at that time who urged us to leverage the company further. When we, as a Managing Board, warned that profits might not always continue at those high levels, we were criticised by some for not having enough faith in the power of DSM. It’s sometimes difficult not to give in to that sort of pressure from some in the financial community, amongst others. It’s one of the temptations that lie in wait for you on the path of integrity.’

### Stringent criteria

With respect to DSM’s responsibility to the outside world, Sijbesma is primarily eager that the company’s products should not give rise to any problems. A thorough analysis is made of what happens to the products as they go through the supply chain, and discussions are held internally to address any potential problems. ‘It’s important, both for the company and for the outside world,’ he says, ‘that we know exactly what’s going on and can explain it to others. This helps us to steer our processes better and to win acceptance for what we’re doing. Our suppliers also have to meet stringent criteria: they must not use child labour, their products must be totally pure, and we need to know how they match up to our environmental standards. Standards provide us with a means of achieving our goals,’ says Sijbesma, ‘but they need to be adjusted from time to time, in the light of experience, threats and opportunities.’ Sijbesma cites the example of energy-

saving targets within DSM. ‘We set a target of saving of 2.0 percent of energy per kilogram of produced product annually. And then you start measuring, testing, reporting and, where necessary, adjusting.’

### Employee engagement

DSM holds an annual employee engagement survey in which it asks employees to what extent they like working at DSM, whether they feel they are being treated fairly, feel fulfilled in their work, and so on. ‘Employee engagement is also something we set targets for, aiming for a particular score on the survey,’ says Sijbesma. ‘If the results for some business areas within the company are low, changes need to be made. We realise that unless we have sufficient buy-in from employees or from society at large, our ambitions won’t be sustainable in the long run anyway.’

### Bonuses

How do such targets affect the bonuses and remuneration of the CEO or CFO or Managing Board at DSM? ‘Our thinking on this subject, like everyone else’s, is in a state of flux at the moment,’ says Sijbesma. ‘As a society, we let the current situation arise, although not without a certain amount of resistance here, given our adherence to the stakeholder model. However, both the committees on corporate governance, the Peters Committee and the Tabaksblad Committee, have successively given greater responsibility and power to shareholders. Accordingly, and fully in line with the Tabaksblad Code, DSM’s shareholders approve the remuneration policy, appoint the Board of Supervisors, set targets and bonuses, and so on.’ Are the interests of the four groups of stakeholders – society, shareholders, customers and employees – met equally

in the company's remuneration policy? 'That's a moot point, I think,' says Sijbesma. 'It's a topic we will address further. Our remuneration policy should more and more reflect our corporate values and, in a balanced way, the interests of our various stakeholders.'

### Loyalty dividend

Rewarding shareholders for their loyalty is also a field in which DSM has a certain amount of experience. In 2006, DSM proposed to pay shareholders who had held their DSM shares for a period of more than three consecutive financial years a one-off 'loyalty dividend'. In this way, the company aimed to discourage the short-term focus of many investors. Although the proposal did not, in the end, get implemented, Sijbesma is still in favour of the underlying idea. 'Our innovations are tied up with many different social trends, relating to energy, climate and nutrition. But you can't develop such innovations overnight. It's often years, not quarters, before you see any results. We felt then – and still feel – that it's only reasonable to want a majority of our shareholders to stay with us for at least a while as we progress along that path of innovation. We're pursuing what we believe is a long-term, sustainable strategy, and we'd like to reward those shareholders who stay with us and support us in this.'

### Running harder or slower

'In the context of integrity, I think we have to admit that when incentives attract attention because of their size, then they're too big,' says Sijbesma. 'Bonuses and incentives aren't the reason I do my job: I never look to see exactly what they are. I don't run harder or slower because of them; I just try to do what I believe is best for the company. We say we can't be successful – or even call ourselves successful – in a society that fails. Society is a sort of family, so we need to take account of everyone. When I meet one of my colleagues and ask, "How's life?", he'll never say "Great!" if there are any big problems at home. He's more likely to say "OK, thanks, except for one or two things at home." And as a company, we at DSM feel we form part of the "society family", and seek to behave accordingly.'

*Feike Sijbesma is Chair and CEO of DSM, having previously been a member of the Managing Board of Directors as Director of DSM Food Specialities. He joined DSM from Gist-brocades when the latter was acquired by DSM in 1998. Feike Sijbesma is also on the supervisory boards of Utrecht University and the Dutch Genomics Initiative.*