

Altana boss Babilas

"It is dangerous to make Germany as a business location worse than it is"

The chemical group Altana is growing and consciously investing during the crisis, including in Germany. Martin Babilas reveals his recipe - and what the richest German woman as owner contributes to this.

Düsseldorf. Martin Babilas is an expert in the global chemical industry: the 53-year-old has been at the helm of the Wesel-based specialty chemicals supplier for eight years, making him one of the longest-serving bosses in the industry in Germany. The company stands out: it has come through the crisis in a stable manner and has not been knocked off course.

"It is one of ALTANA's strengths to be able to go its own way, independent of short-term thinking and economic cycles," says Babilas. Proving staying power in a crisis is exactly how the owners see themselves. Altana belongs to the family of Quandt heiress and major BMW shareholder Susanne Klatten, the richest woman in Germany.

However, Altana is also feeling the weakness of the German economy. Babilas has demands for the new German government and the EU Commission. "We finally need a tailwind and quick signals to allow companies to become more confident again." The manager is convinced that Germany as a business location has good prospects.

Mr. Babilas, at the moment you get the impression that the German economy is on the brink and that there is no future for Germany as a business location. Is that the case, or are we looking too black right now?

The problems and challenges are huge and obvious. There is no question about that. But I don't subscribe to the pessimism, this typical German idiosyncrasy.

Are you an optimist?

Despite all the justified criticism, it is dangerous to make Germany as a business location worse than it is. We lose sight of what we can achieve and create here and what we can continue to build on. This applies to companies and politicians alike.

So you feel completely at ease here as the head of one of Germany's largest chemical companies?

Altana is a global company; we generate one third of our sales in America, one third in Europe and one third in Asia. Germany, with our headquarters in Wesel on the Lower Rhine, remains our home base with strong research and production.

And it stays that way?

We continue to invest in Germany even in times of crisis. But of course we are also asking ourselves whether the country can remain competitive in the coming years compared to the other major regions of the world.

And what is your forecast?

There are good opportunities, but first of all there is a considerable need for action. If you take a sober look at the past few years, you have to realize: The economy has mainly faced headwinds from politicians. Now we finally need a tailwind again.

The federal election is just a few weeks away. What must a new government tackle first?

It must place the success of the economy and the improvement of competitiveness at the center of political action. First of all, we need to send out clear signals that will make companies more confident again. This is also important psychologically. There must be tangible progress, for example in reducing bureaucracy.

Vita Martin Babilas

The manager

Martin Babilas, 53, has been CEO of Altana AG in Wesel on the Lower Rhine since January 2016. The business administration graduate has spent his entire professional career at the specialty chemicals group. He started in 1998 as a project manager for the CFO and quickly rose to become Head of Strategy. He became a member of the Management Board in 2006.

The company

Altana is one of Germany's largest specialty chemicals groups. With four independent divisions, the company produces substances for coatings, plastics, cosmetics and packaging as well as insulating materials for the electronics industry. In 2023, the company achieved a turnover of 2.7 billion euros and an adjusted profit of 385 million euros. It is owned by the Skion holding company of BMW heiress Susanne Klatten and her family.

Every business representative is currently railing against bureaucracy. Is this really the most pressing problem?

The fact is that it is increasingly becoming an obstacle to investment in Germany and Europe. This may have penetrated the minds of many politicians by now. However, when it comes to reducing bureaucracy, I have so far mostly only heard lip service.

Germany has always been a bureaucratic location.

However, there has never been such extensive and close-meshed regulation of entrepreneurial activities as there is today. Especially at EU level, some of it is certainly well-intentioned. But the massive effort involved is offset by questionable benefits, such as the Supply Chain Act. Data protection rules and sustainability reporting obligations that overshoot the mark are pushing companies to the limits of what they can achieve.

Experience has shown that bureaucracy is very difficult and time-consuming to eliminate.

However, this does not change the problem. Companies have to change ever faster in international competition and navigate through difficult times. The rising tide of rules and regulations does not fit in with this. First of all, it is important to send a clear signal that this problem has been recognized and will be tackled effectively. This applies to both the German government and the new EU Commission.

Where are more of these signals needed?

I am convinced that a new government can take countermeasures in many areas with quick decisions. I see the biggest deficits in education and infrastructure, i.e. railroads and roads, as well as in digitalization.

Let's look at the positives. What else speaks in favor of Germany as a business location?

Clearly the know-how of the employees, the intelligence and creativity with which they work at the local sites. The companies here are still embedded in strong knowledge networks with institutes, universities and important customers. Germany is regarded as a safe and beautiful country in which innovations can be created.

Altana has employees all over the world. Do you still experience the long-invoked admiration for the German economy there?

The position of German industry in the global concert has changed a lot and with it the view of Germany, our history and our skills. Our reputation is still good. But a strong, technology-driven industry has now also developed in Asia and other emerging regions.

This new reality puts many things into perspective?

Yes, and not just the long-standing admiration. It also means that German companies need to be in these regions if they want to continue to be successful.

Is that the main reason why German companies are shifting so much of their investment abroad?

For us as a chemical company with highly specialized products, proximity to our customers is extremely important. We want to be part of the local value chain. Hardly any industrial company can avoid a strong presence in growth regions any more.

Does this also mean that research and development, in which the German chemical industry still has a leading position, will be relocated?

Not everything has been produced in German laboratories for a long time now. Research and product development are carried out at the highest level in China, for example, including by German chemical companies and by us.

At the expense of the German locations?

No, because at the same time, innovations that we successfully market in China also come from our home base in Wesel. We have to deploy our talents and resources according to our respective strengths. This is a global concert.

What does this look like in concrete terms?

In Japan, for example, a center of battery technology, Altana researchers have developed solutions for significantly higher battery performance. Highly efficient wire enamels for insulating electric motors come from China. In Germany, we have developed additives that make rotor blades for wind turbines lighter and more robust. In Wesel, we have set up a globally unique digital laboratory for fully automated series testing of additives.

Wouldn't such a laboratory be better off in China, the world's largest and growing chemicals market?

As a company, we benefit from the automated test facility in Wesel as a whole, as it makes product development significantly faster and more targeted. We are not only digitizing the process, but also our knowledge of the interrelationships of chemistry.

But what exactly spoke for Germany?

We have deliberately chosen our central German location for this. The network of experienced employees and Altana's collective knowledge is still best concentrated there.

The knowledge network of industry, scientific institutes and universities is regarded as the trump card of German chemistry. Is this network at risk due to the weak growth in Germany?

This innovation network is crucial for the future of the chemical industry and therefore for the German economy as a whole. After all, chemistry is rightly regarded as the "mother of all industries". However, the cluster only works if it is accompanied by strong companies. It is no use if there is no economic power and the ideas from the laboratories do not find their way onto the market.

Do you fear that the German chemical industry will soon run out of chemists?

We still have sufficient access to outstanding talent in Germany to drive innovation. Still! Overall, the education system in Germany has clearly lost ground in recent years. The Pisa studies show this every year. And not only that. As the father of a school-age child, I have very close experience of the school system. It is not at the level we need for a good future for the country. Here, too, we need more tailwind.

The criticism of politics is loud. But don't companies have to take more responsibility for themselves in the crisis situation?

Absolutely. It is the task of the management to get the best out of the company even in a difficult environment and to cope with the headwinds. Altana succeeds in this.

Do the figures prove this?

In the first six months of last year, we achieved organic growth in the mid single-digit percentage range and became more profitable. Including acquisitions, growth was even in double digits. And we are confident about the full-year results.

This is surprising given the difficult situation in which the German chemical industry as a whole finds itself. What are you doing differently?

We benefit from our very global positioning and certainly also from the fact that our production is less energy-intensive. But the most important thing is our conviction that we should not be guided by short-term fluctuations.

How does this manifest itself?

We consciously continue to invest even in times of crisis and, at six to seven percent of turnover, we keep our expenditure on research and development well above the industry average year after year. Especially in phases when the economy is not doing so well, there are always opportunities.

You have to name them specifically!

Altana strengthened its global presence at the end of 2023 and beginning of 2024 with two major acquisitions. We were able to manage this well financially despite the economic downturn. We are hiring new qualified employees in a targeted manner, while elsewhere the majority of jobs are being cut. And we are trying to press ahead with important future projects without cutting back.

You can afford this because Altana is privately owned and does not have to look at the stock market price.

It is one of ALTANA's strengths to be able to go its own way, independent of short-term thinking and economic cycles. Our ownership structure enables us to take this long-term view. I see it as a privilege that the company is family-owned.

Altana is wholly owned by the Skion holding company of Quandt heiress Susanne Klatten. Does the entrepreneur strengthen your strategy?

Our approach of showing staying power during the crisis and shaping the future with the right mix of continuity and change is exactly in line with their self-image. That is why we feel their clear support in management.

Now Susanne Klatten has divided her Skion shares equally among her three children. What changes will this bring for Altana?

I firmly believe that we will continue on our strategic path. We now have the opportunity to renew the close relationship and understanding with our owners.

You will need this, because the chemical industry, and therefore Altana, is likely to face another difficult year.

We are entering the new year with confidence, even if we cannot yet see any economic turnaround. Our business model as a highly specialized provider has proven to be robust over many years. We want to maintain this momentum.

This is surprising, as the ailing automotive industry is one of Altana's biggest customers.

The automotive industry accounts for 15 to 20 percent of our turnover. It's an important sector, but our fortunes don't depend on it. I am optimistic here too, because we supply car manufacturers worldwide, not just the European ones. In the automotive industry, innovations are crucial for success and are in demand regardless of the current situation. As a specialty chemicals supplier, we can score points here, for example with solutions for electromobility.

But this is currently stalling.

That may be the case in Germany. I am very sure that this will turn around, because it is and will remain the form of mobility of the future. E-mobility is on the right track worldwide anyway, which will bring us growth. Here, too, we have a long-term view: When it comes to innovations, we look at developments far beyond the next two years.

Mr. Babilas, thank you very much for the interview.