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Being prepared to answer questions that have not yet been asked: an hour with Mr. Sándor Fasimon, Chief Operating Officer, MOL Hungary[2]

Oil and gas are central to international energy supplies, and a focus for political as well economic concern. Since the 1970s, the oil industry has been transformed, with the decline of the 'seven sisters' (BP, ESSO, ExxonMobil, Gulf, Royal Dutch Shell, Standard Oil of California, and Texaco (now Chevron)) that had dominated the industry since World War II—by the 1990s, the four of the seven who survived controlled only 6 per cent of proven world oil and gas reserves, compared with 86 per cent in the 1960s. Instead, a new leading group has emerged, largely composed of state-owned oil corporations (China National Petroleum Company, Gazprom (Russia), National Iranian Oil Company, PDVSA (Venezuela), Petrobas (Brazil), Petronas (Malaysia), and Saudi Aramco (Saudi Arabia)). In addition to large multinationals, the industry also comprises an increasing number of smaller independent oil companies—in Europe alone, over fifty companies are engaged in oil and gas exploration and extraction.

The oil and gas industry is characterised by high levels of volatility in demand, and in prices, resulting in high returns, and high risks. The industry is capital intensive. Hence, in 2012, capital investment in the US onshore sector alone (one of the less risky and capital-intensive sectors) was estimated at USD 186 billion. The risks facing companies in the industry are diverse, including geological, political, and technological, as well as economic uncertainties. The difficulties, and expense, of oil exploration are increasing, with reserves to be found in extreme environments, such as the Arctic. Despite increasingly sophisticated geological survey techniques, the chances of exploration drilling proving negative are high. Political risks are also high, with geologically promising oil production areas

[1] The author and *Pannon Management Review* are very grateful to **Mr. Sándor Fasimon**, Chief Operating Officer, MOL Hungary, for the candid interview on which this article is based—and to **Dr. Miklós Dobák**, Professor at Corvinus University of Budapest and Member of the MOL Group Board of Directors, **Ms. Erzsébet Varga**, Assistant to Mr. Sándor Fasimon, and **Mr. Domokos Szollár**, Director, MOL Hungary Corporate Communications, for enabling it with grace.

[2] Magyar Olaj- és Gázipari Nyilvánosan működő Részvénytársaság (Hungarian Oil and Gas Public Limited Company, in translation).

located in regions of high political tension, in the Middle East, Central Asia, and Sub-Saharan Africa. With oil reserves located in politically highly sensitive areas, success depends upon building long-term relationships with governments—this presents high downside risks, as illustrated by MOL's current difficulties in Syria. Even in areas of political stability, government policies may prove unpredictable, for example on the conditionality of concessions, or on taxation, as in Russia. Despite technological advances, wholly unpredictable events—such as the BP Deepwater blow-out in the Gulf of Mexico—may cause major crises for even the largest oil company. Finally, the level of demand for oil is sensitive to the overall level of economic activity, with contractions in overall global economic activity resulting in declining demand for oil, and declining prices, as globally since 2008—current prices are approximately two-thirds of earlier peak levels. Within Europe, the increasing maturity of the motor vehicle market, as well as increasing environmental concerns regarding hydrocarbon emissions, has led to a softening of the demand for oil.

MOL is one of the most important European independents, whose significance for the industry has grown since the 1990s.[3] It is an 'upstream[4] driven integrated oil company' (MOL Group 2013b), with headquarters in Budapest. The Company is by far the largest company listed on the Budapest Stock Exchange (BSE), and the largest oil company in the Central and Eastern European (CEE) region, with approximately 30,000 employees, including over 600 in its Budapest headquarters. On 31 December 2012, the capital value of the Company was over USD 8.4 billion. The Company undertakes exploration in 11 countries, and production in seven—in addition, downstream[5], it operates five refineries and two petrochemical plants in Croatia, Hungary, Italy, and Slovakia (MOL Group 2013c). The Company is in a relatively secure financial position, with an investment status rating of BBB- according to Fitch and BB+ according to S&P, above the rating for Hungary (MOL Group 2013b). Its major market is Central and South-Eastern Europe, with market dominance in Croatia, Hungary, and Slovakia. Despite the continuing effects of the international financial crisis, especially in Europe, MOL's operating cash flow increased in 2012, after declines in 2010 and 2011. In 2012, the Company generated a clean CCS[6]-based EBITDA[7] of HUF 573 billion—down

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[3] See 'Appendix' (pp. 61–62), for 'A history of the company in brief', and MOL Group (2013a) for a more detailed account.

[4] Oil exploration, extraction, and transmission.

[5] Oil refining, distribution, and marketing.

[6] Current cost of supplies (net income after allowing for increases or decreases in expenses).

[7] Earnings before interest, taxes, depreciation, and amortisation.

by only 7 per cent compared with previous year, despite the absence of any contribution from Syrian operations, which contributed HUF 75 billion in 2011. The Company is owned by private shareholders, mainly international institutional shareholders, with the Hungarian state as the largest single shareholder.

Since its staged privatisation in the 1990s, the Company has transformed itself from a 'state owned national oil company into an efficient international oil company' (MOL Group 2013c). The company grew from 16,195 employees in 1995 to 29,299 employees in 2012. The scope and scale of its operations has vastly increased, since the mid-1990s, with international expansion both upstream and downstream. Upstream, the Company is exploring or has under development blocks in fields in Russia, the Commonwealth of Independent States (CIS), the Middle East, and Africa, as well as in Central and South-Eastern Europe. In addition to Hungary and Croatia, current production is primarily from Russia and Pakistan (gas and condensate), and, until the declaration of *force majeure* in February 2012, in Syria. For the future, the greatest potential of current assets is in Kazakhstan, the Kurdistan Region of Iraq, and Russia. The Company is the major gas producer for Hungary. Downstream, the Company's operations include both refining and wholesale and retail sales, and are concentrated in Central and South-Eastern Europe (for example, in Croatia, the Czech Republic, Romania, Serbia, Slovakia, as well as Hungary itself), but with further operations in Italy, and with petrochemicals through TVK[8] (in Hungary) and Slovnaft[9] (in Slovakia).

The interview with Mr. Sándor Fasimon focused on specific features of MOL's transformation, especially since 2008, which are detailed below. This introductory note draws attention to three general themes arising from the interview. The first is the importance of adopting a long-time perspective on developments—in oil and gas, there is little scope for short-termism. The second is the strategic importance of a balanced portfolio as a means of managing risk. The third is the need for proactive human resource policy, to develop human resources appropriate for the Company's strategy.

The oil industry operates on a long-time perspective. Upstream, exploration, assessment, development, extraction, transmission, refining, distribution, and sales extend over decades, with large upfront capital investment. Exploration is the basis for long-term growth, but is costly and poses high risks—even in areas of proven reserves, wells drilled may prove dry. Short-termism is out of place, except,

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[8] A subsidiary of the MOL Group, TVK Nyrt. / Tiszai Vegyi Kombinat Nyilvanosan Mukodo Reszvenytarsasag (Tisza Chemical Group Public Limited Company, in translation) is a Hungarian manufacturer of olefins and polyolefins such as polyethylene and polypropylene.

[9] A subsidiary of the MOL Group, Slovnaft a.s. (Slovnaft Public Limited Company, in translation) is an oil refining company.

perhaps, for the special case of the oil futures market. As the following interview shows, MOL's strategic perspective has been long term. The overall upstream internationalisation strategy began in the mid-1990s, with initial investment in Pakistan, and subsequent investments in Russia and the CIS, the Middle East, and Africa. As an integrated oil and gas company with over 75 years' experience in Central-Eastern Europe and two decades of international exposure outside the region, MOL Group's exploration and production strengths derive from field development-driven growth in the short term, the transformation of existing exploration assets into production mode in the mid term (as in Kazakhstan), and the exploitation of long-term opportunities based on an exploration-led strategy (as in the Kurdistan Region of Iraq). In 2013, the Company's strategic aim is to expand upstream output to 170–80 thousand barrels per day by 2017–18—an increase of approximately 50 per cent over the 2012 output of 105–10 thousand barrels per day—and stabilise output at that level, with appropriate reserves developed in support. The long-term production chain, from exploration to eventual sale, is capital intensive—MOL's current capital expenditure (CAPEX) is planned for up to USD 2 billion per annum, with around USD 1.5 billion organic CAPEX planned for 2013. The Company's approach to financing is conservative, with the financing of capital investment primarily from internal rather than external sources, with a relatively low, and in 2013 declining, gearing—a five-year low was reached in the first half of 2013. Organic CAPEX spending is financed from the operating cash flow, as a general rule. The Company's downstream strategy is similarly focused on the long term, with consolidation in core areas, through rationalisation of refinery resources and development of retail facilities. MOL is adapting itself well to the demands of an industry in which a long-term perspective is required.

The second theme is the role of a mixed portfolio in managing risk. Operating as an integrated oil company, both upstream and downstream, provided an overall balance, with upstream performing strongly after 2008, when downstream performed weakly. Operating both upstream and downstream was a long-term strategy, since the privatisation of the Company in the mid-1990s. In the early 2000s, the major source of profit was midstream, gas, and downstream, refining, and wholesale and retail sales. The company exited gas in 2006. From 2008, the downstream market in Europe entered depression, due partly to external market changes associated with economic difficulties especially in MOL's core Central- and South-Eastern European markets, and partly to internal difficulties in refining operations. Upstream became the major generator of EBITDA. The weakness in the European oil market is expected to be long term, and the reliance upon upstream to continue. Within upstream operations, the Company has adopted a lifecycle-based mixed-portfolio model, with fields scheduled for exploitation to achieve and sustain the target 170–80 thousand barrels per day. Central- and South-Eastern Europe (Hungary and Croatia) provide the basis for short-term cash

generation, with Kazakhstan, the Kurdistan Region of Iraq, and Russia providing the basis for mid- and long-term growth. The Company seeks value creation over volume. More specifically, the strategy involves the Company acquiring minority shares in new frontier regions, with growth as operator in core regions where it possessed long experience. Experimentation is practicable in areas where the Company is well secured, as offshore investments off Croatia in the Adriatic. Exploration successes are the basis for long-term growth, but core operations in Hungary sustain revenue flows in the short term, even where the costs of production are rising as fields mature. Downstream, the strategic objective is to reduce costs, both in refining and in distribution. Excess refining capacity in Europe makes profitable operations difficult, except where the Company has a specific edge, as in diesel refining (which partially balances losses in refining polymers). The reduction in refining costs is being achieved through improvements in efficiency, especially in fuel utilisation and maintenance. Improvement in distribution and sales is being achieved through consolidating coverage in markets where the Company is already strong, and small-scale expansion in cognate areas. Hence, the Company seeks to retain its leading position in Hungary and Slovakia, grow further in the Czech Republic, Romania, Serbia, and Slovenia, and consolidate in Bosnia-Herzegovina and Croatia.

In answer to the challenging downstream environment, the MOL Group launched a New Downstream Programme, which aims to achieve a USD 500–50 million improvement in EBITDA by 2014 though improvements in efficiency, increases in operational flexibility, rigorousness in cost management, and integration of revised sales strategies. Almost 30 per cent of the total target—an improvement in EBITDA of USD 150 million—was achieved in 2012 alone.

The third theme is the linkage between long-term Company strategy and human resource policies. The internationalisation strategy involves building an international human resource strategy combining the recruitment of local staff, integrated into the Company's international operations, with the circulation of expatriate staff. The growing importance of upstream also requires expanding the recruitment of engineers, especially petroleum engineers, and reducing the recruitment of chemical engineers, as the importance of the refineries to the Company's performance declines. International recruitment and training are facilitated by a management trainee scheme, established in 2007, which includes on-the-job training at MOL headquarters for internationally as well as nationally recruited staff. The Company has also established alliances with the University of Pannonia, for training engineers in information technology for the oil industry, and the University of Miskolc, for training engineers in chemical engineering for the oil industry.

Mr. Sándor Fasimon was appointed Chief Operating Officer (COO) of MOL Hungary on 1 October 2012. At only 47 years of age, Sándor is a very young executive with a very long—and very impressive—business and managerial experience behind him:

- Executive Vice-President (EVP), Exploration and Production, MOL Group (2011–12);
- Senior Vice-President (SVP), Supply and Trading, MOL Group (2009–11), responsible for crude oil supply, development of energy portfolio, trading platform operation, as well as natural gas and energy trading;
- Chief Executive Officer (CEO), MOL-Russ Ltd (2006–9);
- Managing Director, Natural Gas Division, MOL Group (2003–6), including, between 2005 and 2006, as Head of Upstream Portfolio Development;
- Chief Executive Officer (CEO), MOLTRADE-Mineralimpex (2002–3);
- Director, MOLTRADE-Mineralimpex (1998–2002);

and

- Counsellor, Head of the Tripoli (Libya) Hungarian Commercial Section (1996–7).

Sándor also serves on the MOL Group Executive Board and the Hungarian Hydrocarbon Stockpiling Association, and as Special envoy to the MOL Group Chairman-CEO for CIS and Middle-Eastern relations.

The interview with Mr. Sándor Fasimon took place on 16 July 2013 at 'Agrober'—the Budapest offices of MOL Hungary—and was assisted by Mr. Domokos Szollár, Director, MOL Hungary Corporate Communications, and Ms. Anamaria M. Cristescu-Martin, Assistant Editor, *Pannon Management Review*.

RM: Mr. Fasimon, thank you very much for having us. I was not aware until very recently of the strong bonds between your Company and the University of Pannonia.

SF: *We do indeed have very strong bonds with the University of Pannonia, where we have both a postgraduate MOL Programme Industry Modelling System (PIMS) Academy and an internationally accredited MSc degree in chemical engineering in hydrocarbon and petrochemical processing. The PIMS Academy was launched recently—it was May, when I last visited the University—and the MOL Department at the University of Pannonia even has a small refinery reactor system. (A living, breathing refinery unit, practically working a seven-day continuous shift.) I was astonished by what I saw during my visit there, both from a technological point of view and, as a manager, from a business point of view. In*

any business partnership, no matter how many precautions you take and no matter how much you plan in advance, there is always a small element of gambling involved, but I can say—hand on heart—that I am very proud of what we have achieved in cooperation with the University of Pannonia.

RM: How exactly do this and, possibly, other such partnerships fit in with your Company?

SF: *We have two main business streams—downstream and upstream. Both downstream and upstream require very specific knowledge, very specific expertise of the people who work in one or the other. Our partnership with the University of Pannonia serves our needs in downstream. I would even go as far as to say that—through this particular partnership—our human resource needs for downstream are now covered. Therefore, these days, we are focussing not so much on Veszprém*[10] *as on Miskolc*[11]*. We plan a MOL Faculty in Miskolc, similar to the one in Veszprém, and hope to achieve similar, outstanding results. Our future engineers—geologists and the like—will receive their training and education in Miskolc. In a company like ours, maybe more than in most other companies, we have to think 'long term' and we have to think 'future'. Our human resources are very much an integral part of our long-term future.*

RM: Are these training and education programmes exclusively for (future) MOL employees, then, or are they open for everybody with an interest in the industry, including from overseas?

SF: *A combination of both. The MOL MSC degree in Veszprém is based entirely on a tailor-made curriculum and focuses on the refinery and petrochemical units. Around 70 per cent of the chemical engineers who work in our refinery and petrochemical units come from the University of Pannonia. This is a huge number—as well as a huge human resource management commitment. Moreover, training and education starts not at degree level, but as early as secondary school. Programmes such as Junior Freshhh, Freshhh, and Growww are tailored both for our needs and for those of the young people involved—it works both ways, you see, and it works extremely well. For example, there are more than three hundred people involved in the Growww programme—of these, 124 are fresh graduates from all over the country. We aim to attract the best graduates from all over the country—the selection process is three to four months long, and far from easy. This results not only in working for our Company and*

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[10] The University of Pannonia in Veszprém used to be called the University of Veszprém.

[11] The University of Miskolc. Located in North-eastern Hungary, Miskolc is the capital of the Borsod-Abaúj-Zemplén County and the centre of the Northern Hungary region. Nicknamed Steel City and City of the Open Gates, due to its heavy industrial background, Miskolc is the fourth largest city in Hungary—and the second largest by population density.

getting paid for it, but also in getting business education, practical inasmuch as theoretical. The Growww programme allows you more than just to familiarise yourself with our Company—it allows you to get a good look around, as it were, poke an inquiring nose in all manners of aspects, not just one. Allowing young people to get a comprehensive understanding of our Company at the very beginning of their careers is a way—one of many—of planning for the future. We started this initiative in 2007, if I remember correctly. Today, 12 percent of the total MOL Hungary workforce and 3 per cent of the total MOL Group workforce are former Growww programme participants, with a best-in-class retention rate of 82 per cent—this is an excellent outcome, an excellent return on investment, if you want, particularly important in times of economic crisis.

Planning for the future involves being prepared to answer questions that have not yet been asked—you need answers at hand, in times of economic crisis. At such times, what you certainly do not *need is having to start looking for answers—or, worse still, not knowing what the questions actually are. In practice, this means answers in terms of capital expenditure, this means answers in terms of organisational change, this means answers in terms of efficiency, and—from a human resource management perspective—this also means answers in terms of training and education.*

RM: With such an emphasis on the future of your Company, to what extent is the past relevant, then?

SF: *We need to know what has happened, we need to know what our heritage as a Company is. Where have we come from? Where are we today? However, we need to focus less on the past, as such, and more on the future receipt of our corporate past. Furthermore, we should not think of our Company in isolation, but very much as part and parcel of a wider, Central-Eastern European picture. Although, theoretically, an 'independent' oil and gas Company, we are dependent completely on our business environment, which is extremely volatile. If we take downstream, for an example, the situation in Europe is extremely difficult nowadays—if we take upstream, for another example, the situation in Europe is equally difficult. This is why I think that the past is relevant only to a certain extent, and that to understand a company like ours you need to understand its environment too—it simply does not work, otherwise. I could tell you that our revenue today is ten times higher than our revenue in 1992, for example, but what is the exact meaning of such a piece of information? Trends, on the other hand, are far better, much more informative, infinitely more strategic pieces of information.*

RM: Let us forget about figures, then, not least because I have already consulted the comprehensive information provided on your Company's website[12], and let us

[12] http://www.mol.hu/en.

talk about trends. As far as the balance between upstream and downstream is concerned, the revenue figures that I have seen suggest a somewhat zigzagging trend, with downstream outdoing upstream, for a time, and upstream outdoing downstream, for another.

SF: *Indeed, so they do, and the integration and synergy between upstream and downstream is a very good example for us to talk about—as well as an essential issue for our Company.*

The time before the global economic crisis of 2008 was practically the golden era of downstream—or of refining marketing, as it were—the crude oil prices were much lower than they are now, the crack spreads[13] *were much higher, and we were harvesting the rewards of prior investments, mainly in our Danube and Slovnaft refineries. It is perhaps worth pointing out that we were not producing fuel oil at all, at these two refineries—petroleum coke and gas oil were the end products, there. Moreover, not only did we have the best five refineries in Europe, from the point of view of technological complexity, but Danube and Slovnaft were also among the best revenue-generation, crack spread-generation, and EBITDA-generation refineries. The investments we made in the early 2000s—and keeping away from producing fuel oil—allowed us to harvest the rewards in 2003–5. In the early 2000s, we focussed very much on strengthening our position on the Central-Eastern European refining marketing market—consolidating our national downstream operations, in the process—by taking over Slovnaft and increasing both capacity and reach. You know enough of our history to remember that we had three refineries in Hungary, at the time, Zala, Tisza, and Danube. Today, our Company has a total of five refineries, but only one in Hungary—the others are two in Croatia, one in Slovakia, and one in Italy. As I said before, this was very much the golden era of downstream—downstream, in those days, was the biggest generator of EBITDA for our Company. Nowadays, the situation is exactly the opposite. However, we contemplated moving out internationally long before the end of this golden era, not least because of our local upstream operations. Some twenty years back, as the first step in our more international operations, we had acquired the relevant experience in Pakistan. The time coincided with our decision to maintain a stronghold position in Central-Eastern European downstream—forever a captive, landlock market for our refineries, due to their locations, and depots and retail networks included. The Upstream Division's contribution has grown significantly, over the last few years—nowadays, our Company is more international and more upstream driven than before. For example, in 2012, in line with previous years' trends, around half of MOL Group's earnings came from outside Hungary. We expect this tendency to continue in the coming years.*

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[13] In the oil industry and futures trading, the differences between the price of the crude oil and the prices of petroleum products manufactured from it.

RM: So, what particular Central-Eastern European countries make up your captive market?

SF: *Look, I would not talk in terms of countries, but in terms of radiuses around refineries—for me, 'captive' is a pure matter of logistics. Most Central-Eastern European countries are now EU members—it is entirely equal to me, whether I sell to Poland or Germany. The question is not where to sell, but who gives me the highest margin—in supply chain management optimisation, this is a very important tool available to us, from crude oil selection up until end product sale, whether via oil or retail networks. In short, 'captive' is a matter of distance, up to a certain point, and a matter of price, beyond that point—at the end of the day, logistics is very much in your own hands.*

RM: It would then follow that the current shape of your Company is pretty much logistics based.

SF: *And indeed it is. It was in cooperation with the PIMS Academy we already talked about at the very beginning of the interview that we arrived at the shape you see today—seven units, of which five refineries and two Petrochemicals units. These allow us a selection of supply materials, whether crude oil or other materials, and a market like a kind of blank book that we ourselves get to write, in time, function of the highest margin we can achieve. This is the real art, if you will.*

That supply chain management optimisation is a real art becomes particularly evident in times of hardship, such as nowadays, in downstream terms, or in the not so distant past, in the natural gas business. I do not particularly like to talk about myself, but the best examples I can give are always examples from my own business experience. The example I want to talk about dates back to 2006, when I moved to Russia as head of our operations there between 2006 and 2009. By 2006, we had already started international upstream operations. To our 75 years of experience in exploration activity in Hungary, we had added the 60 years of experience of our Croatian colleagues at INA[14]*. Our experience as the lowest-cost European onshore operator was much enriched by our Croatian colleagues' experience as shallow water offshore operators. We also benefited reciprocally from each other's already established international positions. However, production and reserves were both decreasing in Central-Eastern Europe—a sign of the natural depreciation of the old, matured fields—not expanding overseas was not an option. One of our two main targets is to reach a 100 per cent reserve replacement ratio, but this can only be reached through international expansion. It will not happen, if we just stay put in Hungary and, respectively, Croatia and wait for it to happen. Our own natural fields are already depleted, and production in both countries is decreasing. However, by adding reserves on an international*

[14] Industrija Nafte dd.

basis, we can reach both our main targets, the second of which is increasing production from 105–10 thousand barrels per day to 170–80 thousand barrels per day by 2017–20.

RM: What strikes me most about your international operations is that the Company holds reserves in politically risky areas—risky at least to some degree, anyway.

SF: *Whether you like it or not, any upstream project struggles with its own set of challenges. The only thing you can do about it is to mitigate these challenges, be they political, geological, of taxation, or of some other nature. They are all different kind of challenges, but they are all challenges that have to be mitigated, as far as we are concerned.*

How do we do that? Well, we manage such challenges in various ways. We have a portfolio of projects, at Group level, with different lifecycles. There are three types of such projects, with three different average lifecycles—exploration projects, appraisal projects, and production projects. The production projects are already in place—mainly in Central-Eastern Europe and Russia—and represent a good, continuous cash generator. The appraisal projects come around once you have found reserves, such as those we have found in fields across Kazakhstan, where we know that we hold around 5 per cent of our total reserves in our Kazakh blocks[15] *and where we carry out the appraisal project as we speak. In the medium term, appraisal projects lead to new cash-generating production projects. As far as exploration is concerned, we currently carry out two such projects, one in Oman, where we hold two blocks, and one in the Kurdistan Region of Iraq. This portfolio of projects is important to us not only in terms of project lifecycles, but also in terms of project geographical spread—from this point of view, we cover Central-Eastern European countries; CIS countries (Kazakhstan and Russia) and other Asian countries (the Kurdistan Region of Iraq, Oman, Pakistan, and Syria, where we have a force majeure situation); and even Africa. For each and every of these countries, we have to consider the exposure we are ready to take and generate a mixed, well-balanced, healthy lifecycle portfolio. So, this is how we manage our challenges, this is how we mitigate our risks.*

I know that you are particularly interested in political risk, but—in many a way—political risk is the least of our worries. Let me try to explain to you why. Political risk is a variable that has to be accepted as given. We cannot interfere with it, and we do not intend to—our business is energy, not politics, and we cannot change an entire country, just because of our ongoing projects. Consequently, the only thing we can do is good, sound stakeholder management. In the CIS countries, for example, we are able to do so because we still have lots of

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15 Large areas of land awarded to companies by a country's government for oil drilling and exploration.

Russian speakers among our employees, which is very good. The challenges we encounter in Arab countries are different from the challenges we encounter in CIS countries—in turn, of course, these are different from the challenges we encounter in Africa. However, despite such differences, our focus remains unchanged—how to manage challenges, how to mitigate political and other risks.

RM: I am particularly interested in the Pakistani case, because, in 2005, I was a guest of the Pakistan State Oil Corporation (PSO).

SF: *Pakistan is a very interesting story, because it is kind of a heritage from the 1990s for us, when we first went overseas. In accordance with the TAL Block*[16]*, around 8 per cent of the total Pakistani energy supply comes from gas, and we are the operator, with a 10 per cent interest. We have a subsidiary there, with excellent Pakistani colleagues—through the years, MOL Pakistan has gained the respect of the local energy industry. Depending on our intentions, including relative to potential exposure to Pakistan, we are looking for new projects—new ventures such as the Karak block, for example, with Mari Petroleum*[17]*—so, we keep looking, we keep picking up new ideas. As an operator, we are accustomed to Pakistan, and to the country's security situation. We have become acquainted with the local customs, and we have accumulated and learned from our experience there—we feel comfortable working in Pakistan. As an oil and gas company, we have to think not just for the short term, not just for the medium term, but also—particularly—for the long term.*

RM: Well, another aspect I am interested in is Hungary's role as an oil producer—I hadn't realised this was the case, until very recently. Mature production, true, but still quite important.

SF: *Let me add that two-thirds of our current EBITDA is generated by our upstream business—only one-third is generated by downstream, quite the other way around compared with the situation prior to 2008. Incidentally, this gives you a nice, accurate picture of how we integrate upstream and downstream and how we counterbalance the risks of one with the opportunities of the other, in a kind of financial hedge. Regarding revenue, more than 50 per cent comes from our international operations—less than 50 per cent comes from our domestic operations.*

However, Hungary is still important for us—the domestic market is important for us, including from an upstream point of view. Hungary still represents close to 40 per cent of our production, and the slow and continuous decline is natural. Consequently, the only thing we can do to mitigate decreases in production is to ensure that we do not increase the unit cost of production—this is our first main

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[16] Petroleum exploration licence.

[17] Mari Petroleum Company Limited is one of the largest oil and gas exploration and production companies in Pakistan.

target, as far as Hungary is concerned. Our second main target is to ensure that even the natural decline of the production does not exceed 5 per cent. Efficiency is the only solution to this particular problem—both in terms of upstream and in terms of downstream, but particularly in terms of downstream. Although upstream is a different story, to maintain your position as the cheapest onshore operator while your production decreases, you have to increase your efficiency.

Moreover, and more importantly, you have to consider the so-called enhanced oil recovery (EOR)[18]*—or advanced oil recovery—or what unconventional extraction methods you can use in addition to the conventional methods. Unconventional extraction methods may potentially help, but, as I said at the Napi Gazdaság* Forum[19]*, I do not see Europe—Hungary included—playing a pioneering role in unconventional technology. This country's geology is entirely different from that of the US, where these technologies are at their most advanced, and does not lend itself to shale gas and unconventional oil. It is not that we cannot do it—and it is not that we do not keep experimenting—we can do it, we can make the fractioning*[20]*, and we can get the gas. So, the question we have to ask ourselves is not whether we can do it or not, but whether we can do it economically or not. This is the important question—an important question to which we have not yet found a final answer. We shall continue to meet such challenges head on, but I do not foresee dramatic changes in the history of oil and gas extraction in Hungary in the near future. You may have already heard about the Makó unconventional story—we were joined by ExxonMobil, in an attempt to extract gas with unconventional methods. There is gas, no question whatsoever about that, but the pressure and the temperature are very high in Hungary, much higher than in the US, and the geological configuration is completely different—even ExxonMobil failed in front of such challenges. Perhaps, who knows, the technology will gather the necessary momentum, in 20 years' time.*

RM: I looked at today's oil price on the television news this morning—it was, if I remember correctly, around USD 110. At one stage in the past, this price was much much lower, while, at another, it was much much higher. Assuming that the oil price stays roughly in the margins between USD 90 and USD 110, would you say that was a crisis for downstream?

SF: *Look, the oil price affects our business in various ways. Upstream, high oil prices definitely impact on our business directly. There is an important difference between European refining and US refining—European refineries consume oil as*

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[18] A generic term for techniques for increasing the amount of crude oil extracted.

[19] *Napi Gazdaság*—Hungarian Energy Investors Forum, Budapest, 16 May 2013.

[20] The natural gas at the wellhead contains many natural gas liquids (NGLs), thus differing from the natural gas used by consumers. After removal from the natural gas, NGLs are then separated into base components, through a process called fractionation.

well as produce oil. Our own refineries consume around 8 per cent of the oil they produce. In other words, we lose 8 per cent of our production, at a cost of around USD 100 per barrel of crude oil, by burning it for our own consumption—this is a huge cost. In contrast, US refineries work primarily on US shale gas, which comes at a much cheaper price than the crude oil. From a competitive point of view, this is hugely advantageous for the US refineries. In Europe, we have to look at how to best decrease our own consumption and what is the best portfolio of materials for our own energy consumption—beside crude oil, we also use natural gas, steam, and others. What is the best combination of materials—both from a cost point of view and a consumption point of view—is a perennial preoccupation for us. Since there is no easy solution to this problem, the oil price remains a huge burden on our refineries.

Downstream, high oil prices also impact on our business directly, through crack spreads—the differences, the spreads between the prices of diesel oil and gasoline, for example, and the price of crude oil. If not sufficiently high, your business is not really profitable. High oil prices lead to decreases in both consumption and crack spreads and, ultimately, to refineries being closed down—10 per cent in Europe, so far, and a much higher—and much faster—percentage in the US. The situation may deteriorate in Europe at a slower rate than it does in the US, but deteriorate it does.

This is the reason why we have to fight for our lives, the reason why we have introduced our New Downstream Programme, and the reason why it is good to have two main business streams in one integrated company, upstream and downstream—it acts as a kind of financial hedge.

The golden age of the downstream seems over now, at least for the foreseeable future—I do not see it returning in the next few years. Who knows, perhaps it will never return—I myself do not know what the end of the downstream story will be, but I do know that we always have to be prepared to answer questions that have not yet been asked. This is what our New Downstream Programme is all about—efficiency improvement. We aim to increase contributions to EBITDA by USD 500–50 million, between 2012 and 2014, from both cost point of view and revenue point of view.

In practice, the New Downstream Programme affects the entire supply chain management, starting from judicious crude oil selection—through judicious optimisation of logistics, all seven production units, and the wholesale and retail elements of our business—to judicious development of our captive markets. The largest contributions are cost-related and come from increases in efficiency—energy, production, maintenance, logistics, the whole lot. Only 30–40 per cent of contributions come from increases in revenue, as in Romania, for example.

The New Downstream Programme generated 90 criterions and hundreds of different projects, and we are very proud to have reached our first-year target,

which was USD 150 million contributions to EBITDA. With a much higher target of USD 250 million, this year is absolutely crucial, but the quarterly targets so far have been reached successfully. How did we do it? Well, first of all, individual targets were set for all our business units, be they the Croatian Rijeka refinery, the Hungarian Danube refinery, the Slovakian Slovnaft refinery, etc. Second, although the initial planning was done top-down, any subsequent planning was done bottom-up—the decisions we took were collective, but also—at the same time—individual. Third, the New Downstream Programme involves a cultural change, and a new, lean downstream. This requires an enormous effort on our part, but a kind of effort that we are both forced and proud to make—as I said before, the late 2000s were completely different from the early 2000s, not only for our Company, but also for the entire oil and gas industry. Today, around 10 per cent of the European capacity has been shut down, and the European consumption has decreased by more than 10 per cent—in the near future, I expect, other refineries will have to shut down. What is the answer? There is no answer other than to increase your efficiency—moreover, once the downstream 'crisis' is over, you not only come out of it as a winner, you come out as a better winner for that. You have to run for your life—it is as simple as that.

RM: So, was achieving this balance between upstream and downstream a strategic decision that your Company took at a specific moment in time, or a strategy that has developed gradually, by chance rather than intent?

SF: *No, certainly not the latter. Achieving this balance was carefully thought through. If you look back at our history, we were a state-owned company, in the 1990s—a Trust even, not only with factories, but also with hotels and others. Nowadays, following various IPOs*[21]*, we are an independent oil and gas company focusing on our two core businesses, downstream and upstream. While our gas operations are part of our historic heritage, the downstream consolidation of our Central-Eastern European market—by taking over Slovnaft in Slovakia and INA in Croatia, for example—is very much part of our early years as an independent company. We have achieved this consolidation, and we continue to strengthen our captive markets. Building new depots (as we did in Romania) and taking over retail networks (as we did last year with Pap Oil in the Czech Republic) are very much part of our effort to maintain a stronghold position and consolidate our captive markets. The Czech Republic is important to us because of its geographical location. From Slovnaft we can reach Austria, we can reach the Czech Republic, we can reach Germany, and we can reach Poland. Since the Czech Republic is a natural market for us, taking over Pap Oil was a natural thing to do. So, definitely, that's why we have taken over Pap Oil. (As I said before, to feel reasonably comfortable, you need at least 10 per cent of the retail market.)*

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[21] Initial public offerings.

It was already during these years[22] *of market consolidation and downstream capital investment—mainly in Slovnaft and Százhalombatta, our Danube refinery—that we understood the necessity of a balanced upstream–downstream portfolio. It was clear that our upstream position was weakening and that, consequently, we needed to expand upstream internationally. We had started off with a historic heritage from the 1990s, but sold off our natural gas operations to focus in 2005–6 on acquiring new international upstream positions. Since we already had 20 years of experience in international upstream, over the last ten years or so, we were able to build up our international upstream portfolio.*

So, you see, while we may have achieved the upstream–downstream balance gradually, the strategy behind this achievement was not at all inevitable, gradual happenstance. This was definitely our answer to the wider economic situation—our vision of where we were going to find ourselves in the future—we had to think 'future', we had to think 'long term'. Moreover, upstream forces you to think that way—exploration can take as long as seven or even ten years, just the exploration side of upstream. So, yes, it was definitely and purposely a very well thought through strategy—we moved away from our gas operations in order to strengthen our international upstream position.

RM: In Central-Eastern Europe, Romania seems to be particularly important to your Company, both downstream and upstream.

SF: *Nowadays, Romania is definitely a core country for us—she belongs to our flagship, and she is important from both an upstream point of view and a downstream point of view. From an upstream point of view, we have won concessions for three blocks in Western Romania —we want to extend our portfolio there. The country is also a natural market for us—this is why Romania is important for us from a downstream point of view too, and a captive market for our refineries. Our retail market share has reached almost 13 per cent there—in our industry, a company is in a strong position if it holds 10 per cent of the market. We have two depots in Romania, one at Tileagd*[23] *and a new depot on the Danube, at Giurgiu—practically, we can reach the Romanian market by barges, as well as roads and railroads, and we are definitely focusing on Romania as one of our core markets.*

RM: One of the changes central to your New Downstream Programme was in connection with the organisation of your Company and with organisational restructuring. In particular, the *Investor Presentation* of June 2013 mentioned GLOCAL. I wonder if you could explain the thinking behind it a bit more.

SF: *Our Company has grown continuously, and is different now than it was even just ten years ago—the number of companies that make up the MOL Group*

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[22] 2000–5.

[23] In Bihor County, in Western Romania.

has increased, and our business processes have become more and more complex. At the same time, our business environment has changed greatly, in the last few years, with the economic crisis contributing additional challenge. However, *in many ways, 'where there's a crisis, there's an opportunity too'—a crisis is not just a threat, but also an opportunity. Removing or, at the least, minimising the threat is only half of your answer to that crisis. What is your answer to the opportunity side of that crisis? Our own answer is GLOCAL—creating a new corporate governance structure. This applies to our downstream operations, this applies to our upstream operations, and this applies to the Group as a whole. In very practical terms, we have created a Group-level headquarters, responsible for strategic development from both upstream and downstream perspectives—where does the Company need to go? how can it get there?—and leadership. For the international headquarters of an international oil and gas company to be located in Budapest, Hungary, Central-Eastern Europe is an extraordinary achievement, not just for our Company, but also from national and regional perspectives. The headquarters is located very close to 'Agrober' and employs around six hundred people. Of these, 25 per cent are foreign nationals from countries as varied as Finland, Pakistan, Scotland, and others—all well-experienced colleagues, all colleagues with plenty of international expertise. Therefore, GLOCAL stands for global—as in our international headquarters—as well as for local—as in its location.*

Given the size of our Company, we have created four geographical flagships—Slovnaft, responsible for Slovakia as well as Austria, the Czech Republic, Germany, and Poland; INA, responsible for Croatia as well as Albania, Bosnia, and Macedonia; IES[24]*, currently responsible only for Italy; and MOL Hungary, responsible for Hungary as well as Romania, Serbia, and Slovenia. The latter is my particular area of responsibility—although, of course, I hold many other responsibilities at Group level. We are still in the process of fine-tuning our flagship structure, allowing the four flagships increasing authorities without jeopardising the authorities, responsibilities, and accountabilities of the Group as a whole—bearing in mind the Group optimum is crucial.*

RM: So, would the heads of each of these flagships be local to their particular geographical area of responsibility, would they come from the headquarters, or would they just happen, as it were?

SF: *The heads of these flagships are usually the CEOs of the local companies, be they Slovnaft, INA, or IES—Mr. Zoltán Áldott, for example, is both President of the Management Board of INA* and *head of the flagship. Regarding Hungary, the situation is slightly complicated by the fact that both Group and flagship belong to the same legal entity. Were they separate legal entities, I would be CEO of MOL*

[24] Italiana Energia e Servizi S.p.A.

Hungary Limited. However, since they are not, the Group Chairman-CEO is Mr. Zsolth Hernádi, the Group Chief Executive Officer (GCEO) is Mr. József Molnár, and I am the COO of the Hungarian flagship. However, in the years I have been with the Company, I have held numerous other positions—including as Managing Director of the Natural Gas Division, for example, and as CEO of our Russian operations—and have acquired a widespread knowledge and understanding of the Company.

RM: Speaking of Russia, Thane Gustafson, an American scholar, has just published an extensive and immensely interesting account of the Russian oil and gas industry—I do not know if you have come across it yet.

SF: *Well, you see, I have a very 'specific' experience of the Russian oil and gas industry. My time as CEO of our Russian operations*[25] *coincided with the time when Surgutneftegas*[26] *attacked MOL—you already know, perhaps, that Surgutneftegas acquired a 21.2 per cent stake in MOL at the time. I have to say, though, that the direction of the Russian oil and gas industry is rather clearer—at least for me—since Yukos*[27]*. Rosneft*[28] *taking over TNK BP is also a good indicator for the Russian oil and gas industry—in what direction it is heading, nationally and internationally. Such knowledge is very important, because, internationally, part of the story of MOL has always been part of the story of Central-Eastern Europe—how to maintain the national and regional economic independence, how to keep Russian economic influence at a comfortable distance. Ukraine is in a different situation, but the Balkan region has always been an economic target for Russia. Russia has expanded in Bulgaria (through Lukoil*[29]*), in Serbia, and in Bosnia.*

RM: Direct competition between MOL, on the one hand, and the Russian oil and gas industry, on the other, would be rather severe.

SF: *Yes, it would—yes, it is. However, I have always thought that you can manage the competition from the Russian oil and gas industry. The only thing is, you have to put the Russian oil and gas industry into a competitive situation—that is all, I think—that is all, but it is rather crucial.*

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[25] In 2006–9.

[26] Open joint-stock Russian oil and gas company.

[27] Yukos Oil Company, an open joint-stock Russian petroleum company that went bankrupt on 1 August 2006.

[28] An integrated oil company with a majority owned by the Russian government. It purchased the Yukos assets in state-run auctions and became Russia's leading extraction and refining company, as well as the largest publicly traded oil company, after acquiring TNK BP in March 2013.

[29] Second largest oil company, and second largest oil producer, in Russia, as well as second largest public company, in terms of proven oil and gas reserves.

From a crude oil supply point of view, we always have the additional potential granted to us by the Adriatic pipeline—we can always rely on the crude oil from the Adriatic Sea. In general, our Slovakian and Hungarian refineries use a different source of crude oil. When you have an alternative, when you do not rely on one single option, that is when your exposure to Russian competition is negligible—and we do have that alternative. The crude oil from the Adriatic Sea. And another thing—the price of the Russian crude oil has to be competitive.

I remember the time when I became the Managing Director of the Natural Gas Division[30] *and MOL had complete responsibility over all manner of aspects—storage, wholesale, transmission pipelines, etc. Prior to that, in 2000, we had lost USD 1 billion just because of the negative differences between our internal costs and the prices at which we were importing stuff. Since we had no alternative sources, the situation was simply unmanageable. We decided to make a clear cut, in the wake of this experience, and we partially came out of the natural gas business from the wholesale of our storage. Of the total primary energy consumption, 45 per cent is dependent on Russian gas—this is too high, and the figure is likely to get even higher and, in time, reach 70 per cent. Very many things happened, since then—for instance, just to give you one example of many, we built the interconnectors towards Austria, Bosnia, Croatia, Romania, and Serbia. So, from that point of view, we now have a completely different security level in Hungary. I remember going to Voronezh*[31]*, in the winter of 2006, on temperatures of -35°C. Immediately on my return home, I told my colleague, 'Prepare everything—it's coming!' And it did. The daily consumption reached 90 million cubic metres every day, that week, whilst the normal peak for that time of the year would have been 70–5 million cubic metres—big difference. Also, you may remember, the pipeline was shut down completely, in 2009—yet, unlike Slovakia and Bulgaria, Hungary did not really suffer in that respect. We were able to manage the situation.*

RM: You have mentioned the pipelines, a number of times—my understanding is that it often matters who actually controls the pipelines.

SF: *Yes, we are the sole owners of our high-pressure pipelines in Hungary—there is no foreign interest involved in this aspect of our operations. The commercial storage used to be owned by E.ON*[32]*, but was partially sold to MVM*[33]*,*

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[30] In 2003.

[31] In Russia.

[32] E.ON SE, the German-based holding company of the world's largest investor-owned electric utility service provider.

[33] MVM Group / Magyar Villamos Művek Zrt. / Magyar Villamos Művek Zártkörűen működő Részvénytársaság (Hungarian Electrical Works Public Limited Company, in

the Hungarian state-owned electricity company. Regarding the strategic storage, 74 per cent is owned by MOL and 26 per cent by the Hungarian Hydrocarbon Stockpiling Association, who is the owner of the natural gas.

RM: The crude oil, I assume, comes all the way from Western Siberia.

SF: *Yes, the pipelines stretch from Russia—through Byelorussia and Ukraine—all the way to Hungary and Slovakia. This is the exact route, and we own the crude oil pipelines in Hungary too. As a matter of fact, we buy the crude oil from our Russian suppliers DAF*[34] *at the Ukrainian–Slovakian border and DAF at the Ukrainian–Hungarian border. So, the transportation of the Russian crude oil is made entirely by our Russian partners—up until the Slovakian border metering station and up until the Hungarian border metering station, it is their responsibility entirely. In terms of ownership, Transneft*[35]*, a mainly state-owned company, has absolute control over the crude oil pipelines in Russia—and acts not only as an operator, but also as a tool for the Russian state. The Byelorussian state owns the crude oil pipelines in Byelorussia and the Ukrainian state those in Ukraine, through Ukrtransnafta*[36]*. In Hungary, both crude oil and product pipelines are owned by our Company. However, in Slovakia, the situation is slightly different—the pipelines are not owned by Slovnaft, as you would expect, but by Transpetrol, which in turn is owned by the Slovakian state. So, the tool we hold in our hands is our ability to purchase crude oil—be it at the Ukrainian–Slovakian border, be it at the Ukrainian–Hungarian border—on competitive basis, given that we do have an Adriatic Sea alternative. Consequently, when we sit down with our Russian partners, we can hold normal, serious business negotiations.*

This is why, earlier on, I have advocated in support of trends as opposed to figures—figures provide you with a snapshot, trends tell you an entire story. Listening carefully to this story enabled us to make the right choices—expanding our international upstream and implementing our New Downstream Programme.

RM: We have almost reached the end of this interview—tying the beginning with the end, the recruitment of human resources for 'international' and 'upstream' must be rather different from the recruitment of human resources for 'downstream' and 'Central-Eastern Europe'.

SF: *You are absolutely right, but I want to tell you one more thing. An international workforce is practically inevitable and practically vital for our*

translation) is the largest Hungarian power company, responsible for production, distribution, and sale of electricity.

[34] Delivered at frontier.

[35] Responsible for the national pipelines, the company owns the largest oil pipeline system in the world (almost 50,000 kilometres) and transports around 93 per cent of the oil produced in Russia.

[36] Joint-stock company.

Company. However, there is absolutely no reason why our local workforce cannot acquire the necessary international expertise. Our Company is being enriched as we speak both by our international workforce and by our local workforce with international expertise. We could not have got where we are today, without both local and international human resources.

RM: Mr. Fasimon, thank you so much for your time, and for a most interesting hour together.

Mr. Sándor Fasimon and **Prof. Roderick Martin**[37]
'Agrober', the Budapest offices of MOL Hungary, 16 July 2013

Appendix:
A history of the company in brief

MOL was established in 1991 as the direct legal successor to the state-owned consolidated oil company OGKT (Hungarian Oil and Gas Trust). The Hungarian oil refining industry was long established, dating from the 1880s, with the

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[37] Photograph copyright: Anamaria M. Cristescu-Martin.

formation of the Hungarian Petroleum Company in Budapest in 1884, and the construction of the Budapest Mineral Oil plant in 1891. By World War I, 12 plants were producing 80 per cent of Hungary's oil requirements, using imported feedstock. Following Trianon, and the loss of facilities outside Hungary's new borders, the remaining facilities were merged to form the Fanto Works Company in 1924, renamed the Panto United Hungarian Oil Plants Company in 1933. Between the two World Wars, refinery construction expanded, including the construction of the Shell Company state-of-the-art refinery on Csepel Island in 1929–30, and the Hungarian Oil Works Company (MOIL) plants at Pétfürdő and Szőny, opened in 1937, financed by the Hungarian state.

Oil exploration in Hungary was initially unsuccessful, with the British Anglo-Persian Oil Company failing to find oil before and after World War I, and surrendering its licenses in 1927. Hungarian state exploration in the late 1930s was more successful, finding commercially exploitable reserves in Bükkszék. The Anglo-American company EURGASCO was also successful, finding commercially exploitable reserves at Budafapuszta in 1936. This success led to the formation of the Hungarian-American company MOART, jointly owned by Standard Oil of New Jersey and the Hungarian state, to exploit the reserves. By 1940, Hungary met its own fuel needs.

The oil industry was transformed by World War II. Assets owned by Hungary's enemies, the US and Britain, were expropriated, with the nationalisation of Shell and MOART's assets. Output rapidly grew threefold, at the expense of poor levels of oil recovery. There was heavy German and Italian investment through MANART (Hungarian-German Mineral Oil Works Company), MOLART (Hungarian-Italian Mineral Oil Company), and ONART (Italia-German Mara Region Mineral Oil Company). After World War II, the German-Hungarian company MANART was transferred to the Soviet Union, as part of reparations. The previously American-controlled MOART was returned to its owners in 1945, but, after a controversial legal battle, including the arrest of senior MOART managers, the company was nationalised again in 1949. After further extended organisational restructuring, the industry was consolidated into one company, MAZOIL, a fifty-fifty joint Hungarian and Soviet venture, in 1954. The crude oil industry was reorganised again and consolidated into a single trust, OKGT, in 1957, to which was added the gas industry in 1960. Although there were several organisational revisions between 1960 and 1991, there was little change in the fundamental structure.

MOL thus inherited a complex organisational structure, with dated technology, poor working practices, and low levels of efficiency both in refining and in crude oil production. Although the oil and gas industry had a long history in Hungary, the reconstruction of MOL in the 1990s involved substantially a new start.

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Roderick was educated at Balliol College and Nuffield College, Oxford, and at the University of Pennsylvania. He wrote over ten books in business management, organisational behaviour, industrial relations, and industrial sociology—including *Investor Engagement: Investors and Management Practice under Shareholder Value*, *Transforming Management in Central and Eastern Europe*, *Bargaining Power*, and *New Technology and Industrial Relations in Fleet Street*—and published over sixty research articles in international journals. His latest book—*Constructing Capitalisms: Transforming Business Systems in Central and Eastern Europe*—was published by Oxford University Press in 2013.

At Oxford, Roderick was Official Fellow (Politics and Sociology) at Trinity College, Senior Proctor, and Official Fellow (Information Management) at Templeton College, and he held the positions of Lecturer (Sociology) and Senior Research Fellow at Jesus College. He was Professor of Industrial Sociology at Imperial College, University of London, and Professor and Director at both, Glasgow Business School, University of Glasgow, and the School of Management, University of Southampton, in the UK. At the Central European University (CEU)

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Roderick is a member of the British Academy of Management (BAM) and of the British Universities' Industrial Relations Association (BUIRA). He served on the BAM Executive Council and on the Economic and Social Research Council (ESRC) Social Affairs Committee and Research Grants Board. In 1989–95, he developed the multi-national and multi-disciplinary ESRC East–West Research Initiative (GBP 5 million). Roderick undertook extensive consultancy work for private and public sector organisations—including, in the UK, the National Health Service (NHS), the Scottish Police College, and the Atomic Energy Authority.

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