

Chapter 9

A Legacy in the Private Sector

The Petrochemical Entrepreneur

After finishing his graduate studies in 1968, Abdulaziz Al-Zamil turned his energies to the task of industrializing Saudi Arabia. As it turned out, this would totally absorb his attention until August 1995, when he stepped down as minister of industry and electricity. A few months afterward, however, he was once again contributing to the industrialization of his country: first, by advising the Zamil family firm about its industrial project, and second, by leading the creation of major private petrochemical enterprises. Helping him to study and prepare for his foray into the private chemical sector was Nabil Faour, who would work closely with Al-Zamil for the next twenty years and with other business development staff, including Fadi Jardali. After laying important groundwork, Al-Zamil was ready to begin an ambitious undertaking: the creation of two large petrochemical holding companies, each of which would consist of an integrated set of subsidiaries, producing a range of petrochemicals, some of which had not yet been manufactured in the Kingdom. Both of these holding companies required natural gas allocations from the Saudi government, and they

would bring new manufacturing technologies to Saudi Arabia through joint ventures and licensing agreements with major foreign chemical firms.

The first of these companies came on the scene in 1999, when Al-Zamil gathered a group of private investors to create the Saudi International Petrochemical Company, better known as Sipchem. This enterprise would initially be based on two products: methanol and butene diol (BDO). This would lead to the creation of two Sipchem subsidiaries: one producing methanol, the International Methanol Company, which was established in 2003; and the second producing BDO, the International Diol Company, which was formed in 2002 and was originally called the Gulf Advanced Chemical Industries Company.

For Al-Zamil, the production of methanol provided a strong foundation for Sipchem. He recalls,

When we decided to make our major push into petrochemicals, methanol was one of the first products we thought of. It was easy to produce, easy to transport, and easy to market. As a product,

it would have its ups and downs in terms of price, but in the long term, it gives a good return. Moreover, it was the basis for producing a broad range of intermediate chemicals where there was a good profit margin.

Nabil Faour notes how “Al-Zamil envisioned methanol as one starting point for Sipchem. It could serve as a feedstock for acetic acid, which in turn can be used to produce vinyl acetate monomer, which then gave us the basis for manufacturing ethylene vinyl acetate, and so on.” Indeed, Sipchem would use the methanol it produced to serve as a feedstock for an interrelated array of chemical products: acetic acid, acetic anhydride, and vinyl acetate monomer. The manufacture of these products would be based on technology licensed from Eastman Chemical and DuPont.

Al-Zamil’s success in securing the technology for the manufacture of acetic acid was an important triumph. This technology had eluded him during the time he had been at SABIC: every effort to secure it had failed. In the 1980s and 1990s, he had approached Celanese and BP Chemicals, as well as the few other companies that had technology for manufacturing acetic acid, and had sought to persuade them either to license their technology to SABIC or to participate in a joint venture. His efforts met with no success.

He recalls what he experienced initially in his attempt to get acetic acid technology for Sipchem:

I had sought the technology for producing acetic acid in my SABIC days. I had tried and tried, but I could not convince anyone to agree to license the technology or to partner with us. The same thing happened when I tried to get this technology for Sipchem.

Only a handful of companies own the technology for manufacturing acetic acid. Among them, Celanese and BP Chemicals are the leaders. They have the best technology. It is an improved version of Monsanto technology. There is a second tier of companies with the technology. This includes companies such as Millennium.

We visited all of these companies. They were very friendly, but from the start they tried their best to discourage us from getting into the acetic acid business. They pointed out all the problems we would face as if they wanted to give us friendly advice, but I think their

real motive was to control the technology and keep the market to themselves.

Seemingly facing a dead end, Al-Zamil learned that Eastman Chemical had technology for producing acetic acid. As it turned out, acetic acid is a by-product of Eastman's process for manufacturing acetic anhydride. Al-Zamil's brother Khalid had a relationship with Eastman, so it was possible for him to organize a meeting. Soon Eastman agreed both to adapt its technology so that it would produce more acetic acid and less acetic anhydride and to license this adapted technology to Sipchem. As Al-Zamil notes with pleasure, "I had been trying to get this technology for thirty years. Finally, I succeeded. What this shows is that persistence brings results."

Another important technology for Sipchem would also come from the United States. This was the technology for manufacturing vinyl acetate monomer. Al-Zamil had originally hoped to secure this technology through a joint-venture agreement with DuPont Chemical, and to this end, conversations with DuPont were started in 2000; however, it eventually became clear that DuPont was only interested in a licensing agreement with Sipchem. As Al-Zamil relates,

It was a year or two we talked. We tried to interest them in a joint venture, but they only wanted to license. In the summer of 2004, we finalized the licensing agreement. It was an achievement. We were the first in Saudi Arabia to have this technology, of course.

Products based on methanol represented one part of the first phase of Sipchem's evolution. The second part involved establishing a company producing BDO. To bring this about, Al-Zamil established joint ventures with two partners from outside of the Arabian Gulf region—Davy Process Technologies, Ltd., of Great Britain and the Huntsman Corporation of the United States. Huntsman provided the technology to produce maleic anhydride, a key component for the production of BDO. Davy supplied the technology for actual BDO production.

Subsequently, with technologies acquired via licensing agreements with ExxonMobil and Rhodia, and through joint ventures with Hanwha Chemical, which handles some production offtake, Sipchem has continued to expand and develop. It now has operations manufacturing linear low-density polyethylene, polybutylene terephthalate, ethyl vinyl acetate, and compounds

for the wire and cable industry. It also has a swing plant that is producing ethyl acetate but that is also capable of producing butyl acetate. Through the acquisition in 2011 of Aectra SA, a Swiss chemical trading company, Sipchem obtained the basis for a marketing arm that has evolved into Sipchem Marketing Company, which enjoys a strong global presence. Thus, in less than two decades, Sipchem has grown into a major petrochemical enterprise. In November 2006, Sipchem had its IPO, which was enthusiastically received by investors.

As Sipchem was moving ahead, Al-Zamil brought together another group of investors, this time to launch a second petrochemical holding company, Sahara Petrochemicals, which was established in April 2004 as a Saudi joint-stock company. Later that year, it had its IPO, which closed on 2 June and was oversubscribed twenty-two times! This enthusiastic response bears witness to the great confidence that investors have in any venture that is being led by Al-Zamil Group.

Over the next ten years, Sahara would participate in or launch a number of successful petrochemical operations. Leading the way was Al-Waha, a joint venture with Basell of the Netherlands (today LyondellBasell), centered on a large-scale propylene-polypropylene complex, producing 450,000 metric tons of polypropylene a year.

In 2005, Sahara joined with Tasnee, another private Saudi enterprise, to form the Tasnee and Sahara Olefins Company (TSOC), which has gone on to foster an integrated group of joint ventures. In 2008, TSOC partnered with Rohm and Haas (today Dow Chemical) to establish the Saudi Acrylic Monomer Company, which currently manufactures glacial acrylic acid and which also plans to produce butyl acrylate; in 2010, TSOC joined with Evonik to establish the Saudi Acrylic Polymer Company, which manufactures super-absorbent polymer; and in 2013, it formed a joint venture with Saudi Kayan and Sadara called the Saudi Butanol Company, which recently commissioned a plant producing n-butanol and which has plans to develop capacity to produce butyl acetate. Meanwhile, in 2007, Sahara directly joined forces with the Saudi Arabian Mining Company (Ma'aden) to form the Sahara Ma'aden Petrochemicals Company, which produces ethylene dichloride and caustic soda.

Through all his entrepreneurial efforts, Al-Zamil has persistently sought to build a petrochemical industry that adds value to the gases associated with the production of petroleum—gases that had once been squandered through flaring. This is an effort that traces back to and fulfills the vow he had made to his wife and son as they drove across the Arabian desert one night and saw the gases being flared all across the horizon. He promised then to help end this wasteful and harmful practice and to turn the seemingly useless gases into materials serving a modern society. Sipchem and Sahara do just this and are central to the way in which Saudi Arabia’s petrochemical sector has moved ever further down the value chain, delivering chemical products not previously manufactured in the Kingdom.

Helping Al-Zamil in this effort, as executives and managers, are men like Ahmad Al-Ohali, CEO of Sipchem, who had already acquired and honed leadership and managerial skills as employees of SABIC. Indeed, the retinue of skilled, experienced business leaders, managers, and chemical workers who have gotten their training at SABIC and who today staff the various private petrochemical companies and other industrial ventures emerging in the Kingdom of Saudi Arabia, are the enduring legacy of Abdulaziz Al-Zamil and other Saudi pioneers of industry. The current generation of business leaders who have come from SABIC are themselves a testimony to the importance of the Saudization that Al-Zamil so strongly championed first as CEO and then as chairman of SABIC.

These men recognize the important contribution Al-Zamil has made to Saudi Arabia’s growing industrial might. Al-Ohali credits Abdulaziz with being the “guru” of the petrochemical industry in Saudi Arabia, showing him and others the essence of business leadership—providing the vision, outlining the goals, modeling standards of integrity and transparency, and then trusting in others to execute the vision, achieve the goals, and live up to the standards. Patient, never pointing a finger, showing the lessons to be learned from failure as well as from success, and always ready to step in when asked, Abdulaziz Al-Zamil has been a highly successful business teacher.

“Though aggressive in his approach,” Al-Ohali notes, “Abdulaziz Al-Zamil is not aggressive toward the people he works with. His tolerance, his readiness to provide assistance, and his ability to understand and communicate the ‘big picture’ are the characteristics that people appreciate and why they enjoy working with and for him.”

The Zamil Family Business

Upon the death of Abdullah Al-Zamil, his sons decided not to divide their father's estate. Instead, the eldest brother, Mohammed, took on the task of running the family business, while his younger brothers continued their education and in due course assumed positions in the public and private sectors. Gradually, however, the brothers returned to play roles in the family enterprise, which eventually evolved into the Zamil Group Holding Company.

Today, the Zamil Group is a major venture, with highly varied manufacturing operations as well as significant interests in real estate, construction, land transport, shipping, shipbuilding, and ship repair. Through its National Power Company, the Zamil Group is even involved in the production and distribution of electrical power. Until his death in 2010, Mohammed Al-Zamil had the lead role in the Zamil Group, but it was always understood that ultimate decisions would be made collectively.

Today, Abdulaziz serves as chairman of the Zamil Group, which provides him with yet one more platform from which to contribute to the broader industrialization of Saudi Arabia. In this capacity, he has an important but not commanding voice in the family's deliberations. Zamil Group Holding remains a family business in every sense of the word, with the sons and now grandsons of Abdullah Al-Zamil each playing a role as they steer the direction of the firm. The strong family ties that Abdullah fostered in his sons remain the life blood of the company.

As Abdulrahman Al-Zamil, the second oldest brother notes, "We gather often, and we discuss what is on our mind, and we are very honest about it. Some brothers may want to increase the investments in real estate, others in manufacturing and maintenance, and some in securities. Each of us has his own opinion, but we always agree in the end. We usually come to a mutual understanding, but if there is a severe disagreement, we vote. This way, we keep the family close. Business and private family matters are always present and intertwined."

Always faithful to Abdullah Al-Zamil's commitment to a religious and moral stance, and to entrepreneurship, frugality, and attention to detail, the Al-Zamil sons and grandsons have built a large, highly regarded, ethical

business. Without a doubt, hands-on management is the hallmark of Zamil operations. As one colleague notes, “What I like about the Al-Zamils is that when I visit one of their enterprises, I always find one of the brothers on the job.” The size and unity of the family, and the focused approach, work in their favor.

Through the years, the structure of the family firm has evolved and become more sophisticated. Professional managers and business executives have been recruited to help run the various Zamil subsidiaries, and consulting firms have been called in to advise on business structure and succession issues, and to suggest possible responses to new challenges. Further, a stronger and more formal system of governance has emerged. This includes a family council for members of all ages; an official family constitution; a dedicated training program to develop the younger members of the family; and a youth (“cousins”) council open to third-generation members who have either graduated from universities or who are twenty-one years old or older.

At the time of Abdullah Al-Zamil’s death, the operations of the family firm were concentrated on real estate and construction. Manufacturing activities, such as the production of construction materials, were only a minor element of the family business. Over time, this has changed. Starting slowly in the 1990s and moving much more quickly in recent years, the Zamil family enterprises have diversified and expanded.

Today, over half of the Zamil Group’s revenues come from manufacturing and services. Moreover, Zamil products, which were once focused on the domestic and regional markets, now find their way around the world. In addition, Zamil manufacturing takes place in such far-flung locations as Italy and Vietnam. Zamil Group products range from pre-engineered buildings to injected molded plastic packaging, to frozen food, to patient-monitoring devices. Constantly growing and relentlessly acquiring fresh expertise, the Zamil Group Holding Company is a force adding to the strength of the Saudi economy and a model of what can be achieved by a close-knit family firm.

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AlZamil with the Governor of the Electricity Corporation and Deputy Ministers.



The GCC Industrial Ministers.



AlZamil with the Arab League, Secretary General.



AlZamil with Egyptian Minister of Electricity – Maher Abaza.



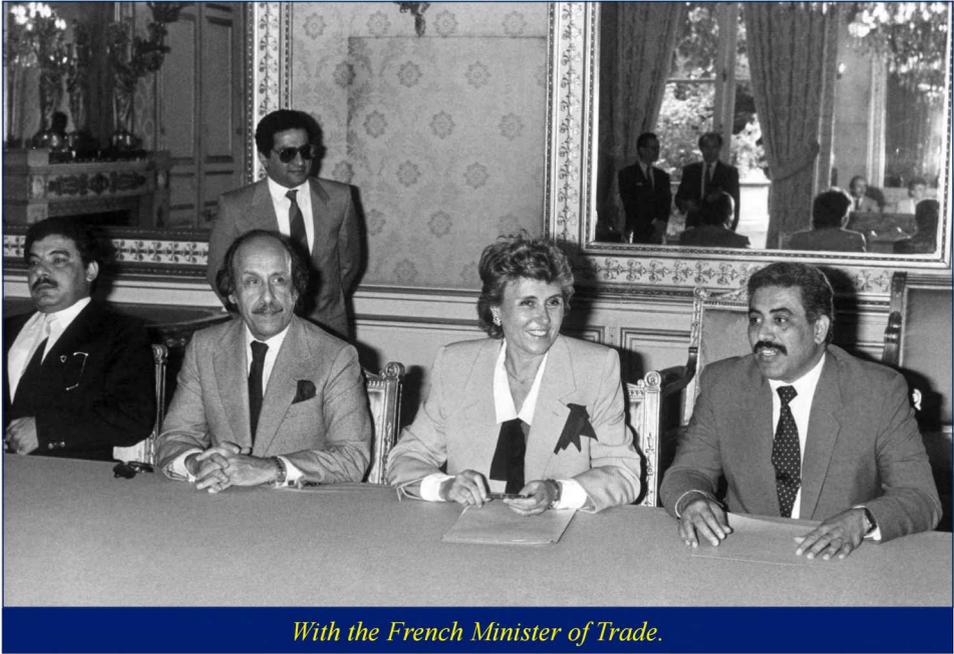
AlZamil with the Indian Minister of Finance.



With the Crown Prince of Morocco (the present King) inaugurating the (Made in Saudi Arabia Exhibition).



With the GCC Ministers in Vienna.



With the French Minister of Trade.



With the French Minister of Trade.



With Saudi Crown Prince Abdullah & President Mitterrand of France.



With the Italian Minister of Industry.



Receiving King Abdulaziz Medal.



Receiving the Finish Medal.



Receiving the SABIC Award from King Abdullah.



King Abdullah with the first three Ministers of Industry.



With SIPCHEM Board & Management inspecting construction.



Governor of Eastern Province (Prince Saud Bin Naif) inaugurating SIPCHEM plants.



With SAHARA Board & Management.



Chairing the SAHARA/ LyondellBasell Joint Venture Board Meeting.



AlZamil with sons and daughters: Osama, Sattam, Modawi, Ruqaya and Ahmed.



With sons and grand sons.



With Mohammed Al Subaie, Abdulrahman, Mansour AlZamil, brother Abdulrahman Sulaiman Al-Olayan and Dr. Sulaiman Al-Solaim in Dewaniya.



The Zamil brothers at the Group Board meeting chaired by Mohammed AlZamil.



The Zamil brothers and their sons



*Dr. Abdulrahman AlZamil, Chairman of AlZamil Family Board
and Abdulaziz Chairman of the Zamil Group Board.*



Visiting the Zamil World exhibition



Zamil Group Head Quarter in Saudi Arabia



AlZamil receiving the Chemical Heritage Foundation (CHF) Bolte Award



With brother Khaled and son Ahmed



On Heritage Day, His Excellency participated in a panel discussion at CHF



His Excellency with the authors.