

Global modeling

A recent survey of this magazine's readers, carried out by ICIS and Accenture, reveals that companies do not feel equipped for the global challenges ahead

THEO JAN SIMONS/AMSTERDAM

AS THE chemical industry aligns itself to depressed demand, many managers are wisely turning their minds to the new business models required for the eventual recovery.

A survey carried out by ICIS and global consultancy Accenture of more than 570 chemical companies from around the world indicates that business volatility is their No. 1 concern for the immediate and longer term.

However, they are not convinced that they have the global capabilities required for the eventual upturn, nor the ability to execute global change programs that will effectively engage their employees.

The research results represent a structural view of the industry's challenges and an opportunity to identify solutions.

Volatility is the primary concern today (see figure 1) and will continue to be so throughout the next five years, according to the survey, undertaken at the end of 2008.

This perceived volatility is generated by a wide range of complex drivers. While the price of oil has been at the top of the industry's mind recently, its influence is expected to decline in importance, presumably on the

assumption that oil prices will settle in the \$50–75/bbl range. In that sense, stability, rather than absolute price level is seen as most important.

In the longer term, delivering shareholder value and sustainability are both ranked as greater challenges, demonstrating awareness within the industry of the need to perform under the gaze of a broader stakeholder group.

Volatility is the number-one concern today, and will continue to be

We also asked the chemical companies to help identify a management agenda for the industry. Half the respondents point to profitable growth as their main strategic priority today and the survey suggests that it will remain the top priority in five years.

Respondents point to a number of different strategies to achieve that aim, including price and margin management and improving the effectiveness of innovation and com-

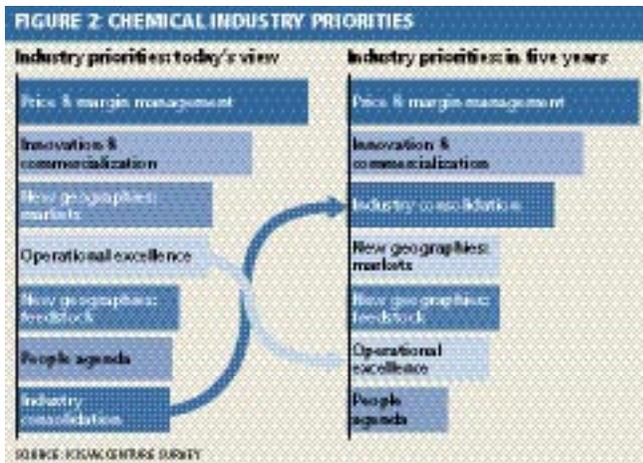
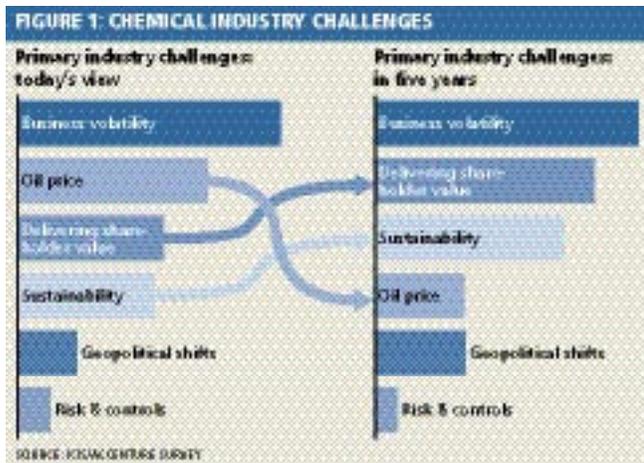
mercialization practices and processes.

Other priorities emerging from the survey include the need to enter new geographies in the search for feedstock and access to new markets, as well as navigating continued industry consolidation (see figure 2). This range of strategic priorities suggests that rather than being able to address single issues in isolation, the chemical industry's largest challenge will be the need to manage an integrated portfolio of programs and priorities, aligned in terms of direction, timeline and resources.

Results of the survey also indicate that many chemical companies today are still some distance away from having such an approach in place.

BUILDING A GLOBAL MODEL

The outcomes of the survey suggest that, in priority areas, the chemical industry feels that a globally coordinated response is needed, one built on global capabilities. This is particularly the case for strategy development and targeting profitable growth, where there is strong agreement on the need to address these areas through global capabilities (see figure 3), but also more broadly for



other capabilities including supply chain and operations management.

We were surprised, however, by the industry's self-assessment of the strength of its global capabilities. While performance and best practice are correlated in terms of importance, only between one in three and one in seven companies feel that they have a global best practice in place in the different capability areas.

We also believe that some of the low-scoring areas (talent management, enterprise resource planning [ERP], and training and learning), do in fact represent key enablers to deliver best practices in other areas.

Looking at other enablers to manage performance and priorities, more than two-thirds of respondents to the survey point to inconsistencies in the way that performance is managed throughout their organizations (figure 4).

While larger companies demonstrate higher scores in these areas – with over 50% using key performance indicators as both financial and operational performance levers – overall, the industry appears critical of its ability in some important aspects of performance management.

We also inquired about the effectiveness of global change programs. The survey answers suggest that often there is a problem not with the execution of change programs themselves, but with the ability to create sustainable change that delivers the appropriate benefits to the organization (see figure 5). Only 20% of respondents were satisfied with the results of change initiatives.

Even when execution was considered successful, this was largely seen as a result of the leadership qualities of individuals in charge of the change programs, rather than any broader capacity for effective change management within the organizations. In fact, many respondents point to a lack of clarity in the vision for change, little sense of urgency, a

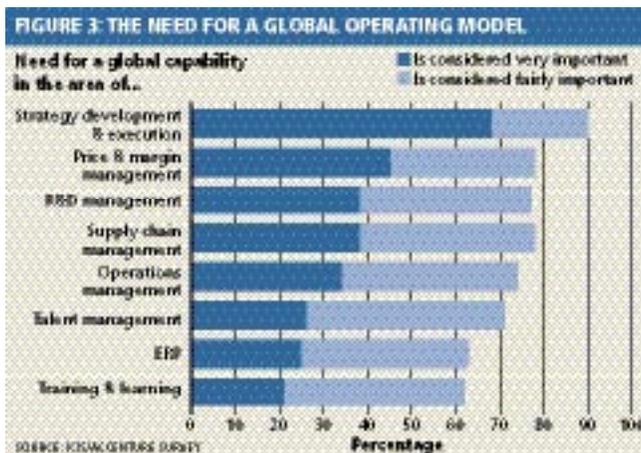
at the level of companies' employees – and which fail to mobilize and engage staff. In fact, many of the industry's apparent strategic challenges are essentially execution issues.

In times of buoyant markets and economic good health, many companies understandably lack some of the drive to put their full weight behind comprehensive structural changes to their organizations. However, as companies announce their restructuring programs in the light of the global economic downturn, they also now have an opportunity to build some of the capabilities that are required to deliver their aims of sustainable, profitable growth.

As investment guru Warren Buffet put it: "It is only when the tide goes out that you can see who has been swimming naked." We believe that there is a real opportunity for chemical companies to take a forward-looking approach and emerge from the current economic climate not just leaner, but also stronger, by effectively mobilizing global talent and business insight.

For those companies with strong global capabilities already in place in such areas as performance, talent and change management, there will clearly be an opportunity to accelerate, take market share and lead consolidation.

» Theo Jan Simons is an executive partner at Accenture and is based in Amsterdam, the Netherlands. He is global chemical industry lead with the management consultancy. Email: theo.jan.simons@accenture.com



lack of resources and changing corporate initiatives as the reasons for their organizations failing to deliver sustainable change.

COMPELLING TIME FOR CHANGE

Many chemical companies have traditionally operated with strong, independent business units associated with specific products and processes. Others find that their employees represent multiple legacies and a consistent performance culture may be lacking.

Many struggle to update their operating models to reflect new strategies and governance structures, resulting in a multitude of corporate programs that lack integration

