



Hitting stretch targets for revenue, earnings and growth

New leadership and a new self-image set the specialty chemicals division of a leading consumer products company on track to grow more than 30% over three years

What Kind of Business?

In the sporting and arts worlds, every day produces a story of how people's self-image affects their performance. The business world has its own examples: notably the Specialty Chemicals business in one of North America's most successful consumer products companies.

Generating just over 15% of its parent company's \$1.6 billion revenues, the business supplied feedstock and other products to a variety of industries.

The company's new President arrived from a competing company. Prior to coming on board, he had gained a perception of the business as well managed, but with limited room for innovation.

One of the most profound innovations he proposed on arrival was that the business should rethink its identity: not seeing itself as a standalone specialty chemicals organisation, but as the business to business arm of a consumer company.

The difference was not merely one of semantics. Investors expect a consumer business to

meet higher standards – in revenue growth, earnings and profitability.

The President argued that this mindset shift, along with new processes, systems and behaviours to support it, could enable the Division to grow by more than 30% (from \$220 million in revenues to \$300 million) over three years, with 15% operating profit and 15% return on capital employed (ROCE).

STRATEGIC DIFFERENCES

These targets would be an extreme stretch for the company in question. Its business was more asset intensive than the overall consumer business, and it competed in a commodity-oriented market.

The business was active in three distinct sectors – specialty chemicals, animal feed ingredients, and specialty cleaners. In each sector it employed a differential strategy. Almost by definition, this led to a high-cost business model.

However, the President believed the stretch targets could be met. He had worked with Celerant Consulting (Celerant) in his previous position. He invited Celerant in to form a team with his leadership group. Together they were to define a project that would improve efficiency and effectiveness across the entire enterprise.

One of the team's initial findings was a lack of alignment between the operational strategy and the business strategy.

Results

- The strategic foundation was laid to deliver more cost effective sales and marketing organisations
- Benefit of close to \$1.5 million in just 20 weeks, against a target of \$1.2 million
- Gross expense reduction or avoidance of about \$450,000
- In just 24 weeks, the new stage-gated product development process added \$24.5 million (\$4.5 million risk adjusted)

The organisational structure, roles and accountabilities needed to bear closer relationship with the business strategy.

Product development – across the cycle, from selection, to execution and launch – would benefit from more rigour. And there was room for greater efficiency in the marketing and sales operation.

To underpin all these opportunities for improvement, the Division needed a new system for managing business performance.



CHAMPION

The prospect was daunting. But the President was committed to see the improvements through. He supported his leadership team in making the business case for change to the parent company's top executives. The green light was given; there was no turning back.

From the very beginning of the project, the business President made himself known as its champion. He knew how Celerant worked to facilitate significant, sustainable change in business performance. He believed in the methodology, and he challenged his colleagues to buy in.

Four teams were formed to focus on four specific areas for improvement: organisational effectiveness; marketing and sales; business performance management; and product development. The President demonstrated his close involvement and ongoing commitment to the transformation by personally championing two of the teams.

STEP CHANGE

The project's implementation was scheduled over 32 weeks of intensive activity. Step change performance across all the Division's functions was the goal.

The implementation teams placed particular emphasis on the interrelationships between functions. This enhanced overall effectiveness to unprecedented levels.

Individuals, teams and groups were able to play to the company's functional and cross-functional strengths, while using disciplined methods to identify and pursue opportunities.

PROFITABLE CUSTOMERS

One of the keys to meeting the stretch targets was a revised approach to segmenting the customer base.

A new formal process was introduced which segmented customers on the basis of revenue, operating profit, customer complexity and strategic variables.

New account management procedures were also defined. These were specifically designed to fit with "cost to serve" and profitability considerations.

FINANCIALLY JUSTIFIED

Product development became subject to a formal process. This process was designed and implemented with the explicit aim of establishing a portfolio of development projects, each one with a justified financial assessment.

A new stage-gate approach was introduced. Product concepts could then be assessed objectively for their potential contribution to the company's financial and strategic targets, at each stage of development.

With clear, well understood criteria forming an effective filter, and a disciplined process for applying the criteria, there was no longer a danger of resource drain into products that ultimately would yield little or no return.

STRATEGIC ALIGNMENT

The revised approaches to both customer management and product development clearly had implications for the firm's marketing and sales operations.

A distinguishing feature of the Celerant methodology stresses the need for integration between project improvement teams, to reflect this kind of interaction and interrelationship. Celerant's experience shows that maximum benefit accrues when every aspect of an improvement programme shares an understanding of, and commitment to, the strategic goals.

As a result, the project team responsible for marketing and sales improvement was able to realign and resource these front line functions in ways that would enable the changes in customer segmentation and product selection to bear the most fruit.

Our Results are
Front Page News

"At this point it's up to us. We are now positioned to deliver the results."
President



"I endorsed Celerant's methodology and challenged the division to buy in. This was not something we were going to do halfway." President

"The project is a success. We accomplished our short-term financial targets and made all our milestones. More important, the structures and mindset are now in place for the business to credibly go after our stretch goal to reach \$300 million in sales, 15% operating profit and 15% ROCE." President

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