Achieving high performance in the chemical industry

Strategies for a new era

• Consulting • Technology • Outsourcing
Strategies for a new era

Myriad challenges shape the chemical industry agenda:

**Challenges**

<table>
<thead>
<tr>
<th>Value growth</th>
<th>Business volatility</th>
<th>Sustainability</th>
<th>Geopolitical shifts</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Oil</td>
<td>- Oil</td>
<td>- Controls</td>
<td>- China</td>
</tr>
<tr>
<td>- Economy</td>
<td>- Economy</td>
<td>- Environment</td>
<td>- Middle East</td>
</tr>
</tbody>
</table>

**Industry agenda**

<table>
<thead>
<tr>
<th>Industry consolidation and restructuring</th>
<th>New geographies</th>
<th>Operational excellence – secure current value</th>
<th>Profitable growth – deliver future value</th>
<th>Compliance and sustainability</th>
<th>People agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;A, private equity</td>
<td>Markets</td>
<td>Asset management and supply chain</td>
<td>Price management</td>
<td>Business risk and compliance</td>
<td>Talent management</td>
</tr>
<tr>
<td>Business model sharpening up</td>
<td>Feedstock</td>
<td>Commercial excellence</td>
<td>Innovation</td>
<td>Environmental compliance sustainability</td>
<td>Performance culture</td>
</tr>
</tbody>
</table>

Chemical company executives navigate through an increasingly complicated world. They have to contend with the changing business landscape created by ongoing consolidation and restructuring. They have to comply with increasing regulation of environment, health and safety activities. And, they have to respond to growing concerns over climate change and sustainability. Meanwhile, demographic shifts are creating new markets around the world and, at the same time, altering the nature of the industry’s workforce. With the aging population in developed countries, more than one-third of the industry’s engineers are expected to retire in the next five years, with similar or greater numbers of pipe fitters, boilermakers and other craft workers leaving the workforce as well.

These changes are taking place against a backdrop of continued globalization, which only adds to the complexity. As they extend their geographic reach, companies need to manage longer supply chains, ensure access to feedstock from a variety of regions, and stay close to customers around the world.

Even as companies adjust to these realities, the nature of globalization is itself evolving. The traditional model, in which developed economies essentially led emerging economies forward, is giving way to a multi-polar world, in which powerful competitors and key customers arise from virtually any corner of the globe, and traditional multinationals vie with local firms for resources, customers and talent.

Developing economies are no longer passive recipients of globalization—they are active participants in the shaping and driving of global business. For chemical companies, this multi-polar world presents new challenges and risks—and massive opportunities.

To keep pace, chemical companies have to work on many fronts at once. And they have to balance two fundamental requirements—capturing value from today’s opportunities and preparing for the challenges of tomorrow.
The rise of the multi-polar world is reshaping business in general and the chemical industry in particular. The multi-polar world is characterized by increased economic interdependence across five key dimensions:

- **Capital.** Emerging economies have become both sources of outward foreign direct investment and destinations for portfolio investment.

- **Talent.** Shifting demographics are spurring rapid growth of emerging-market workforces, and leading to shortages of key skills globally.

- **Resources.** Companies are seeing increasingly intense competition for energy, commodities and raw materials—and a growing emphasis on sustainability.

- **Consumers.** Rapid income growth is creating some 1 billion new consumers in emerging markets.

- **Innovation.** New clusters of innovation and specialization are appearing in emerging economies.
Accenture helps chemical companies achieve high performance in this changing world. We collaborate with leading chemical companies and suppliers to develop and execute global strategies, manage complexity and risk, drive innovation and take an integrated approach to building high-performance businesses that can deliver consistent, sustained business results—today and tomorrow.

In our work with chemical companies, we offer a broad range of skills—from supply chain management to human-performance enhancement and leading-edge technology implementation. We provide clients with a holistic enterprisewide view of critical value-chain and business processes, bring together strategy and execution, and use our proven tools and methods to deliver solid business results. These include our repository of industry-specific, leading-practice processes, which we use to benchmark process performance, redesign processes and accelerate the delivery of technology implementation. Overall, this work is supported by our operations in 49 countries and our Accenture Global Delivery Network, which provides the consistent delivery and support needed in today’s multi-polar world.

We also draw on our deep industry experience, gained through years of helping companies in all segments of the industry. We have developed a proven track record, working with 79 of the largest chemical companies worldwide, including nine of the 10 largest. And we maintain close relationships with industry organizations such as the American Chemistry Council and the European Petrochemical Association.

Perhaps most importantly, we constantly hone and improve our approach to helping clients. We invest in recruiting and developing our people on a global basis, so that clients can have access to the right talent. We constantly evolve our technology skills, concepts and solutions to help clients take full advantage of this key enabler of efficiency and innovation. We work to stay on the leading edge of processes and practices, drawing on our work across industries and our deep process knowledge to drive ongoing improvement. And we bring strategy, people, processes and technology together to create industrialized approaches to solving business problems. This approach allows us to deliver high-quality, predictable results quickly, while being able to fine-tune each solution to a specific client’s needs.

These efforts build on Accenture’s extensive and continuing research initiatives. We invest some US$250 million annually in research and development. In the chemical industry, this has resulted in deep analyses of areas such as outsourcing, the supply chain and new markets, and is reflected in our regular participation in industry publications and thought leadership forums. More broadly, our ongoing High Performance Business research, which to date has examined more than 6,000 companies worldwide, provides insights into the characteristics and practices that make some organizations consistently outperform their peers. These research-based insights enhance and inform our work with clients, and are used to create new approaches to solving business problems and driving high performance.

Shaping solutions for an evolving industry
Delivering demonstrable results, enabling high performance

Over the years, Accenture has brought these resources and assets to bear to help chemical companies address a variety of challenges. We have helped clients reduce supply and manufacturing costs, position themselves for growth in developing markets, improve human performance, manage pricing, build profitable customer relationships, secure low-cost feedstock options and use analytics to leverage their information. Through these efforts, we have helped companies achieve solid business results.

We helped a global supplier of industrial gases that was experiencing pricing leakage. We helped pinpoint the sources of leakage, implemented standard pricing processes, and created performance management capabilities to keep those processes on track. The client identified savings opportunities of US$20 million a year, and is now using new standardized pricing processes to capture those savings.

A large specialty chemical company is working with Accenture to improve strategic sourcing and implement a new global procurement organization. The effort includes the building of global business processes and supporting IT capabilities, and providing extensive training for supply chain professionals. With its new approach, the company expects to see improved contract compliance, increased productivity in procurement, more effective sourcing of direct and indirect materials, and more accurate spend reporting to help drive continued improvements.

We worked with a Latin American petrochemicals company to identify opportunities for improvements in its supply chain and sales areas, and implemented an enterprise resource planning system to support the changes. Implementation of the system, which included more than a dozen plants, was completed in 12 months. The effort is helping the company reduce inventory, increase plant availability and capacity, and enhance its ability to balance production and sales activities—and save some US$35 million a year.

We developed and implemented an integrated solution for a global chemical company, consolidating key business transactional processes and managing the supporting applications on an outsourced basis. This effort, which leverages centers from the Accenture Global Delivery Network in Spain, India and the United States, has reduced IT support costs per seat by more than 50 percent, and has helped the company exceed its systems-maintenance cost-savings goal of 8 percent.

When a major specialty chemical manufacturer outsourced its finance and accounting activities to Accenture, we consolidated 15 separate finance systems in the Accenture Delivery Center in Prague and standardized the company’s processes. The result was a rapid reduction of 35 percent in finance and accounting operating costs, and a permanent cost reduction of 42 percent.

In the end, Accenture brings together a global network of technology, outsourcing and consulting professionals to help chemical companies navigate through today’s complicated landscape. And we work with those companies to chart a successful course to continued success—to achieving profitable growth and building the high-performance businesses that can compete and win in a changing industry.
Addressing the chemical industry’s business challenges

Accenture provides a range of proven services targeted to help chemical companies achieve high performance.

Management consulting
We help companies identify and implement improvements across the enterprise, from the supply chain to R&D, manufacturing, sales and marketing, finance and HR. And we help them succeed with critical initiatives such as strategy development, performance management, mergers and acquisitions, and workforce transformation.

Systems integration and technology
We provide a full range of IT services—including consulting, system integration and implementation, data integration and design, build, run services—helping companies to understand and use evolving technology to increase efficiency and competitiveness and support innovation.

Outsourcing
Our application outsourcing services enable clients to control costs while keeping up with evolving technologies, while our infrastructure outsourcing services help create low-cost, high-value solutions for the enterprise. With our business process outsourcing offerings, we take on processes such as supply chain management, human resources, procurement, learning, and maintenance, repair and operations management—ultimately driving optimal performance at lower cost.

Accenture advanced enterprise solution for chemicals
Our solution links industry-specific, leading-practice processes to a preconfigured enterprise resource planning solution built on the latest SAP technology. It is packaged with complete process documentation and industrialized implementation accelerators—all of which help shorten time-to-value, reduce risk and ensure quality and cost-effectiveness.

Accenture plant and asset solutions
We help companies drive operational excellence by formulating and executing strategies for key areas such as industrial IT and automation; manufacturing execution systems; maintenance; and program management for large capital projects.

REACH compliance
We help companies implement the technology, testing, data management, operational processes and substance portfolio management capabilities needed to achieve and maintain compliance with Europe’s REACH (Registration, Evaluation, Authorization and restriction of Chemicals) legislation.
Accenture’s ongoing High Performance Business research program analyzes the performance and underlying enablers of performance in companies around the globe. We define high-performance businesses as those that effectively balance current needs and future opportunities; consistently outperform their peers in revenue growth, profitability and total return to shareholders; and sustain their superiority across time, business cycles, industry disruptions and changes in leadership.

In the chemical industry, there is no “one size fits all.” Different business models are needed to respond to the specific challenges and opportunities that shape the different industry and market segments. But regardless of the specific business model used, chemical companies can draw on three basic building blocks of high performance identified in our research:

- **Market focus and position** ("better decisions")—determining where and how to compete to achieve profitable growth. Chemical industry factors include active portfolio management, the targeting of growth rates and a clearly articulated strategy.

- **Distinctive capabilities** ("better practices")—the factors that enable the company to create and sustain meaningful differentiation. These factors include industrializing business intelligence and decision making, customer insight to innovation, margin management and operational excellence.

- **Performance anatomy** ("better mindsets")—the culture and organizational mindset that consistently enables the business to out-execute the competition, including balanced performance and focus metrics, talent management and multiplication and using information technology as a strategic asset.

High-performance businesses continuously balance, align and renew these building blocks to compete and outperform their peers.
To find out more about how Accenture can help your organization achieve high performance, visit www.accenture.com/chemicals
About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With 180,000 people in 49 countries, the company generated net revenues of US$19.70 billion for the fiscal year ended Aug. 31, 2007. Its home page is www.accenture.com.