

# Business Technology Strategy for a Specialty Chemicals Company

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## ABSTRACT

*This paper focuses on the development of a business technology strategy for a large global specialty chemicals company. The requirement was to develop a strategy that aligned with the company's business strategy, which is not an uncommon requirement for business technology strategies in the 21<sup>st</sup> century. The expectation was that information technology (IT) would cross the operation-to-strategic chasm and start to generate some significant ROI. The paper explores the elements of the "strategic strategy" (versus an "operational strategy") as well as ongoing challenges to make both operational and strategic technology work. The authors illustrate a number of strategy development principles that students should internalize as they assess other cases and develop their own business technology strategies.*

*Keywords: Business Technology Strategies, Chemicals Company, Information Technology, ROI, Strategic Strategy*

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## BACKGROUND

SpeChem<sup>1</sup> is a large global specialty chemical company with sales in the \$7B - \$9BM range. The company is a dominant player in the specialty chemicals business. As SpeChem has grown, the cost of the company's information technology (IT) has fallen as a percentage of gross revenues. The company has also achieved a level of performance (single ERP [SAP], consistent and quality information visibility, and centralized infrastructure with global networks) that is extremely cost-effective.

As operational costs have fallen, service has actually improved, and while the delivery of technology is far from perfect, SpeChem has achieved an impressive level of discipline, governance and performance. SpeChem's business technology strategy reflects the mature application of technology to an established company. SpeChem is a global company with extensive operations in Asia and South America; less so in Europe. North American revenue growth is falling. There's an emphasis on emerging markets -- Asia and South America -- and a corresponding allocation of resources. There are implications for IT as the company recedes

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from certain geographic areas and increases its presence in others.

## INTRODUCTION

IT at SpeChem has evolved to the point where it can transition from an efficient provider of computing and communications services to a significant enabler of business growth through differentiated information capabilities that directly support SpeChem's business strategy. SpeChem is part of the specialty process industry (Smith, 2005; Seider, Seader, & Lewin, 2004; Aftalion, 1991; Brandt, 2006; Chandler, 2005; McCoy, 2006; American Chemistry Council, 2002; Norris & Brink, 1977). As such it relies upon information technology for operational effectiveness and strategic impact (Chemical Information Technology Council, 2010; American Institute of Chemical Engineers, 2004).

The investment in a single instance of the SAP ERP application as the primary transaction platform for the company (and the corresponding investments made in infrastructure), for example enables the company to pursue initiatives that directly support the corporate operational and strategic strategy. SAP has allowed SpeChem to consolidate and standardize; it has also enabled the company to reduce costs. In addition to the SAP transaction engine, SpeChem has invested in a global computing and communications collaborative infrastructure that permits the company to take the business technology partnership to the next level.

The tracking of new technology can further reduce costs and enable business growth. Some of these technologies include business intelligence (BI), collaboration, Web 2.0 technology, virtualization and unified communications, among others SpeChem continuously tracks to identify high impact opportunities.

The transition of IT to a deeper business partnership is possible because of the investments SpeChem made in both applications and infrastructure over the past several years – and because the company has a set of specific strategic business objectives with which to align.

Transitions of this sort are only possible if the right investments have been made in processes (like governance), technology (like standardized applications) and people (like professional development through education and training). SpeChem made these investments while reducing technology costs. It also made investments in organizational structures that have been designed to increase the understanding of, and responsiveness to, the businesses through improved business relationship management, more disciplined project and program management, and programs that help technologists better understand the business environment in which the company operates.

The business technology strategy reflects IT's expanded commitment to the business value of IT and the continuing emphasis on cost-effective infrastructure. It also reflects the ongoing transition of IT from an infrastructure provider to a strategic business partner.

## DESCRIPTION

SpeChem is a major player in the specialty chemicals business. This success has triggered a new course for growth described in its **Vision 2010** business strategy: the company expects to achieve significant growth during the next few years – and IT needs to contribute to that growth.

As suggested below, the **Vision 2010** strategy has five elements with their own performance metrics. SpeChem has an ambitious plan for growth with an emphasis on expansion in rapidly developing economies coupled with an elevated amount of bolt-on acquisitions and ventures to build out new product platforms and new business models. From the day the business strategy was published the assumption was that the IT strategy would enable it.

The specialty chemicals markets are dynamic; there are also periodic shocks to the global economy that affect SpeChem's performance. Underneath all of this turmoil is opportunity. To outperform the competition, SpeChem needs the means to respond proactively. There is an opportunity to provide better

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