


Product Stewardship: Post-Divestment Management



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“Change” is the Word

“Change” is the word for many employees working in the chemicals, healthcare, consumer goods and other manufacturing sectors, as companies strive to maximize their earnings potential.

Mergers and divestitures present great opportunities for reshaping the core values and direction of a company and its employees for success in the marketplace. But it is often a challenge to shrug old values and work habits and embrace new ones in order to identify and manage business risks effectively while realizing market opportunities across the new enterprise.

Divestitures often disrupt the resources, processes, and tools that govern the daily workstreams overnight. In some cases, when a company divests from the larger corporation, it takes with it the core business teams and functions, and often leaves behind seemingly ancillary corporate tools and resources that can be pivotal to specific work activities. Yet in other cases, divestments can carry over some of the larger corporate functions that were relevant to the diverse product lines of the larger company, yet less relevant to the more focused product families of the newly divested company.

This paper explores the impacts of divestment and shares insights into how to make choices during the transition that bring positive value to the business.

“When it comes to right-sizing Product Stewardship Program resources, your best estimates come from internal and external data mining, and annual reviews.”

Global Product Stewardship Director for Top 5 Global Chemical Company.

Program Checkpoints

To evaluate the product stewardship program of the newly formed company, leaders need to look both externally and internally as well as strategically to define key program checkpoints. At a minimum, the product stewardship program must be efficient in managing business risks related to compliance in the newly defined markets, while also elevating opportunities through product innovation that enhances a customer’s experience and captures marketshare.

Rightsizing the Program

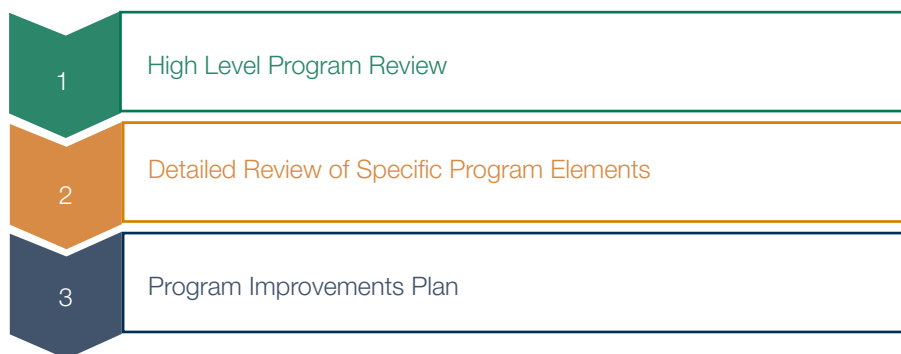
When developing a new company's sustainability strategy and brand, corporate executives need to review their Product Stewardship and Regulatory Program with regard to the following checkpoints:

- Does it manage product risks sustainably?
- Does it deliver opportunities while conforming to industry best management practices?
- Do the products align with company sustainability goals?
- Where sold, do the products comply with customer and country requirements?

In the case of an industrial coatings company that divested from a global chemical company with the best-in-class product stewardship programs addressing an expansive product portfolio, the challenge of senior corporate executives in the new company was to determine whether the product stewardship program was "right-sized" and "right-aligned" for the more narrowly focused and competitive coatings market. The company requested help from ERM.

ERM provided an analysis in three phases (Figure 1), starting with a high-level review and followed by a more targeted detailed review, then wrapping these reviews into a program improvement plan.

Figure 1. Three Phases for the Program Review Approach



Phase 1: High Level Program Review

The initial high-level review involves internal and external benchmarking. Staff interviews are conducted with product stewardship leads, and their resources, policies, processes, and raw materials data management tools are assessed. This initial review also involves benchmarking with product stewardship programs within other companies of comparable size, product lines, and geographies covered. Finally, the Phase I review assesses the program's performance against current industry best practices and guidelines. Addressing these internal and external factors can uncover business risks and program inefficiencies.

Figure 2. Ratio of Product Stewardship Staff to Employees (2015-2016)

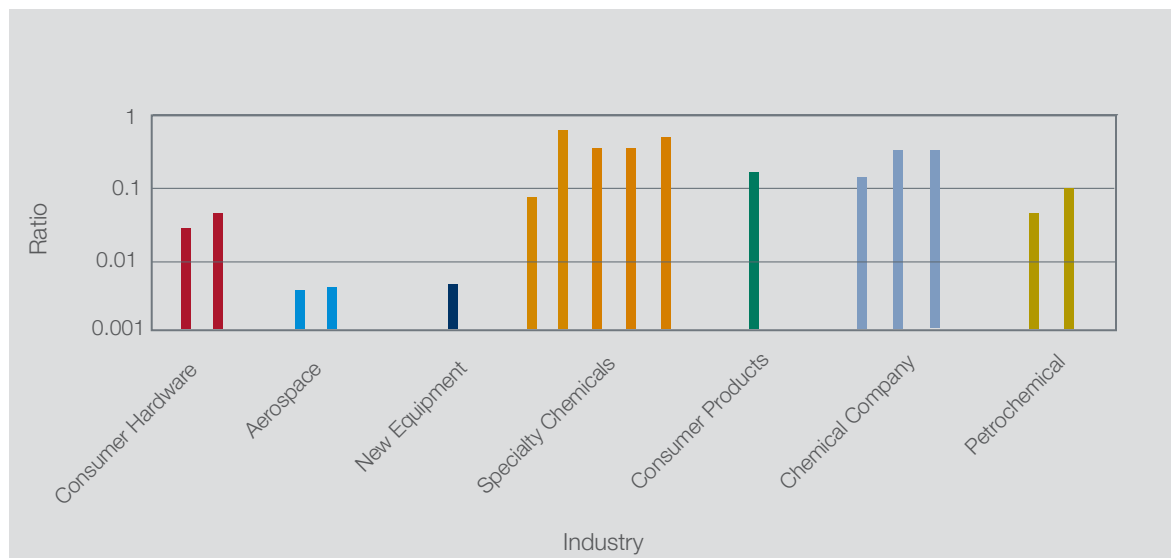


Figure 2 illustrates ERM's analysis of 2015-2016 data based on client-requested benchmarking in the list industries. As shown in the graph, the more chemical intensive and consumer facing companies have higher numbers of product stewardship staff relative to the total number of employees.

The outcomes of ERM's client review highlighted the regional structure of the product stewardship program, the lack of toxicologists within the program, and the need to additional workflow process harmonization and review of the raw materials data management tool in light of an enterprise-wide IT system upgrade.

Phase 2: Detailed Review of Specific Program Elements

During the second phase of the program review, the focus is on "right-sizing" the staffing resources, processes, and tools through a more detailed focus on raw material management and product regulatory workflows in each geographic region. Has the regulatory compliance program matured and become routine? Can some of the activities be outsourced? Should product data management tools be harmonized, linked to enterprise systems, or simply upgraded with enhanced data automation?

Such questions lead to short- and medium-term adjustments to address each of the priorities for investment identified in the initial review. Further, taking these steps in time may result in cost savings from reduced and realigned staff, harmonized workflows across regions, and data management optimization.

As a result of this second phase of the program review, and in light of the maturity of the EU REACH and product regulatory programs, ERM recommended that the client outsource some of these activities and that the raw materials management tool be upgraded with some automation, including a supplier data portal, and synchronizing databases that were not shared across the regions. These short- and medium-term adjustments could result in between \$1 and 2 million in savings in terms of staff reductions and realignments, as well as, data management optimization.

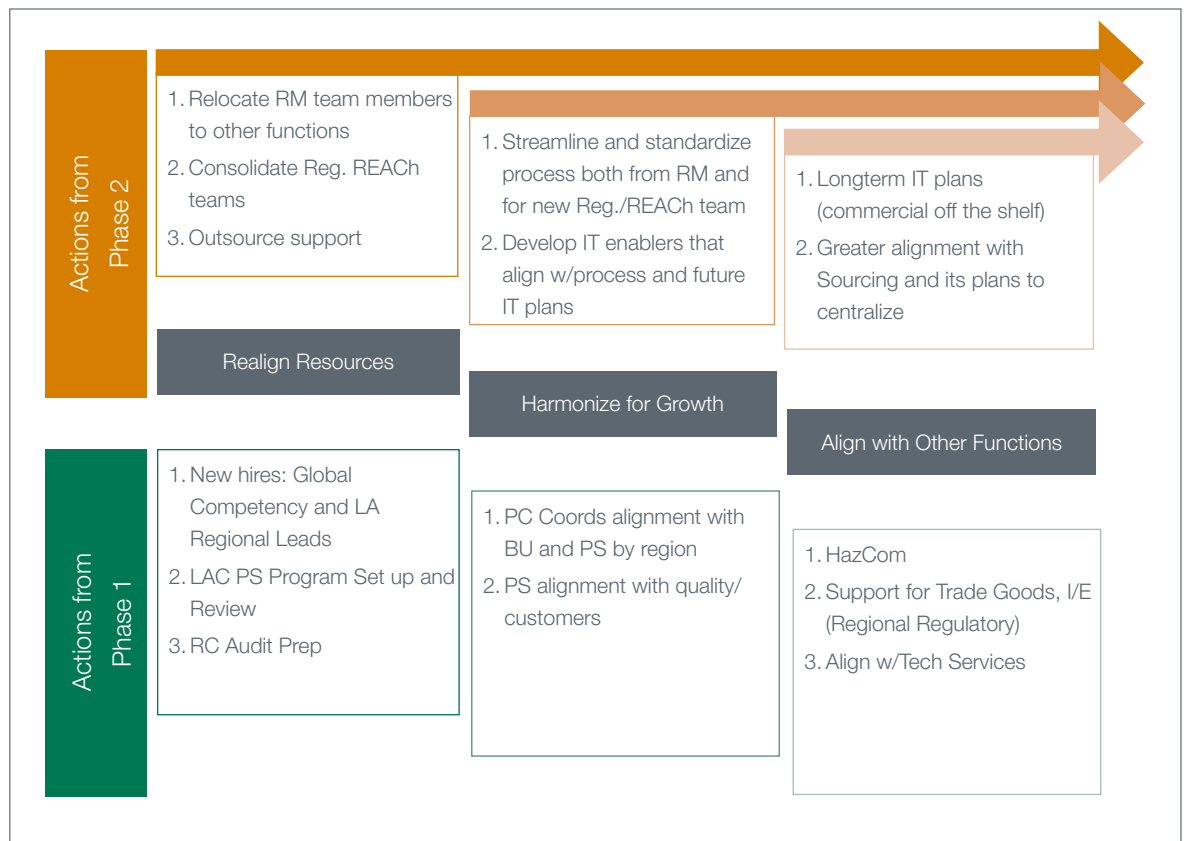
Phase 3: Program Improvements Plan

During the final phase of the program review, roadmaps are created that provide short-, medium-, and long-term improvements that can initially realign resources, harmonize processes, optimize data management tools, and align the program with other business functions.

Figure 3 illustrates the program improvements roadmap that ERM provided to the industrial coatings client. This roadmap provides a reliable, cost-effective basis on which to optimize the product stewardship function. While designed to produce results in the short term, the plan is flexible enough to adapt to the product stewardship demand of evolving regulations and customer expectations. The clarity that this new structure can bring to processes and responsibilities allows the client to monitor results, track progress, and refine the program as needed.

In addition, ERM recommended a step-wise upgrade in the raw materials data management tool can ease the transition between internally developed tools and the planned commercial off-the-shelf (COTS) enterprise data management system.

Figure 3. Program Improvements Roadmap



RM = raw materials; LA (or LAC) = Latin America (countries); PS = product stewardship; I/E = import/export

Conclusion

In short, divestitures present a great opportunity for business executives to refresh and refocus the resources, processes, and tools of their product stewardship function around a more limited set of products and more targeted markets. Thoughtful assessment at this crucial point of post-divestment can identify immediate efficiencies and risk management measures, and, more importantly, position the company for long-term business success.

How to Learn More

Questions or comments? Email the author at: Sarah.Medearis@erm.com.



Sarah Medearis is a Partner in our Washington DC office and leads ERM's Product Stewardship service initiative in North America. She regularly helps clients understand the business value of product stewardship programs with a focus on managing emerging regulatory risks while identifying market opportunities through supporting customers' sustainability goals. .

About ERM

ERM is a leading global provider of environmental, health, safety, risk, social, and sustainability related consulting services. We have more than 160 offices in over 40 countries and territories employing more than 4,500 people who work on projects around the world. ERM is committed to providing a consistent, professional, and high quality service to create value for our clients. Over the past three years we have worked for more than 50 percent of the Global Fortune 500 delivering innovative solutions for business and select government clients helping them understand and manage the sustainability challenges that the world is increasingly facing.

For over 40 years we have been working with clients around the world and in diverse industry sectors to help them understand and manage their environmental, health, safety, risk, and social impacts. The key sectors we serve include oil and gas, mining, power, manufacturing, chemical, and pharmaceutical. All face critical sustainability challenges and our clients in these and many other areas rely on our ability to assist them to operate more sustainably which has a positive impact on our planet.