

HOW CHANGING REGS SHOULD AFFECT STRATEGY

Susan M. Anderson
Director, Global Business Development

The ChemQuest Group, Inc.
Cincinnati, Ohio

Adhesives Age -
“Business Management and Marketing” – Page 47

April 2002

In today's environment of increasing governmental regulation it becomes increasingly tempting to assume that tremendous short term growth opportunities exist in marketing low or zero VOC or HAPS free products. Indeed, in the adhesives industry, which has historically lagged other industries in regulation, the proposed reduction in VOC limits has spurred significant development. It is prudent, certainly, for a company to be ready when these regulations are enacted, and gaining competitive advantage through regulatory compliance can be a strong component of a broader strategy. However, basing one's growth strategy solely on environmentally friendly technology, no matter how compelling, will most likely not fulfill business goals.

Some of the erroneous assumptions made by companies when using government regulations as a sole basis for strategy development are:

- The regulation will be implemented on the date originally set and all participants will be expected to instantly comply. History has proven that this rarely happens. In many cases the implementation is delayed by industry opposition, spurred by economics and performance. This can delay implementation for years, in addition to potentially softening the compliance limits.

A good example is the furniture coatings industry, where regulations were introduced in the 1980s to limit VOC emissions in the coating process. In anticipation of the impending deadlines, considerable money and time was spent by both resin suppliers and some coatings formulators on developing products that would perform at least nearly as good as solvent based systems, while meeting the regulations. However, the industry was able to convince the federal government that the technology was not yet acceptable at reasonable process economics, and the Rule has yet to be fully implemented. Other examples can be found in maintenance coatings, automotive after-market, and areas of the adhesives industry, such as contact adhesives and many structural-bonding applications.

- Technology is the only solution to the regulation. Cost is also an important consideration. Whereas the adhesives market is certainly dominated by environmentally friendly technologies (see Table I), depending on the industry, there are potentially other viable ways to satisfy the requirements, and end-users may employ them. Some of these include a redesigning to eliminate



bonding altogether, employing welding methods, installing solvent burners, and reverting to mechanical fasteners.

Table I

Adhesive Technology (MM Dry Lbs.)

Technology	2000	2003	2005
Solvent	510	510	512
Water	3834	4289	4627
Hot Melt	1266	1446	1586
Other	626	732	818

- The regulations will remain the same after they are implemented. Due to lawsuit settlements and re-evaluations of materials regulated (acetone is a good example of this), some regulations have ultimately become less stringent than the originals.

To build a solid growth strategy that will deliver the desired short and long term results of your company, it is best to go back to the basics of strategy development. First, assess your company's core competencies. Core competencies are those that provide your company with a distinct advantage over competitors.

Then identify the growth opportunities and evaluate them against those competencies. Assess the attractiveness, the potential for sustainable profit, of the best opportunities by developing a comprehensive understanding of the interaction of the five market forces at work within the chosen markets. Per Michael Porter's model, these are: the bargaining power of buyers, the bargaining power of suppliers, the threat of new entrants, the threat of substitute products, and the rivalry amongst existing firms.

Re-evaluate the best opportunities versus your company's core competencies to prioritize the best markets for growth. For the top priority markets identify the potential for your company to deliver and capture value through technology, alternative paths to market, eliminating a process step or reducing scrap or waste for your customer, or a systems approach, perhaps with co-suppliers.



In most cases the strategy developed as a result of this comprehensive methodology, will incorporate market opportunities that address regulatory issues. However, the resulting strategy will be well balanced for both short and long term growth at a sustainable profit, a formula for success.



About The Author



Susan M. Anderson

**Director of Global Business Development
The ChemQuest Group, Inc.,**
an international strategic management
consulting firm specializing in the Adhesives,
Sealants and Coatings industries, with
headquarters in Cincinnati, OH.

Susan joined The ChemQuest Group in 1997 after thirteen years with Zeneca Resins where she held numerous positions including Business Manager, Architectural Coatings, Business Manager, Adhesives & Sealants, Business Manager Graphic Arts, and General Sales Manager. During her tenure at Zeneca, she gained considerable experience in managing strategic planning teams, organizational change, and sales and marketing teams. Prior to Zeneca she spent six years in sales for Morton International Inc. and five years in product development and tech service for the 3M Company. She earned a B.A. in Chemistry and in Mathematics from Augsburg College.

Contact Sue at (781) 837-0222 or Sanderson@chemquest.com

Questions or request for additional copies of this paper may be directed to the author at:

**The ChemQuest Group, Inc.
8150 Corporate Park Drive
Suite 250
Cincinnati, OH 45242**

(513) 469-7555

(513) 469-7779 – FAX

www.chemquest.com

