

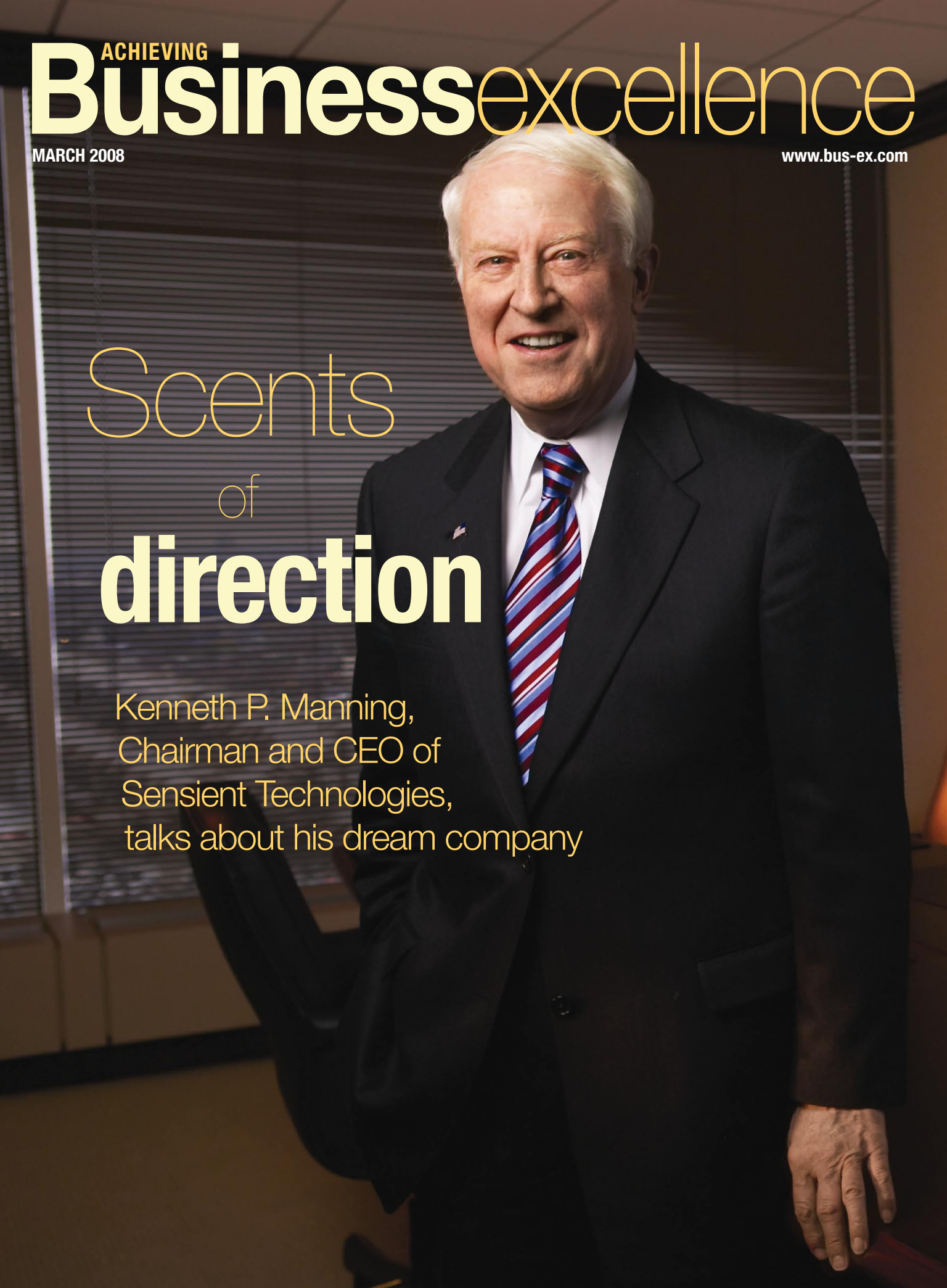
ACHIEVING
Businessexcellence

MARCH 2008

www.bus-ex.com

Scents
of
direction

Kenneth P. Manning,
Chairman and CEO of
Sensient Technologies,
talks about his dream company



Kenneth P. Manning

Chairman and CEO, Sensient Technologies Corporation, Milwaukee, Wisconsin.

Joined company as a Group Vice President in 1987. Promoted to Executive Vice President and elected to the Board of Directors in 1989. Became President in 1992, elected Chief Executive Officer in 1996 and appointed Chairman of the Board in 1997.

Served in various roles at W.R. Grace and Company, New York, 1973-1987.

Senior Associate, Management Consulting at Cresap, McCormick and Paget, New York, 1969-1973.

Systems and Marketing Representative, IBM Corporation, 1967-1969.

Served on active duty in the US Navy (1963-1967). Retired from the US Naval Reserve in 1995 with the rank of Rear Admiral. Military awards include the Legion of Merit.

MBA in Operations Research from American University, Washington, DC. BS. in Mechanical Engineering from Rensselaer Polytechnic Institute, Troy, New York.



Scents of direction

Kenneth P. Manning, Chairman and CEO of Sensient Technologies, tells Martin Ashcroft how a change of focus to colors, flavors and fragrances has opened up world markets

With an imminent recession

widely predicted for the US and, consequently, the global economy, many company executives are nervous about their growth plans and profit forecasts. Kenneth P. Manning is not one of them.

Sensient Technologies, based in Milwaukee, Wisconsin, manufactures and markets colors, flavors and fragrances used in a diverse variety of foods and beverages, pharmaceuticals,

cosmetics, home and personal care products, printing and imaging products, and industrial colors.

“We tend to be more recession proof than most businesses,” he says, and then mentions an interesting phenomenon about recessions that can even inspire an increase in demand for some of the company’s products. When consumers put off buying expensive items like automobiles, that in itself creates a certain amount

of disposable income, and a desire to treat themselves in other ways. As a result, he says, “we always see an increase in premium ice cream and some other ‘treats’. Maybe it’s to take the gloom of the economy away.”

The company can trace its roots back to 1882, when it was founded as Meadow Springs Distillery. A number of name changes followed, and a yeast brand was added to its portfolio, leading to its changing again to Red



Star Yeast and Products Company. After a period of diversification, it became Universal Foods Corporation.

Kenneth P. Manning joined in 1987 as group vice president, becoming CEO in 1996, when he set about moving the company in a new direction by building upon its strength in colors and flavors. The name Sensient was coined in 2000, as a contraction of Sensory Ingredient. It sold Red Star Yeast in 2001 in an effort to divest itself of less profitable commodity businesses.

“We’ve positioned the company over the last ten or so years from a mature commodities food company to what we consider a state-of-the-art, value-added, color, flavor and fragrance company,” he says. “It was driven by a desire to get out of commodities, a desire to build something that had a technological base that could extend into other areas.”

Sensient embarked on a series of acquisitions designed to build the ideal company, rather like targeting players

for a dream team in sport. “We had to go through 21 acquisitions to build these businesses,” he says. “I had in mind, to build my dream company, which acquisitions I wanted. I didn’t get them all, but I got most of them.”

It’s one thing to develop a strategy but it’s another thing to execute it. “The hardest problem was the integration of cultures,” says Manning. “Each company had its own culture and to amalgamate that into Sensient was the most difficult part of execution. But we were able to do it. We now have 70 locations in 30 countries, and most are managed by local nationals. The culture embraces people from all over the world, so there are different country cultures, but a common corporate culture.”

Sensient’s management structure has proved to be a catalyst for the success of the corporate culture. “We don’t have a matrix organization,” says Manning. “We have a profit center structure in each business in

each country, and each profit center reports to a group vice president who has supporting technical and financial staff, but the actual day to day business decisions are made by the profit center.”

Everybody has only one boss, he says, rather than having global managers for sales and other functions. “The local profit center is in charge of its own sales force.” Today, he says, there are less than 50 people in corporate. “When we were a much smaller company and were running it on a matrix basis we had 250 people in corporate.”

Last year Sensient reported revenue of \$1.2 billion, a record level for the company on employee numbers of around 3500 in total. “As Universal Foods we were doing \$650 million in sales with 6000 people. Since then, productivity has gone through the roof,” says Manning.

Sensient’s cosmetics color business is a good example of the success of

the profit center approach. “When I acquired the company, we invested capital in the business and it has flourished. We allow the business to innovate, and they are outstanding new product developers. It’s a case of developing an overall corporate strategy and then allowing the entrepreneurial spirit to direct the new product development aspect.”

But with autonomous profit centers

where people understand that you don’t have to be a US citizen to do well in the corporation, and that has done wonders for the culture. “My successor was born in Africa and he will be the first non-American CEO of this company when I retire. It’s a real meritocracy when people feel there’s nothing stopping them from getting ahead.”

Whatever happens to the world economy in the next few years,

matters is your ability to service your customers in a timely fashion with innovative products. To replicate all the R&D in eastern Europe doesn’t make sense, but to improve the distribution makes a lot of sense.”

Another area that Manning is emphasizing is new product development. “We have increased the number of new products developed this past year by 21 percent and our



“We’ve positioned the company over the last ten or so years from a mature commodities food company to what we consider a state-of-the-art, value-added, color, flavor and fragrance company”

and few centralized functions, how do people identify themselves as part of the Sensient family? “We used to allow some of our profit centers to operate under their original names, on the basis of brand recognition,” says Manning. “But we decided to brand the whole company as Sensient for morale and image purposes. By bringing in the Sensient name and requiring that everyone use it we created a common culture, and a rallying point for our employees. It has been a very positive development for the company.”

With acquisitions all over the world, today the company is less dependent on Americans. “We used to employ about 95 percent Americans,” says Manning. “Today it’s about a third Americans.” A meritocracy has developed, he says,

Manning is excited about Sensient’s growth opportunities. “We see a lot of opportunities in Asia,” he says. “The Chinese domestic market is going to explode. With over a billion people it’s going to be an absolutely outstanding market for our products. We’re building a new plant there that should be completed early in 2009. Brazil is also a good place to be for the same reasons.”

Opportunities exist in the emerging markets of eastern Europe, too, but Sensient does not plan to build factories there, preferring to continue to manufacture in the UK, Germany and France and service the region from there. “Our products travel well,” he says. “They’re high value products so trying to optimize manufacturing costs doesn’t always matter that much. What

emphasis on new product development will continue in 2008. New products and technologies that are showing strong promise include next-generation cosmetic technologies and self-dispersing pigments that improve the performance of inkjet inks. We are also broadening our lineup of natural colors in response to greater demand, especially in Europe.”

Manning says the company will continue to pursue a strategy of product development, new technology expansion and global growth. This strategy is creating a pattern of success. In 2007, the company saw all-time record revenue and operating income, as well as strong cash flow. Manning expects that trend to continue into the future. ■