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## Cover Story

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Kenneth P. Manning  
Chairman, President and CEO of  
Sensient Technologies Corporation

# the Sensient case

# Challenges and opportunities towards new businesses: The Sensient case

There is a time when people feel the need to take a new path in life, try new activities, exploit growth opportunities and face new challenges. This picture should be quite close to what Mr. Kenneth P. Manning faced in 1996, when he became President and CEO of Sensient, formerly known as Universal Foods Corporation. Since then, the company has dramatically changed its 'way of life' to become Sensient Technologies Corporation. Sensient is now among the major players in the fine and specialty chemicals arena, with 77 locations and 3,700 employees in 30 countries. Founded in 1882 as a distillery, the main corporate business had been yeast and fermentation for almost a century. Today Sensient's portfolio targets all five senses, as the company's new name suggests: "Enhance SENSory experiences through specialized ingredIENTs, delivered through proprietary technologies".

## CHALLENGES AND OPPORTUNITIES

The extensive program of acquisitions (twenty from 1997 to 2004) pursued by CEO Manning, together with dismissing non-strategic businesses such as yeast, allowed Sensient to change gears and go from being a commodity products manufacturer to becoming a global supplier of colors, flavors and fragrances for the food, beverage, cosmetic and pharmaceutical market, as well as inkjet inks and flat panel display systems.

"This was, indeed, our biggest challenge, and it has gone very well", Mr. Manning tells *Chimica Oggi*. "The old culture tended to be very much content with the way things were, and it had to change. When I became CEO, about 95% of the employees were U.S. citizens. Today, nearly two-thirds of our employees are nationals of countries other than the U.S., and over half of our revenue comes from non-U.S. business. Many of our U.S. executives are foreign-born with extensive worldwide experience. In fact, we now have more employees in Italy than we do in Milwaukee".

The broad coverage of different markets both in terms of

technological offerings and geographical locations has also meant a deep change in the way products are developed and launched. Price is no longer the limiting factor in attracting new customers. Technology and quality are the driving forces of Sensient's business, as Mr. Manning explains: "We are now a specialty and fine chemical company. When commodity products made up our main business, we used to sell differently; we sold commodities on price. Today we sell on service, on the uniqueness and quality of the product. The products have dramatically changed, becoming more sophisticated. Products are now sold all over the world, not just in North America as they were in the past. We're conducting a lot of business in China today. Everything has changed: our people, our products and our market."

A critical turning point in the successful global re-orientation of Sensient's business has been the impact the profound changes in the company's mission has had on both historical personnel and people who entered the company as a result of the many acquisitions. "Currently, our people are positioned all around the world, in countries as far away as Poland and the Ukraine", Mr. Manning explains. "We typically run the businesses with people who live or have grown up in the country we're doing business in. We are known by the Sensient name within all parts of the company and all over the world. This has been a unifying force within our company and has helped us develop our brand".

## A STRATEGY BASED ON ACQUISITIONS

Needless to say, identifying the focus of the new business has been a major challenge faced by Sensient in the development of its 'second life'. A number of different approaches were available. Sensient chose to enter the specialty chemical business, an area which was completely new to the company, by building on its expertise in the color business. Strategic development was market-driven and targeted to satisfy the increasing demand of customized products coming from the industry. Mr. Manning comments further: "Our focus was on the higher-



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margin business. We also wanted to use some of our existing strengths in technology and marketing, where possible. We built a plan to move to specialty and fine chemicals. Over the next six years, we acquired about twenty companies to make our plan happen. The food industry is a market we were very familiar with, but we also went into other industries like printing, imaging, pharmaceutical and cosmetic industries. All these are businesses that we entered after we planned our priorities".

### INCREASING SHAREHOLDER VALUE

The switch into new products and markets propelled Sensient into becoming the billion-dollar company it is today.

Sensient products are now sold in more than 150 countries, with 56% of sales coming from international business (Figure 1). Total revenues reached \$987.4 million in 2003. The main income area is flavors and fragrances (\$594.7 million in 2003, with an operating income of \$83.8 million), followed by colors (\$360.9 million revenues in 2003, with operating income of \$71.6 million) (Figures 2, 3). These figures are expected to grow in 2004: total revenues had already reached

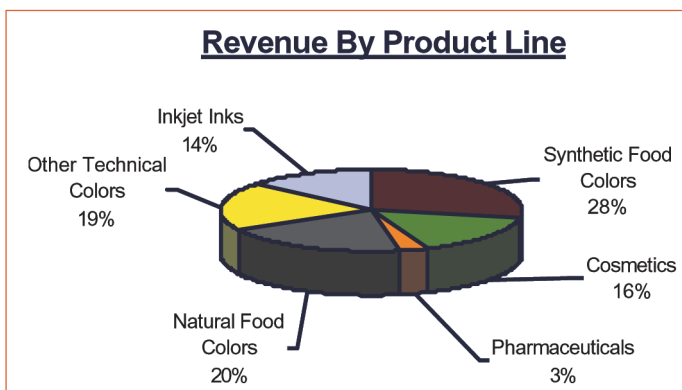


Figure 3: Revenue by product line in 2003: Color (graph from Financial highlights on [www.sensient-tech.com](http://www.sensient-tech.com))

\$774.8 million by September 2004 (+ 4.1% compared to the same period in 2003).

Shareholder value has greatly increased and estimates for future years show a continuous trend of growth. "With revenues in excess of a billion dollars for 2004, we expect continued growth in 2005. Increasing value for our shareholders is the primary focus of the company today", says Mr. Manning.

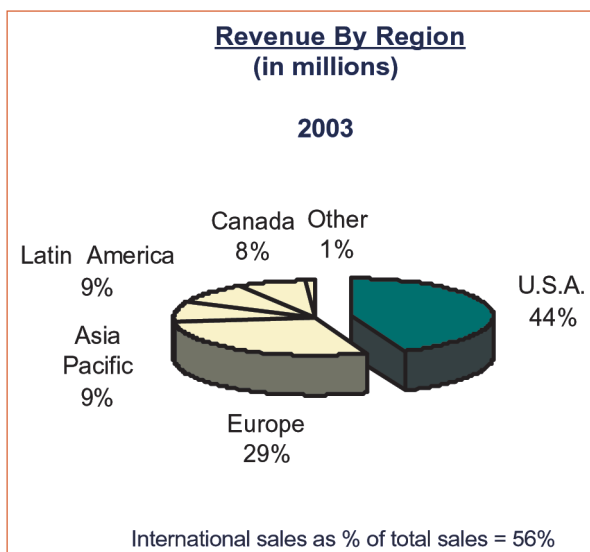


Figure 1: Revenue by Region in 2003 (graph from Fact sheet - Financial highlights on [www.sensient-tech.com](http://www.sensient-tech.com))

### FLEXIBLE STRUCTURE TO MATCH THE TECHNOLOGICAL PORTFOLIO

Sensient's product lines cover "all the five senses" and related industries, with a portfolio ranging from flavors and fragrances to dyes and flat panel display technologies. The technological complexity of the portfolio is reflected by a flexible organizational structure, with a profit-centered and customer-driven approach to project management.

"Essentially, we are organized under a profit-centered concept", Mr. Manning explains. "As an example, in the case of flat panel displays, all the products are produced by the same team in Leipzig, so the team is the profit center. A general manager is responsible for these particular products all over the world. For other products such as flavors, where the same flavor is produced in many different countries, the profit center in each country is responsible for the financial results. There is no team that embraces all the countries. It's always easier to manage where you have a particular market that you serve. We manage both the worldwide business and the local country business on a profit-centered basis."

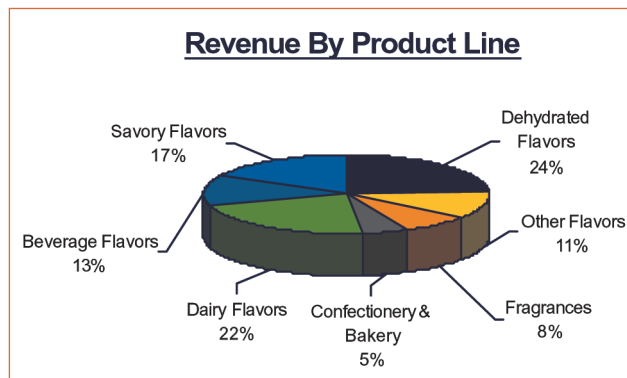
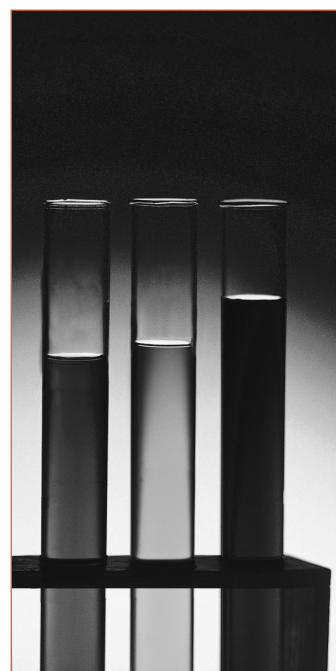


Figure 2: Revenue by product line in 2003: Flavors & Fragrances (graph from Financial highlights on [www.sensient-tech.com](http://www.sensient-tech.com))

## NEW TECHNOLOGIES AND PRODUCTS

"We have many new products in the pipeline", says Mr. Manning. "We offer products with new formulations and applications to address old and new markets. In addition, we are developing new products for places like China.

We're also using unique high-performance tablet coating technology for the pharmaceutical industry, called Spectrablend.

We plan to introduce this technology into China, which will provide us with an entirely new geographic market.

We also have an all-new technology in cosmetic colors, which we call 'surface treatment'.

This new technology includes multiple product treatments for specific functionality and cost effectiveness. Our cosmetic color business and the cosmetic business, in general, have been growing rapidly as a result of this technology.

In the area of flavors we are addressing many new markets, including the 'private label' markets - an area that has not been explored in the past. We are developing new flavors for beverages that would appeal to young working people as well as more traditional flavors."

Imaging is one of the fields where Sensient has developed innovative technologies.

Sensient's Organic Light Emitting Diodes (OLED) technologies offer many advantages over traditional

flat panel displays. "In the area of flat panel displays, we continue to make progress and work with a variety of companies to develop new technologies. The difference in



these flat panel displays as opposed to traditional LCD computer screens is that they can be read in bright sun light, have a greater viewing angle and are lighter. Most of our research into this technology has been done overseas," explains Mr. Manning.

## TOWARDS A CHALLENGING FUTURE

Sensient is currently undergoing a phase of internal growth after many acquisitions over the past years. The company has achieved its new identity. Its immediate objectives are focused on increasing operational efficiency and operating results rather than on making further acquisitions. "We are reducing costs and increasing our cash flow", says Manning.

CEO Kenneth P. Manning is already

setting new ambitious goals to strengthen Sensient's current technological base as well as to enter new markets.

"In just a few years we expect to resume our acquisition program", Mr. Manning concludes. "We will be focusing on areas such as cosmetics, pharmaceuticals and digital

imaging. In addition, we are also hoping to enter into well-defined joint ventures and strategic alliances with other specialty chemical companies for the purpose of developing new products as well as accessing new markets. Currently, our

objectives are to grow quickly, continue to improve our profitability and reward our stakeholders for investing in the company".



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