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Digital transformation

Chemicals companies need to digitalise to be competitive, but many struggle to realise the full potential of what digital transformation could achieve for their business. A recent global study by L.E.K. Consulting confirmed that only 19% of chemicals companies demonstrate real leadership in digital, with 45% 'adopters' still climbing the digital maturity curve and over a third (36%) 'followers', still in the early stages of digitalisation.

L.E.K. surveyed nearly 600 senior executives in global industrials companies with digital responsibilities across corporate leadership, sales, operations and technology, including nearly 100 executives in chemicals, to identify the drivers of digital success. We examined three key themes: clarity of digital vision and strategy; the digital foundations built to support digital investments; and the four digital pillars and their impact on tangible business outcomes – digital offerings, digital customer experience, Industry 4.0 initiatives to improve cost and supply chain performance and digital ways of working.

The good news is that for chemicals companies that need help, the outputs of our research provide a roadmap to success, and a growing number of outstanding examples of digital leadership in chemicals demonstrate what is possible. There are some great case studies of the two hardest pillars – customer experience and offerings pillars – that chemicals companies should learn from. For instance, in customer experience, global chemicals distributor Brenntag's DigiB built *Brenntag Connect*, a self-service portal for customers to automate repeat orders, track order status, request online quotes and download documents.

In digital offerings, BASF has created a *Virtual Pharma Assistant ZoomLab*, which uses algorithms to predict the most effective excipients for active ingredients. The *ZoomLab* eliminates time and cost consuming trial and error work in the chemicals formulation process.

Research by L.E.K. showed that there are seven key factors for digital success – three of them are foundational, while the other four are how true digital leaders differentiate themselves. Three core elements for digital success are:

Developing a digital roadmap and governance structure for accountability. Companies that do this succeed because they tie digital investments to the firm's strategic objectives and define clear business outcomes. Then they manage the digital project portfolio accordingly.

Cultivating and motivating talent. For example, by developing or hiring a team of digital leaders and mandating them to drive change throughout the organisation. These leaders become internal champi-

ons and sell digital solutions inside and outside the company.

Creating a robust technology infrastructure and data strategy. Firms can only be as digitally successful as their technology infrastructure and available data allow. Fortunately, advances in cloud storage, computing, third-party software and analytics means success does not require an overhaul of legacy systems.

However, leaders in digital technology uptake can further distinguish themselves, for example, by:

Creating digital business models. Including some drawn from outside their sector – rather than just applying digital to existing ways of doing business. Leaders enhance products with digital analytics and capture value by enhancing R&D and manufacturing processes of clients. Some of the most advanced firms find ways to monetise access to their data assets or provide new digital services to clients.

Revolutionising internal working models. Create a central digital function and pipelines to develop, test and execute out-of-the box digital ideas, insulated from traditional business bureaucracy.

Focusing on a small set of digital-specific performance metrics. Identify business objectives for digital initiatives, translate them into key performance indicators, and measure and track them, ideally through to their impact on profit and loss.

Grounding digital investments in customers' needs and economic value. Leaders focus on initiatives that address customers' pain points and add value rather than on those that are easy to build with current resources.

The first steps are to establish the digital vision and strategy and the foundations or infrastructure to drive and support change. The digital pillars then provide a blueprint for realising the benefits from digital transformation in practice.

The two pillars most chemicals companies find it easiest to make initial progress in are ways of working and Industry 4.0 initiatives. Companies with limited digital experience should start here. As chemicals firms mature into digital adopters and leaders, they are able to develop greater clarity around how to deliver the digital customer experience pillar, with improved websites and digital portals focused on purchasing to drive revenue. The next and hardest step is to leverage digital to enhance product offerings.

Chemicals companies in the 'follower' category, in particular, should take stock of how they can digitalise their business. The commercial benefits are clear and there is a growing number of case study examples to learn from. Companies that don't take a thorough approach to digitalisation could risk being left behind by their more progressive peers.