

Interview with Alan Looney, Managing Director, National Chemical Company



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Mr. Looney, what has it been like to run this business for 26 years? Looking back, what can you say that you have built?

It has certainly been an exciting journey. The story actually goes back even further—44 years ago, my father started this business. He sold the company in the 1970s to an international group, but I bought it back in 1989, shortly after I joined the company at the age of 25.

The international group was part of a larger PLC, and it was experiencing a number of difficulties linked to the fall of the Berlin Wall because of a heavy reliance on importation on an exclusive basis from Eastern Europe. When those monopolies were broken in the wave of privatization in the Eastern Block, I was able to take advantage of the group's decision to divest non-core business.

It has been very interesting to transform the company from its historical industrial base to an organization supporting the life science industry. In the 1970s, perhaps 10-20% of our revenue came from the life sciences; today, the figure approaches 80%. Our life science activities serve pharmaceutical, medtech, and, more recently, food companies. Pharmaceuticals, specifically, comprise about 60% of our business.

We have seen where today's opportunities lie, and we have ensured that our business is well positioned to serve those sectors. We upped our game in relation to our operating standards and our ability to comply with regulatory requirements. We have very successfully grown our presence in the supply chain for the life science market.

What do you consider successful growth?

For me, successful growth is about change, and it is about constant development. It is about moving with the trends—and, if possible, influencing them. It is about acquiring new customers, new products and new suppliers, and also offering new services.

More lately, growth for us has been about innovating in the supply chain: we have questioned the traditional chemical supply model, and have sought to become a true supply chain partner to our clients. Today, we are much more embedded in our customer's business and offer a much greater value proposition than a simple product supplier.

What is your value proposition?

NCC offers complete supply chain management from stock management, to assisting in demand calculation and forecasting, to the complete management of logistics. We feel that the more we can influence the supply chain, the better. For instance, the sooner we take title to a product, the sooner we can ensure that everything is compliant; hence, our preference is to personally collect our chemicals from our suppliers worldwide, and manage their transport. We can use that time to confirm that the supply chain is protected, and that quality and certification are on track. Everything should be ready by the time it arrives at our customer's factory gate.

A further service we provide has to do with our understanding of the risk that may be inherent in the supply chain—anticipating shortages that may occur, strategizing to overcome them, advising where customers may or should second-source to protect themselves, and getting involved in that sourcing process in an intelligent way, both in Europe and Asia.

We are also challenged by our customers to source materials which are new to them, as well as us, and our vast network of contacts and in-house expertise means we can provide a fast and effective response to these enquiries

Today, as a supply chain partner, we find there is greater pressure on us to act, to a certain extent, as advisors. Clients expect that expertise, and they expect that connectivity.

How do you build the trust necessary for clients to put their supply chain in your hands?

An excellent track record is paramount. We have always focused on the quality of material delivered with the highest service levels and compliance to all industry standards, and that builds trust. We do not let the customer down.

The way that we have traditionally built our business with a given customer is by supplying one product, and supplying it very well. Once we build a relationship—once we achieve a level of trust—we look to supply a second product, third product, and so on. Eventually, we become preferred suppliers, and receive priority access to new business developments.

Who is NCC's typical client?

Our typical client is a U.S. multinational. Over 50% of our sales are to U.S.-owned companies, and six of our top ten customers are major U.S. players. Only three of our top ten clients are indigenous Irish businesses. We are however growing our indigenous customer base with our increasing focus on food ingredients.

You are also president of IACI The Irish Association of Chemicals and Ingredients (formerly Chemical Distribution Ireland (CDI)), the representative association of the chemical distribution industry in this country. More broadly speaking, what are the main challenges facing chemical distributors today?

In a European context, IACI is a member of the European Association of Chemical Distributors (FECC). I was president of that organization for two years, just as the REACH and CLP regulations were being ratified. REACH and CLP present our industry with a host of regulatory challenges in terms of compliance and the way that we pass information along the supply chain. It is an absolutely huge development, and it greatly affects the way this industry operates.

The demands are growing as deadlines approach—the next REACH deadline will come in May of this year. At NCC, we will be ready. This is perhaps our central challenge today: ensuring that we are in line with constantly evolving standards in compliance.

Another challenge for this industry—and for many other industries—was brought on by the banking crisis. Access to credit is an issue. We find ourselves between large multinational producers, and, often, large multinational customers, both of whom are optimizing their cash flow and investment. There is increasing pressure on intermediaries in the supply chain to be profitable and have access to credit, because there are financial metrics applied to their activities by customers and suppliers. There is a squeeze here, and I fear for some of the smaller operators, who may experience undue strain in that respect.

But you do not fear for NCC.

Thankfully, we have been very successful over the last decade and have prudently managed that success by reinvesting in the company and today NCC operates from a very solid financial footing with a very strong balance sheet and ready access to credit lines. . We have grown over 25% in the last two years alone, and expect double-digit growth in the coming year. We have responded to the market. However, as I noted, we have had to up our game to do so.

We now have a proven track record of diversification, which will help us to withstand any shocks to the markets in which we operate.

One of the ways in which you have upped your game is via M&A. In 2010, NCC consolidated its position in the Irish market by acquiring Norman Lauder, one of the oldest distributors of raw materials to the Irish food and pharmaceuticals sectors. What lessons did you draw from the acquisition process? How did it strengthen the company?

Norman Lauder is historically a very successful company, with over 50 years in the business. From them, we acquired not just business, but we acquired expertise. We acquired great talent with knowledge of markets that were previously fringe to what we were doing. Norman Lauder increased our expertise in the food market, and in certain elements of the pharmaceutical industry. Hence, one thing we learned is that when one makes an acquisition, you buy not just business, but you buy expertise. You buy capacity for further growth.

As with any acquisition, we faced a cultural challenge. We learned that successful cultural integration takes careful management. Fortunately, we came through the process quite smoothly, and retained the loyalty of the staff that we brought on board—something that was quite important to me.

What culture have you sought to foster in this organization?

Our culture is one of welcoming change, constantly broadening one's outlook, and anticipating evolutions in the market. Too often, competitors seem to take a stance of, "This is our product list. This is what we sell." We at NCC are much more customer-oriented. We want to understand and anticipate customer needs, and respond appropriately. This approach requires a different mindset, and this is a mindset that we have engendered in our people.

What is your personal management philosophy?

It is one of light touch, and empowerment. I believe that my role is to set the vision, and give people the room to express themselves and reach for their goals. I also believe in sharing reward: people in this organization know that if the business is successful, they will have the opportunity to share in that success.

Can you tell our readers about your subsidiary in the UK?

The UK business has been an interesting departure for us. The Irish market is quite particular, in that there is an unusually large critical mass in the life sciences. The UK is a much larger market, and it is much more commodity-driven.

NCC is not going to compete at a commodity level in the UK; that is neither our strength nor our value. Hence, our quest is to find those areas where our proposition is interesting to the customer. In the UK, we have identified, for instance, certain areas of the construction market such as insulation, where there are opportunities for a company like ours. We find that we can influence this area in terms of introducing new products and new sources, and play an active role in the development of the market. Another niche we have identified is specialty fertilizer—an area where we are not active in Ireland. Again, we find that this is an area where people are looking for a better-performing, more innovative service provider. We introduced products from the Far East to the UK specialty fertilizer sector, and we have been quite successful. We also serve the pharmaceutical industry in the UK, built on the back of relationships that we enjoy in Ireland.

Today, we have grown our export business to about 25% of revenues.

Will international business play an increasingly active role for this company?

I believe that it will. We are already active in chemical supply throughout Europe and have regular business in the US and, indeed, further afield. We have recently received approval to serve the Singapore market, and we expect approval in China shortly. Again, we will be able to enter these markets thanks to our relationships with multinationals in Ireland. Because of our network locally, we have been fortunate to supply Portugal, Germany, Belgium, and other geographies. We will try to continue to capitalize on our network and continue to progress internationally.

We recently did an interesting customer survey, asking our customers a number of different questions about various aspects of our service. One of the questions we asked was, "Would you consider us for supply to your overseas affiliates?" We were astonished at how strongly positive

the response was. We are recognizing this perception among our partners, and we are taking advantage of it.

For me, our business is about truly understanding the value that we bring to the supply chain, and talking to our customers to understand how we can help them achieve their goals. Some of that value is certainly transferable overseas. If we can manage the logistics supply chain from China to the west of Ireland, there is no reason why we cannot manage the chain from, say, India, to any other part of the world.

If we return to interview you again in five years, what will be the shape of this company?

We want to continue our path of high growth. We have strong prospects for double-digit growth over the foreseeable future. We want to become a 50Mn Euro business, up from 32Mn EUR this year.

We also want to broaden our scope of activity. We want to continue to follow market trends, and within five years, we will be active in areas like biopharmaceuticals. We will increase our exports. And finally, we will continue to look for niche development areas where we can bring differentiated value.

One thing I have noticed about this industry is that smaller companies are more nimble. We can respond much more quickly to market trends. For instance, if there are scarcities in the market, we can move quickly to appraise the situation, identify potential sources, and fill the gap before our much larger competitors. I think that a smaller business can be closer to its customers and more flexible in its response. Financial strength, with a non-hierarchical structure of empowered individuals result in fast decisions and more effective service.

Of course, a strong response also requires resources, and although we remain a small company, we have increased our staff in the last couple of years by about 10%. I expect that we will continue to add new talent. There is an expectation from our customers that when a crisis comes, NCC will be there to understand those scarcities, fill those gaps, and organize those rush deliveries.

Are you confident that you will be able to retain that agility as you grow further?

That is the challenge. For instance, I noticed, after the acquisition, that the ship was a bit harder to steer. It is a challenge that requires careful management, and requires me to empower our middle managers more, so that they have the freedom to operate flexibly within the part of the business that they oversee.

Our staff is absolutely fantastic. Our business is a people business—we have no assets other than our people. We must ensure that we have the right talent on board, and ensure that they work in a culture of ownership.

How do you believe that the capabilities of Irish businesses, and the skills of Irish managers, have developed over the last two decades?

Perhaps the best thing that happened to us was the Global financial crisis of 2007/08. I believe that the Irish people genuinely have shown their resolve in how they have responded to hardship. We have not been demonstrating in the streets; instead, we stood up to the challenge by working harder,

often offering more for less. This is true of the public system, and it is true of industry. We have become more competitive relative to our European neighbors.

We also have come to a firmer realization that we must compete. We are operating in an open economy—one of the most open in the world, short of locations like Singapore or Hong Kong. We have to compete globally. I think the pharmaceutical industry has responded, and we are the better for it.

With the patent cliff further challenging the situation, yes, we have taken a hit. But I have been invigorated by the resolve of the companies in Ireland—companies who have responded, who are competing internally with their sister companies around the world, and who are winning the production of new products.

The output of the Irish economy has been largely driven by foreign investment. Do you believe that indigenous Irish businesses can increasingly take the lead in helping Ireland to recover from the recession?

I think they can. If we look at the history of FDI in this country, we initially see the entry of the electronics industry. Traditionally, there was a lot of hardware manufactured in Ireland. Many Irish companies grew out of this foreign presence, which has come and gone but left its expertise behind. Some very successful managers have started their own businesses based on their experience with the multinationals.

We see a similar phenomenon happening today in the pharmaceutical industry, and in the medtech sector. For our part, NCC has responded to the growth in the medtech industry and entered our hat into the ring. We have seen just how entrepreneurial this industry is at a local level. I believe that there is a bright future for indigenous Irish companies.

What advice can you offer to other Irish entrepreneurs looking to establish themselves in the life sciences?

The barriers to entry are high, but I think that if the resolve is there to anticipate trends, to ensure competence, and to build trust among customers, those customers will take you on as a partner and develop with you.

We have recently adopted a tagline in our business: “Passionate about partnership.” For us, that is the only path toward growth.

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