

# Songwon aims to be a global player

Looking to support double-digit growth in the next five years

▶ Michael Ravenscroft

**S**ongwon (Ulsan, South Korea), founded in 1965 as the only manufacturer of plastic additives in South Korea, has grown to become the second-largest producer of polymer stabilizers worldwide. The company's first product was a stabilizer for polyvinyl chloride (PVC). Revenue growth has been impressive—from sales of about 5 billion South Korean won (\$4.4 million) in 1975, sales grew to W694 billion in 2016 (*chart*).

The development of Songwon as a company can be distinguished by four phases. During the period of 1965–2005, it evolved from a startup company to become a major regional player in the production of stabilizers for polymers. The company expanded in 2005–12 and became an international player in the market for polymer stabilizers. Songwon consolidated its market position during the period of 2012–15, streamlining the business portfolio by exiting unproductive businesses. The company focused on establishing a stronger base, which involved cost and process improvements, improving its organization, the identification of new business by establishing the appropriate resources, and focusing on new product and technology developments. The fourth phase of Songwon's development, to become a global leading specialty chemical company, started in 2016.

The company, meanwhile, entered four new business segments—electronic chemicals, coating stabilizers, fuel and lubricant additives, and functional monomers. “We think we have the necessary strengths and competitive advantage, and see great potential for growing sales and results [with these new segments],” says Maurizio Butti, CEO. The ultimate aim is to support double-digit growth during the next five years and to develop a balanced business portfolio. “We [also] believe that we have established the foundation for growth in the subsequent years [after 2022],” says Butti.

**Organic growth supplemented by acquisitions**  
Songwon's growth to date has been mainly

organic, except for two relatively small and very focused acquisitions. The company acquired Additives Technology Greiz (Greiz, Germany), one of Europe's largest manufacturers of one-pack system products for the polymer industry, in December 2011, and it acquired the specialty chemicals business of pharmaceutical company SeQuent Scientific (Bangalore, India) in August 2014. That acquisition included SeQuent's polymer stabilizer business and production site at Panoli, India, together with the local R&D team.

“We have avoided significant acquisitions, because from one perspective this was not necessary to reach the targets we had established for the group, and on the other hand, we considered our organization not yet ready to smoothly digest an acquisition of significant size,” says Butti. Although Songwon's strategy is still based only on

comes to human resources, innovation, cost competitiveness, sustainability, and environmental health and safety,” he says. The solidity of the company is demonstrated by its

continuing to deliver solid results, despite a difficult and volatile environment, Butti says.

Since Butti's appointment, the company has examined sustainability, environmental health and safety, its image, and innovation. Innovation is a key differentiator for the future success of the business, so Butti focused on renewing and multiplying the company's research efforts. It was also seen as important to establish an appropriate image for the company. “We went through a

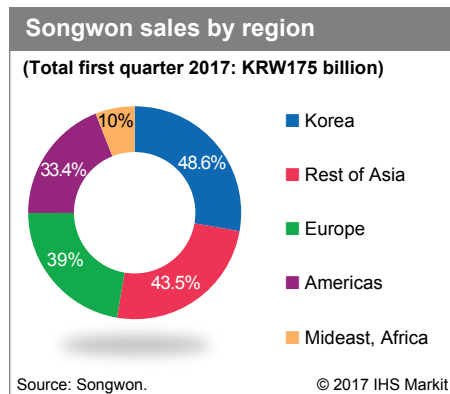
rebranding project, and we have now developed a fresh, recognizable image for the company, an image that underlines our key values and diversified business segments,” Butti says.

To improve its corporate governance and transparency, Songwon decided to separate strategic and operational roles. A new board was established to deal with strategic questions. “We set up a smaller, more focused executive committee as our operational arm,” Butti says. “We streamlined our corporate structure by reducing the number of subsidiaries and establishing a more effective and clear structure.”

In 2005, Songwon was mainly a local company focused on the South Korean and northeast Asian markets. The company lacked the experience needed to play in the world market. The strategy agreed on at that time was to become a global player, with a particular focus on the strengths of the polymer stabilizers business. Songwon hired four overseas executives with considerable experience in the industry. These individuals, who all left Great Lakes at the time of its merger with Crompton to form Chemtura, were instrumental in driving the change and managing the transition of Songwon from a regional player to more of a global player, according to Butti. The company continued to hire other professionals with knowledge of the industry and the managerial capabilities to



**BUTTI:** Planning a more balanced portfolio



organic growth, the company says it is now ready to consider attractive acquisition targets. “So, I cannot exclude that we will consider external growth opportunities if we identify a target with the right characteristics,” Butti says.

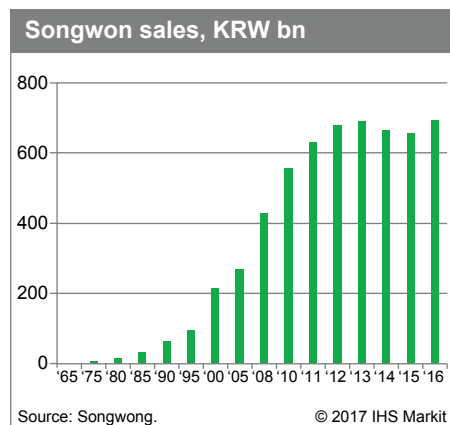
Butti, who became CEO in March 2016, says that he has focused on a few key aspects that distinguish a leading company “from the rest of the pack.” His long-term objective is for Songwon to become a leading global specialty chemical company. “We have the right foundation to be able to achieve this, but only if we strive to be best in class when it

lead a worldwide business. “This was the only way for us to be able to fulfil our strategic targets while we were developing some of the Korean managers to be able to take over such roles,” Butti says.

Songwon’s sales are roughly evenly balanced across South Korea, the Americas, Europe, and the rest of APAC (*chart*). China and India are natural targets because of the growth of those countries’ chemical industries. “We have already taken some key actions with the SeQuent acquisition in India, which gave us a very interesting site in terms of size and capabilities,” Butti says. “Our joint venture in Qingdao, China, is the first step to establish ourselves as a local player in the fastest-growing market in the world.”

Each Songwon business has its own dynamics and its own regional span, Butti says. The polymer stabilizers business needs clearly to focus on China, the Middle East, and United States, where the major growth in polymer production is going to occur over the next years, he says. For lubricant antioxidants, Songwon is looking at customers

worldwide, but with a focus on the Asian market. “The industry is moving to this region, and we will be the only company able to offer the complete range of key products



[phenolic and aminic antioxidants] produced in the region, giving us a key competitive advantage,” Butti says. “For electronic chemicals, the industry is in northeast Asia, and here is where the focus has to be. Again,

being a local producer is a key competitive advantage.”

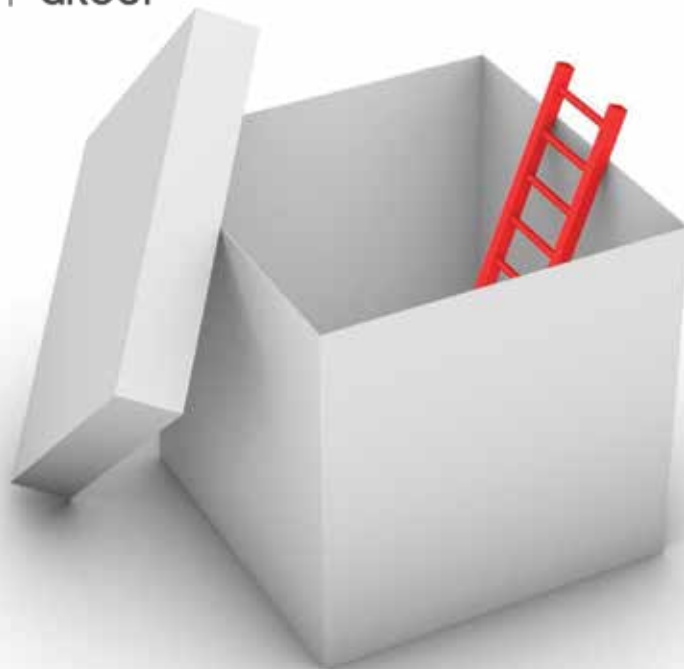
Songwon’s sales by product are 69% UV stabilizers and antioxidants (UV/AOX); 12% tin stabilizers; 7% PVC stabilizers; and 12% others. Butti does not believe that this is a healthy balance. “We are planning to have a more balanced business portfolio,” he says. The company’s strategy is to move from being a key player in the antioxidant/UV stabilizers market, with some regional activities in other businesses, to being a dedicated specialty chemical company. The company is also intending to enter new businesses. “The development of some of these businesses has already started, and we are planning to have a more balanced business portfolio,” Butti says.

Butti sees a major challenge in managing the growth that he wants to generate. “Growing is relatively easy, but growing profitably is much more difficult. We must continue to ensure that we can play the necessary balancing game between the needs of the businesses and the resources available,” he says. ■

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