

Executive Summary - Building a Biopolymer Leader - Rich Altice

[Episode Replay](#) - Aug 23, 2023 10 am ET

[Executive Roundtable for Materials Growth](#)

Hosted by: [Growth Arc Advisors LLC](#)

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Summary

"Understanding where your value comes from and doing what it takes to realize it"

That might be the underlying theme of [Rich Altice's](#) career. Grounded on both sides of that proposition early in his career, first in operations and then sales & marketing, he eventually rose to VP Sales for Solutia. Then he executed on that same proposition leading several divisions, across companies and industries, including Sulfur Chemicals (Solutia), Epoxy Products (Hexion), Plastics converting (PolyOne) finally taking the helm at NatureWorks, a bio-sourced plastics company producing polylactic acid (PLA) from plant starch. In many ways, NatureWorks is the culmination of that theme, as Altice led the company to enhanced profitability, and solicited growth investment to build their next capacity increment.

Altice's approach to business growth is driven by two paradoxical and fundamental insights. Firstly, he believes that certain business fundamentals remain unchanged and it is crucial to deeply understand and implement them within organizations.

Secondly, he recognizes that each business operates in a unique context, requiring leaders to understand these contexts and adapt the fundamentals accordingly. Therefore, there is no one-size-fits-all playbook for business leadership.

NatureWorks

In Rich's view, sustainability has become a crucial aspect of the materials industry, with virtually every major organization making sustainability pledges. However, the complexity of delivering on these pledges should not be overlooked. While some companies have a clear line of sight on how they will achieve their sustainability goals, others may have simply put the pledge out there without a concrete plan. This highlights the need for a deeper understanding of the different opportunities and drivers in sustainability, such as carbon footprint reduction, climate change, and end-of-life considerations. Particularly for larger organizations, it is likely that multiple pathways will be required for them to effectively meet their sustainability objectives.

NatureWorks is a prime example of a company that has successfully navigated sustainability options. The organization recognized the uniqueness of their polymer and its sustainable qualities, setting them apart from competitors. This understanding allowed them to focus on markets where their product added significant value for customers. Despite having a smaller capacity compared to global polymer consumption, NatureWorks strategically targeted opportunities that aligned with their organizational goals. By analyzing the demand, capacity, and overall value chain, they were able to make informed decisions on where to place their product. This approach has proven successful for NatureWorks, as they have not only sold over 3 billion pounds of their polymer, but have also made a significant impact in the polymer industry. The story of NatureWorks highlights the importance of deeply understanding the challenges and opportunities in the sustainability landscape and actively seeking out avenues where value can be maximized.

The Bio Materials Context

In the context of the polymer industry, bio-derived materials, which aim to decouple from fossil feedstocks, begin with a renewable feedstock such as sugar derived from corn. For companies looking to develop biomaterials, it is important to determine whether they are creating a new material that is new-to-the-world, a direct drop-in replacement for existing materials, or a bio-based precursor. This understanding plays a critical role in shaping the strategy and approach to commercialization. The focus for direct drop-ins or bio precursors often shifts towards cost efficiency using pricing to capture a carbon reduction premium. However, the challenge lies in determining the willingness of the market to pay the green premium compared to traditional fossil-based materials. While new-to-the-world biomaterials may offer various benefits above a simple carbon reduction premium, time to market for novel biopolymers is longer requiring longer investment horizons.

While chemicals and polymers may seem old and stodgy, the amount of technology disruption in these areas is fantastic, according to Rich. This broad solution set is fueling a huge amount of innovation and creating exciting opportunities for the industry. One company that has proven its success is NatureWorks, which has been around for a long time and has recently built its second plant. With a track record of 3 billion pounds of cumulative sales, NatureWorks has demonstrated the ability to operate profitably at commercial scale and self-fund its expansion. This success not only showcases the viability of biomaterials but also encourages further innovation in the field. From additives that improve the recyclability of traditional polymers to reducing carbon footprints and waste, the range of possibilities for innovation in biomaterials is vast. Overall, it is an exciting time for the industry, with sustainability acting as a driving force for growth and development.

Strategic Factors to Consider

For Rich, one of the key factors for success through the commercialization journey is not forgetting the importance of business fundamentals. While sustainability and innovation are important, it is crucial to understand how to create value for customers. The growing trend of sustainability presents a significant opportunity, but it does not negate the need for sound economics and a well-run organization. This understanding drives better thinking within the organization and helps identify opportunities for success.

For example, when Rich joined NatureWorks, he found a company that had a high demand for its polymer but was struggling with profitability. While the company was mildly profitable, it was not enough to justify the investment needed to build another plant. Rich realized that in order to fund growth, the company needed to improve its profitability, margins, and free cash flow. Despite the focus on ESG and sustainability, it was crucial for NatureWorks to maintain its financial returns. Therefore, the company decided to address its business fundamentals and earn its way into attracting capital. This involved improving product grades, investing in internal capital work to enhance the grade mix and capacity, and implementing pricing systems to optimize profitability and volume. By focusing on these fundamentals, NatureWorks was able to successfully boost its returns and attract the necessary capital for growth and investment.

In addition, committing to stay market-led early in the business' lifecycle is crucial for success. This means investing in opportunities based on market knowledge rather than solely focusing on feasibility or cost. NatureWorks, for instance, demonstrated the importance of evaluating and filtering through numerous segments to identify the ones where its property set offered differentiated value. This meant having the discipline to say no to opportunities that didn't align with their objectives and being willing to pivot if opportunities didn't demonstrate that sort of promise.

This ability to be led by value should be retained even by mature businesses although it is not always. An example of this was Rich's work with Solutia's insoluble sulfur business, where having a continuous manufacturing process and consistent product quality became a significant value generator compared to competitors with batch capacity. By recognizing and leveraging this advantage, they were able to offer a more attractive product to customers in the tire manufacturing industry.

Discussion included questions on the following topics. To participate in the conversation, join the live events, open to all Roundtable Members.

- Carbon tax
- Industry collaborations
- Bio-based content offers
- Role of brand owners in bio-based product adoption
- Biggest challenges limiting growth

The Broader Sustainable Materials Landscape

Approaching the broader sustainability space requires a comprehensive understanding of various factors and options. Organizations should adopt a holistic approach that considers a variety of options to reducing carbon footprint, including improving material efficiency, exploring recycling methods, and considering end-of-life handling options such as reuse, composting, and chemical or mechanical recycling. It is a complex problem with numerous solution pathways and only by understanding them can organizations select pathways that allow them to make strides in achieving their sustainability goals.

For example, Rich is a staunch advocate of bio-derived materials as largely CO2 neutral. By capturing CO2 from the atmosphere and converting it into biomass or sugar, organic mass can play a pivotal role in reducing carbon footprint. It is crucial to recognize that when these materials break down, the released CO2 is not new but rather the same CO2 that was originally captured by plants. This circular pathway contrasts with the release of pure carbon and CO2 from fossil fuel-derived materials.

Once you understand and select good participation approaches are, it is often necessary to educate customers and help them reframe their perspective. For example, NatureWorks had a project where a brand owner's first concern was the cost comparison between PLA and polypropylene. NatureWorks had to help the customer reframe the question. Instead highlighting the benefits of using PLA, such as the higher capacity it provides to existing equipment and the reduction in co-product loading, resulting in better performance, cost in addition to lower carbon footprint. NatureWorks encouraged the brand owner to consider the overall value and impact of their choices with both performance and sustainability considered.

Professional Insights

Rich believes that goal clarity and alignment are key to effective organizational leadership. He typically follows a specific process to establish, communicate, and align goals throughout the organization on an annual basis. Although this process can be challenging, it brings clarity and ensures that everyone understands their role and contribution.

In addition to goal clarity, Rich emphasizes the importance of having a strong organizational mission. This mission serves as a source of motivation, purpose, excitement, and pride for employees. At NatureWorks, this mission-driven approach resulted in a low turnover rate and high levels of employee engagement.

However, Rich recognizes that while purpose is important, it must be balanced with the realities of running a business. He understands the need to strike a balance between pursuing a meaningful mission and achieving financial success.

About Rich Altice

Most recently, Rich Altice served as the President and CEO of NatureWorks, a leading developer and manufacturer of biopolymers (polylactic acid). During his five-year tenure, Altice successfully led the company to achieve significant revenue growth and profitability. As a result, NatureWorks recently expanded its second manufacturing facility in Nahkon Sawan, Thailand.

Before joining NatureWorks, Altice held the position of Senior Vice President and President of PolyOne's Designed Structures and Solutions division, a polymer and plastics converting business formerly known as Spartech. Altice successfully turned around the business and oversaw its divestiture to Arsenal Capital Partners in 2017. Furthermore, Altice served as the Vice President of Hexion's Global Specialty Epoxy resin business and previously held the role of President in Solutia's Technical Specialties division. In this capacity, he was responsible for managing the global rubber chemicals and specialty fluids businesses.

About Growth Arc Advisors LLC

After a 30 year career as an executive in the chemical industry, founder Kendall Justiniano started Growth Arc Advisors to help chemical business leaders implement the new thinking required for changing fundamentals. We're experienced industry operators who know the old playbooks, their gaps, and the new pages required.

The firm delivers customized engagements for Materials Executives in 3 key areas:

Commercial Effectiveness: increasing growth revenue through proven next-level commercial practices, including digital sales & marketing.

Strategy: helping clients navigate threats generated by sustainability, digital, and global demand shifts.

Innovation: accelerating return on innovation through focused investment.

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