Chemical Company Cares about the Environment

By Sadie-Jane Nunis

What initially began as a paint factory, which expanded into a chemical distribution company, Maha Chemicals Asia Pte Ltd, MahaChem, has grown since 2000. They are continuing to grow as they believe that “every achievement grows out of the seed of determination”.

CHEMICALS play a big part in our lives. Without chemicals, it would take a lot to get through our daily activities. MahaChem Pte Ltd prides themselves with being one of the foremost brand names in the chemical distribution industry.

The family business began with humble roots, beginning with current group director, Tan Seow Hoon’s father. Tan says: “On our Web site, we say that we started in 1975, however, it didn’t say anything about the history before that. My father worked as a warehouse supervisor with the British army. The first business he went into was to make zinc roofs. He buys flat sheets of zinc, and invested in a machine to create the wavy effect so that the rain water will roll off. There was a boom in construction in the 1960s and 1970s due to the end of the war and the economy was slowly developing. He diversified into hardware and people who buy from him kept asking if he sold paint. So, he produced paint and sold it while selling hardware and zinc roofs.

“My father ran the paint factory in the late 1960s to early 1970s. When you run a paint factory, you need to purchase chemicals. In 1975, my uncle started the company KC Pte Ltd and the sole purpose of that company was to source for raw materials to the paint factory.

“My uncle sold the raw materials to other paint factories too. By the late 1970s when the bigger players came in, it became difficult to run the paint factory. However, there was still demand for the chemical distribution business.”
In 1991, the year Tan joined, the company stopped producing paint and turned the business into a full-fledged chemical distribution business. From 1991 to 2000, she focused mainly on the Singapore and Malaysia markets. The factories moved from Singapore to Malaysia due to costs. After 2000, they started to expand into the southeast Asian market.

Rapid Growth
The first strategy was to look at geographical expansion targets, GET. Due to the existence of the Association of Southeast Asian Nations, Asean, Free Trade Area, Afta, MahaChem is able to maximise the unique position of Asean. There are no tariffs for products made and traded within Asean. There are no restrictions or additional cost incurred due to the tariffs and taxes either.

Building Blocks of Life
Secondly, they look at market application development, MAD, which is a new customer segment. They used to sell products to those dealing with paints and then they moved into selling chemicals to those who deal with printing inks. Later, they worked with those in the construction, chemical, rubber, and adhesive industries. MAD helps MahaChem move from one market to another easily.

Tan says: “Our mission statement is ‘We are dedicated to provide quality chemical solutions and excellent service support that is: Making lives better, safer, and healthier.’ For example, chemicals are used in shampoos. Chemicals make our life better otherwise we can’t clean our hair. Everything we sell helps to make our lives better. People have a negative feeling towards chemicals as they think of only the negative aspects. Chemicals are everywhere from the pigments used in cosmetics, plastic casings for laptops, and so forth. They need to see that chemicals are the basic building blocks of life and that keeps us aligned with the broad mission we have.”

Overcoming Challenges and Adversities
They have 105 employees, with approximately 74 sales and marketing staff. Tan feels fortunate to have her brother looking after the Malaysia operations. Both have three general managers who have been with the company for a total of 45 years. Without the help of the GMs who she calls the “pillars of the organisation”, they wouldn’t have been able to accomplish what they have today.
Tan faced issues with cash flow when they first wanted to expand. There were so many opportunities but they had to choose wisely as they could not invest in everything due to limited capital. Banks were not willing to lend them money as their turnover was less than a million when they were still known as KC Pte Ltd. The other challenge was that they were an unknown brand. Reputation was an issue, but it was something they continued to build up. Getting good sales people was difficult as few people were willing to join a company that was not well-known.

To overcome these barriers, they learnt to be more patient and know that with time, it will improve. For financing, they ensured that profits from each year are reinvested. As it grows, they went for businesses that were considered “low hanging fruits” so that returns are faster. In the last five years, they are in a better position. As for people, they had to be their own best sales people. Tan said that the principals who appointed MahaChem as the agent see results, hence this increases the likelihood of getting more agencies; it’s a ripple effect.

Tan ensures that the corporate branding is evident when the sales people go out. She says: “For example, during Chinese New Year, companies send oranges to their clients. However, the boxes may have names of the supermarket or factory. We make the extra effort to print our own boxes and tissue paper, pack them neatly into the box, together with a little gift to hang in the car. One of our tag lines is marketing innovation.”

**Business Advisors Programme**

It reached a point when Tan felt that all the innovation the organisation was capable of had peaked. She decided to do the executive masters of business administration programme, EMBA, at the Nanyang Technological University, NTU. She considered having a business advisor. She decided to tap on the Standards, Productivity, and Innovation for Growth, Spring, business advisors programme, BAP.

BAP was initiated by Spring as there were many small- and medium-enterprises, SMEs, looking for ways to expand their businesses, but they...
appeared to lack the subject matter expertise. From 2011, Spring has partnered with the Singapore Institute of Management, SIM, for the project runs. The programme matches SMEs with business advisors, BAs, who have the skills and experience required by the firm for a particular project. Each project lasts up to six months and is supported on a co-funding grant.

“SMEs tend to work on a very lean budget so hiring a current chief finance officer, CFO, or ex-CFO, or other high level people to join the team is almost impossible due to the high costs. Having an advisor on board on a part-time basis is good and we can tap on his or her vast experience. I needed more ideas on how to do better to bring us to the next level as a company. There are numerous benefits that is why I had two advisors,” says Tan.

Jeanette Ng is an ex-CFO from a listed company and she brings with her experience on how a multinational company works. Ng is the second BA that Tan is working with. Tan says: “Now that we are bigger, we need to have proper systems in place. Currently, we have 105 people at 10 locations. We need policies and procedures, good reward systems, and good appraisal systems. Ng brings her experience to help us tailor-make a system with what is of importance to us. She comes in at least once a week and we design a customised system.”

The first BA, Yeo Siew Chai, helped with the internal audit system. Tan felt that her accounting team was thrilled to learn how to do internal audits well, and coming up with a system that helps with checks and balances.

### Helping the Earth

Some still have negative perceptions when one mentions a chemical company. Another area that MahaChem prides themselves in is their efforts to be green. They have undertaken an excess chemical exchange programme which is a means to get rid of surplus chemicals and get paid for it at the same time.

With this programme, the company was hoping that the sellers and buyers who participate will see the benefits. Sellers can recapitalise their excess chemical raw materials, free up warehouse space, and prevent the destruction of usable chemical goods, and do their part for the environment. For the buyers, they get to buy chemical raw materials at bargain prices and reduce industry wastage, which will help the environment.

Tan wants MahaChem to be the preferred partner in the chemical marketing, distribution, and services industry by being highly entrepreneurial and innovative. While doing so, they will continue to strive to care and help the environment to the best of their ability.

If the company continues to move at the same pace, they stand a good chance of achieving two key goals. Their first goal is to be a regional brand. Their ultimate ambition is to aspire to be a US$100-million dollar company by 2018.