

The Importance of Using a Technical Expert for Due Diligence in the Plastics Industry

by Dr Paul Shipton, Author and Suzanne Johnson MBA, co-author.

The goal of due diligence is to objectively assess the operational situation of a company and is a key element of any business purchase, acquisition, merger or takeover.

Employing the services of a technical expert can be vital support for the law professional in checking the health of a business, understanding its technologies and identifying the risks and opportunities affecting the value of the company.

The plastics industry is a complex one and polymer science and technology is a vast subject area. The value of a company is dependent on their product design(s), manufacturing and processing technologies, material documentation, intellectual property and employee skill set.

When carrying out due diligence on companies within the plastics sector, areas to target include:

Company/Organisation: Companies within the plastics supply chain can have significant health, safety and environmental risks associated with their operation. Therefore it is important to understand the performance of the business in relation to these areas with a thorough assessment of their effectiveness. Is the quality management system simply a tick-box exercise or is it used to continually improve operations and increase value to customers and other stakeholders.

Manufacturing Technology: Manufacturing plant is often the largest capital investment a plastics processing company makes and the productivity of the plant and quality of products is dependent on it.

What are the strengths and weaknesses of the equipment and technology in place? What is the remaining life-span of the machinery and when will it need to be updated? There is a growing public demand for the plastics industry to be more sustainable in its production, processes and materials which also needs to be considered as part of your due diligence.

Employees: In any business the skills, productivity and motivation of employees is of utmost importance. With the plastics industry facing a skills shortage evaluating the proficiencies and knowledge of the employees and how it is safeguarded, valued and updated is vital.

Intellectual Property: By seeking the opinion of a qualified technical expert with knowledge of the plastics industry, you can get support for clearly understanding the technical value in the intellectual property held. This could be in the manufacturing process, the process conditions or in the material formulation.

Production Effectiveness and Product Quality:

Profit margins are easily lost in plastics manufacturing through high scrap rates, ineffective equipment set up and poor housekeeping. A technical expert can examine the operational costs and compare them to industry norms as well as understand where waste occurs and its impact in the manufacturing process.

The market reputation of a manufacturer relies on quality and consistency. Suitable equipment, training and quality control measures are relied on to defend this reputation therefore it is important to recognise what is in place to maintain and manage this process.

The Supply Chain: The success of a business can be linked to the efficiency of its supply chain. How a business manages its supply chain impacts its expenses and resources as well as its ability to meet customer demand. An expert with technical knowledge of the plastics industry can assess the robustness of the supply chain particularly in relation of critical materials and services to ensure the business is prepared for disruption risks and opportunities.

Product Development: New products provide the opportunity for businesses to grow and produce profitable returns but careful planning is needed to minimise the risk of costly mistakes. Does the business being assessed have a product development strategy? Is it feasible and have technical assessment stages in place to avoid failure in delivery?

The plastics industry is under increasing scrutiny to reduce its environmental impact. With the introduction of new legislation, regulations and directives specifically focused on the use of plastics has the business considered this impact and how to adapt for the future?

The consequences of inadequate due diligence can be overvaluation resulting in financial loss. To avoid surprises when assessing a company within the plastic industry, it is important to form a professionally experienced team. PS Partnerships & Consultancy can save you time and money by ensuring you avert potential problems associated with unasked or misunderstood questions.

Poor due diligence, plastic product failure or the unfair use of intellectual property related to a plastic article can be more than concern or inconvenience.

The consequences can be significant; disputes arise, and legal processes start. It is at this stage you may need to appoint a Technical Expert or Expert Witness to help you understand the complex technical issues at stake. Selecting the right person can be pivotal to your case and is often the difference between success and failure.

As independent, technical experts with over 25-years' experience of working with the plastics industry, PS Partnerships has a strong track record of supporting companies and the legal profession in due diligence and plastic failure disputes. We have wide commercial and criminal case experience within the medical and pharma device, packaging, construction and material recycling cases. With global and national coverage, PS Partnerships can support you with due diligence within the plastics industry as well as plastic failure disputes which are often technically complex and difficult.

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