



**BASF**

## LEVERAGING INTERNAL EXPERTISE TO ESTABLISH A UNIFORM LANDSCAPE

### QUICK FACTS

#### Industry

Chemicals

#### Revenue

US\$69.5 billion

#### Employees

95,000

#### Headquarters

Ludwigshafen, Germany

#### Web Site

www.basf.com

#### SAP® Solutions and Services

SAP® Business Suite applications

BASF AG is the world's leading chemical company with more than 150 manufacturing facilities worldwide. After acquiring catalyst supplier Engelhard Corporation, BASF quickly devised a plan to retire Engelhard's disparate legacy software that ran in 68 locations so it could standardize on SAP® software. By leveraging in-house expertise and employing careful project planning, BASF successfully accomplished the monumental task in record time and cost-efficiently.

#### Key Challenges

- Extend BASF's SAP® software and business processes to new acquisition Engelhard Corporation
- Migrate 3,500 users from 68 different system landscapes
- Cut support costs and overall labor expense
- Reduce manual effort and mistakes through automation
- Improve understanding of costs, quality, and service trade-offs for better global decision making
- Complete the transition within 1 year

#### Implementation Best Practices

- Used BASF systems and processes as the default
- Standardized processes and systems throughout company
- Focused on areas with the greatest benefit potential, not perfection
- Maintained close coordination between project team and global IT steering committee

#### Financial and Strategic Benefits

- On track to achieve savings of US\$100 million by 2007, US\$160 million by 2008, and US\$200 million by 2010
- Reduced headcount requirements by 10%
- Expanded global reach, achieved stronger business presence in key regions, and extended market penetration
- Made it possible to take optimum advantage of the strengths of new and existing assets
- Maximized synergies throughout company

#### Why SAP Was Selected

- Track record of success at BASF
- Leadership position in the enterprise resource planning software market
- Enhanced, comprehensive functionality
- BASF implementation team's familiarity with SAP software
- Prerequisite for extending BASF's business process excellence to Engelhard

#### Low Total Cost of Ownership

- Met 1-year implementation schedule
- Retired legacy systems
- Cut IT support costs by over 50%
- Employed the same support staff and equipment
- Minimized business interruptions
- Incurred no loss of revenue

#### Operational Benefits

- Achieved consistency of information company-wide
- Automated processes
- Increased overall efficiency
- Improved inventory management
- Allowed sales and operations planning to be proactive
- Enhanced forecast accuracy
- Increased scalability, reliability, and performance
- Improved customer service
- Created strong team for future acquisitions

**■ BASF**

The Chemical Company

“While the overall scope of the integration was a challenge, close alignment between the acquired business units and IT, as well as elaborate project planning, user acceptance testing, and training, were the key success factors to the implementation.”

**Willi Kamp**, Senior Vice President, Information Services, BASF Corporation

## Rapidly Assimilating a New Acquisition

BASF AG, already the world's largest chemical company, added to its leadership position in 2006 by acquiring catalyst manufacturer Engelhard Corporation. BASF understood the criticality of uniform business software throughout the expanded organization and made it a priority to integrate Engelhard's IT operations with its own. Since SAP® software had served the parent company's needs well for many years, there was never a doubt whether to retire Engelhard's legacy software in favor of SAP applications. Nor was there a question if BASF should extend its SAP software-based business processes to Engelhard. The only question was how to do it most quickly.

## Sixty-Eight Unique IT Landscapes

With 68 Engelhard sites scattered around the world to be migrated, BASF faced a formidable task. The Asian sites were particularly challenging, especially one in China that had been government owned and had little business software experience. Adding to the challenge, BASF insisted on minimal disruption to operations and no loss of revenue during the implementations.

BASF formed a team of SAP software implementation experts from within the company and established an aggressive one-year schedule. At least all the sites have the same legacy software, they thought. But as the team delved into the details of Engelhard's IT situation, it encountered an unexpected chal-

lenge: the 68 sites did not have a uniform implementation of JD Edwards and legacy software. In fact, each site had its own system landscape, centered around JD Edwards, with a variety of implementations, including unique third-party software and equally unique business practices.

## Migrating to Success on the Iron Express

Undaunted by the magnitude of its challenge, the team redoubled its efforts and even established a spirited name for the migration project: “Iron Express.” The project started quickly with the formation of an IT integration management office (IMO). The IT IMO formed other IT teams to support the central SAP project team. The leader of the IT IMO, Gary Brown, director of e-solutions and business information systems at BASF Corporation, explains, “By adding former Engelhard employees with site-specific knowledge along with their BASF counterparts to the teams, we all worked as one toward the one common goal – success.” They prioritized tasks and dealt immediately with the most important issues that arose. Many new experts emerged who cross-trained other team members globally to achieve the aggressive timeline.

A key to the success of the project was establishing go-live dates for the 68 sites in five waves over six months. Not only did the wave planning set clear target dates, but it allowed the team to remain alert during each wave for lessons to apply downstream. By wave five, which finished right on schedule, the team had

become very adept at SAP software migrations. Since no external consultants were used, BASF's SAP software team remains intact for future acquisitions to take advantage of the repeatable process it developed.

## Hundreds of Millions in Savings

With the entire company now under the SAP software umbrella, BASF has already begun to experience benefits. As Kevin Slattery, BASF's director, corporate applications, information services, explains, “The sites are excited about SAP [software] because it allows them to access real-time information. BASF's business processes, which cross organizations and regions, would not be possible without an integrated software system like SAP's.”

BASF is experiencing bottom-line benefits as well. Without all the unique systems to maintain, support costs are down more than 50%. By automating processes and eliminating redundancy, BASF has reduced its headcount requirements by 10%. All told, the firm is on track to save US\$200 million by 2010 – half of it by the end of 2007 and 80% by the end of 2008. Meanwhile, due to synergies between groups and commonality of software and processes, the migration is helping the company extend its global reach, broaden its presence in several key regions, and deepen its penetration into important markets.

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