

Putting the power back into a Supply Chain organisation

Company Name: Basell North America

Location: North America

Sector: Chemicals

Function: Supply Chain, Operations, Sales and Marketing

Business Challenges: Keep up with market and customer needs

Consulting Services: Integrated Supply Chain, Organizational Effectiveness

Capabilities: Integrated planning, cross functional value chain alignment

Quote: *"Through Celerant's process we were able to align all of the various work that needed to be done, and to define the architecture. Basell North America is now a 21st century company."*
Charles Platz, President, North America Operations

Situation

Business expansion and geographical growth can be a double-edged sword, as was the case of Basell North America. With customers in more than 120 countries and manufacturing facilities in 18 countries on five continents, business seemed to be booming, but the reality was different.

Due to the lack of control over the end to end supply chain, Basell was not only experiencing a dramatic decrease in customer satisfaction, but also in return on sales and operating profit. Operational performance levels were clearly reflecting this reality, exemplified by less than 60% of deliveries arriving on time in full and close to €50 million in excess inventory, driven by an excessive portfolio of products and services institutionalized to attract or retain customers.

Approach & Delivery

A new design for the organisation was an important first step in reversing the performance slide. Key elements included clearly defining the roles and responsibilities of each position and eliminating activities that were duplicated or did not add any value.

A new demand planning and forecasting system was installed. This replaced the inefficient make-to-order system that had contributed to massive excess inventory. In addition, the company's railcar retention system was another target for action. Celerant Consulting developed a fleet-sizing model based on statistical data about customer requirements and product deliveries, resulting on significant improvements in logistics costs.

The last initiative was the introduction of customer and product segmentation. Unprofitable customers were receiving some very expensive

services, with no real incremental benefit to Basell. The team turned this around by introducing a clear definition of differentiated customer categories, with corresponding service agreements for each service, reserving the expensive special services for approximately the top 20% customers.

None of these changes would have taken root in the organisation without changes in the way people worked and the strict implementation of new Management System (Celerant's proprietary MCRS®). The new systems ensured that people were measuring the right things and aiming for quantifiable results in line with the company strategy, ultimately driving a new set of behaviours, rather than 'doing things the way they had always been done here'

Results

Cost savings and operational improvements included: \$10 million in inventory right-sizing; \$5.3 million from eliminating non-value-added activities; \$4.2 million in railcar leases; \$3.3 million in production rationalisation

Client Satisfaction

The key performance indicators allowed each employee to see how he or she affected the company's performance. This had a highly positive impact on staff morale and motivation.

"While the financial results are impressive, the ultimate goal of the project with Celerant was sustainable behaviour change – changing the way people work. The constant challenge of performance and the drive to create a new culture was quite an accomplishment." Charles Platz, President, North America Operations