

A PROCUREMENT HUB FOR BASF ITALIA FROM REPLY CONSULTING

BASF is the world's leading chemical company: The Chemical Company. BASF launched on a European basis a project which aimed to achieve more efficiency in the decentralized products procurement processes through a centralization of the management of those processes in the Procurement Hub, that were located in the Company's Solution Centres on a regional basis. The Procurement Hub Italy is the second Hub to be implemented after Spain.

Reply Consulting has been engaged to support **BASF Italy** in designing the organizational and operating model of the **Procurement Hub Italy**. The project, that was divided into 3 phases - As-Is Assessment, To-Be Model Design and Definition of the Roadmap - allowed BASF to design and implement the Procurement Hub Italy in accordance with the Company's Group guidelines. A first result was the centralization of the negotiating activities in the Procurement Hub Italy. This made BASF save hundreds of Euros in Energy supply.

SCENARIO



BASF is The Chemical Company in the area of the Extended Enterprise.

Its products portfolio ranges from chemicals, plastics, performance products, agricultural products and fine chemicals to crude oil and natural gas. As a reliable partner to virtually all industries, its high-value products and intelligent system solutions help its customers to be more successful. In its six business segments, BASF posted sales of €58,0 billion in 2007, with around 95,000 employees on five continents.

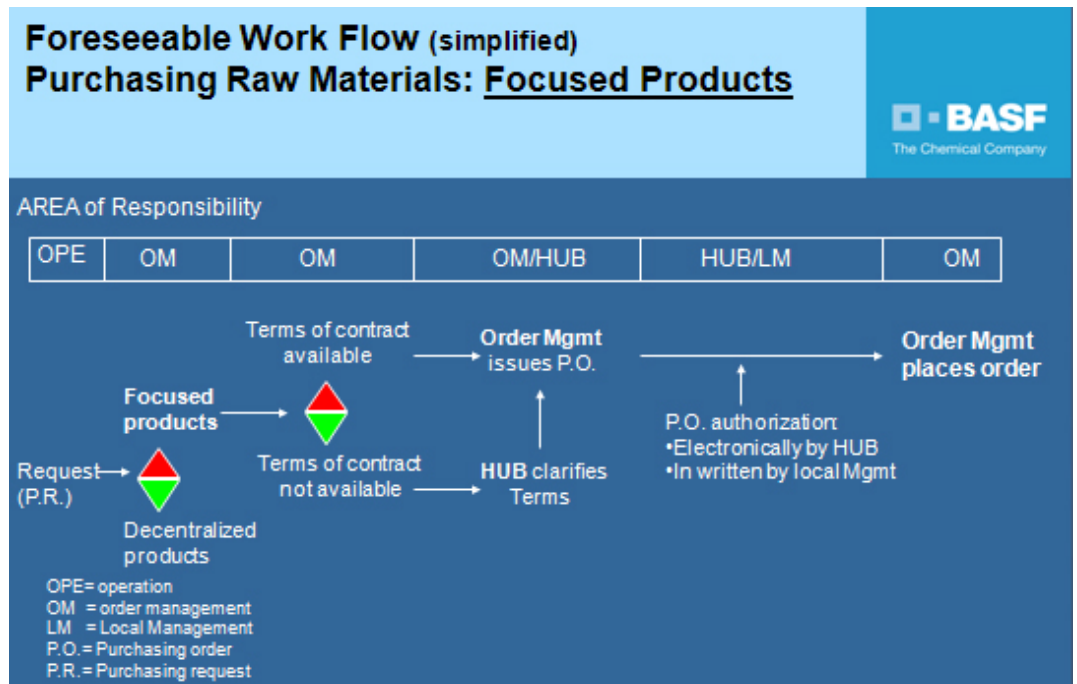
Its segments have been recently restructured according to related products, customer industries and production processes. This will enable BASF to more effectively combine available competencies and knowledge and bring its products and system solutions faster to market. In addition, its investors will be better able to assess BASF. BASF combine economic success with social responsibility and environmental protection. Its goal is to remain the world's leading chemical company.

SOLUTION

The project had the objective to design the organizational and operating model of the PHI. BASF Italy aimed to define:

- The organizational chart of the new PHI structure;
- The definition of segregation of duties and responsibilities between PHI (provider of procurement processes services) and its clients (who does what?): Service Level Agreement to be signed by PHI and its clients;
- The expected size of each organizational unit, in FTEs (how many FTEs for each organizational unit?);
- For each position, the job profiles and job description (which are the main responsibilities of each position?);
- The internal procedures (how the activities have to be performed in the PHI?).





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The mission of the PHI is:

- To manage the following activities of the Procurement process for decentralized products
 - Development and implementation of procurement strategy;
 - Development and maintenance of procurement policies and procedures;
 - Continuous scouting of the vendors market;
 - Vendors selection and negotiation of contractual/agreements conditions;
 - Vendors certification;
 - Publication of the conditions agreed for each product/service article/category (vendors catalogue for each product/service category);
 - Support to the Purchasing Managers of each Legal Entity (see below) in the purchasing activities as orders issuing and claims management (if needed and on request);
 - Monitoring of the actual application of the conditions agreed with vendors by the Procurement Hub
- For focused products, to activate, on a local basis, the contracts negotiated centrally (by the Global/Regional Procurement Structures) and to monitor the actual application of those conditions by the Purchasing Managers of each Legal Entity
- To manage the communication flow and the knowledge/expertise sharing with the Global/Regional Procurement Structures.

Order entry, approval and delivering to vendors activities are managed by the Purchasing Managers of each Legal Entity served by the PHI, as far as materials/services receipt and "first level" claim with vendors (and possible escalation to PHI).

PHI "clients", that means the Legal Entities/BU to which the hub supplies his services, are 6 companies located in 14 sites in Italy.

THE REPLY VALUE

The project allowed Basf Italy to design and implement the **Procurement Hub** Italy in accordance with the Basf Group guidelines. A first result of the project was the centralization of the negotiating activities in the Procurement Hub Italy.



Reply Consulting, a company belonging to the Reply Group, is specialized in strategic, organization and process consultancy. The mission of Reply Consulting is to work alongside companies in the phases of implementation, change and management of Enterprise Information Systems, from strategic design to identifying and redefining "core" processes. Reply Consulting features can be summarized into management experience and expertise, flexible and dynamic structure, comprehension and commitment in Customer Problem Solving, global/strategic vision also in tackling details, delivery excellence.

Reply Consulting offering includes: Strategy IPO Services, Human Capital, Business Performance Management, Business & Support Process, ERP assessment, optimization and implementation.

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