

BearingPoint®

Post-Merger Integration at Sachtleben

The seamless merging of operational business processes and systems by BearingPoint



In just ten months, BearingPoint brought together the key operational processes, reporting structures and IT systems at Sachtleben, a specialty chemicals manufacturer, and those of an acquired (production) company, completing the project on time and within budget.

The Sachtleben Group

The Sachtleben Group is one of the world's leading manufacturers of specialty white pigments and functional additives based on titanium dioxide and zinc/barium. It focuses its sales efforts on niche segments in the global markets for fibres, coatings, plastics, printing inks, pharmaceutical products and food.

In 2013, Sachtleben generated a turnover of around EUR 800 million. Production takes place at three companies located in Germany (Duisburg, Krefeld-Uerdingen) and Finland (Pori). In total, the group employs about 2,200 people. Sachtleben is a subsidiary of Rockwood Holdings, Inc., based in Princeton, New Jersey, USA.

The initial situation: market opportunities following expanded production

In July 2012, responding to increased market demand for specialty white pigments and functional additives, Sachtleben took over Crenox GmbH, a competitor based in Krefeld-Uerdingen that went into receivership. This move secured additional production capacity for the company and established the basis for further growth as well as greater efficiency thanks to economies of scale in production and administration.

To ensure the fast and smooth transition of business operations after the acquisition, Sachtleben immediately began to integrate processes and IT systems at the new location in Uerdingen using interim solutions as a first step.

However, an integration project was needed to optimise management of the entire factory network of the Sachtleben Group across its various locations with the dual aim of harmonising operational processes and fully integrating the Uerdingen plant into the Sachtleben environment in terms of organisation and systems.

Project overview: systematic post-merger integration in ten months

In March 2013, Sachtleben began working with BearingPoint to integrate processes at the Uerdingen factory into the Sachtleben Group using SAP® as an essential component of the overall post-merger integration project. By January 2014, the project had already been completed on time and within budget.

Despite the similarities in terms of product range and markets, the task was to integrate two very independent and different companies and corporate cultures. BearingPoint supported Sachtleben when it came to standardising master data, adapting system and organisational structures, harmonising processes and developing an efficient reporting framework.

These key areas of action and the results of the project are outlined below.

Only the optimal integration of companies and operations can ensure increased efficiency and competitiveness – and thus the success of corporate mergers.

Key areas of action in the integration project

In order to make effective use of the identified potential for synergies, the necessary measures had to be implemented with the correct priority and in the right order. The integration measures for the Sachtleben project covered numerous areas of activity.

Standardisation of different master data structures

An essential requirement for exploiting the synergies that result from a business merger is the creation of uniform data structures across the IT systems of the merged entities.

Given that the two factories have the same product range and are located close to each other on the map, the sites in Duisburg and Uerdingen used essentially the same raw materials and, in many cases, the same suppliers. However, the heterogeneous nature of the systems and a decentralised model of organisation prevented the potential synergies in purchasing.

As a first step, BearingPoint therefore methodically analysed the various master data sets. Throughout the project, the different groups of materials for the factories were then harmonised.

This harmonisation eliminated redundancies and opened up further possibilities for optimisation: order quantities were consolidated and price negotiations with suppliers were managed centrally. This achieved more favourable purchasing conditions, which in turn reduced procurement costs. Stocks of raw and auxiliary materials were optimised across both factories.

Adaptation of the IT system structures and organisation

Bringing together IT systems and administrative structures is a core component of any post-merger integration project. On the one hand, BearingPoint standardised IT systems in the post-merger structure at Sachtleben, while on the other hand tried-and-tested subsystems of the acquired factory were retained and fully integrated into the system of Sachtleben Group.

Specific process requirements and organisational conditions made it necessary to keep the local maintenance system at the Uerdingen site. Nevertheless, this external system had to be completely automated and integrated into SAP® logistics processes at Sachtleben. At the same time, the core processes of the external system were not allowed to deviate from the supply chain process standards of the SAP® system used by Sachtleben.

The transition to a single, centralised enterprise resource planning (ERP) system with standardised processes made it possible to centralise the system administration department. As a result, existing knowledge was pooled according to the main areas of expertise and information management was optimised. The strict application of

‘A project must be carried out within the given framework, but first and foremost it must adhere to the specified budget and time frame. We succeeded on both fronts with the support of BearingPoint.’

***Dr. Andreas Grünewald
CFO, Sachtleben GmbH***

process models (template processes) and the consistent use of economies of scale also minimised IT requirements at the new location.

A standardised, centrally supported solution was also developed for both locations to administer IT permissions and system fault management (using the control slip or docket method). This led to a significant improvement of the approval procedure at the Uerdingen site, making it more transparent.

Here, too, organisational changes were a necessary condition for system management across the sites, such as those that made it possible to share remote control systems legally under existing operating agreements.

However, not only IT systems and administration had to be changed in the course of the project: Sachtleben belongs to Rockwood Holdings, based in the United States. Processes within the Sachtleben Group are therefore subject to particular compliance requirements with respect to corporate governance and the effectiveness of internal controls under the US Sarbanes Oxley Act. Specifically, the company has to observe special standards in many areas when it comes to personal areas of responsibility and their respective boundaries.

To meet these requirements, organisational structures in Uerdingen were repeatedly changed and the responsibility for tasks was reassigned in many places – between departments, within departments and, ultimately, between individual employees. BearingPoint supported the redefinition of roles and the reallocation of duties until the project was successfully completed.

Harmonisation of procedures: improvements in procurement, logistics, production and credit control

BearingPoint optimised the processes in the new organisational structure in a number of areas.

As part of the efforts to standardise processes, BearingPoint also revised the workflow and approval structures in procurement. Responsibility for procurement is centralised in the new organisational structure: processes and system standards in the procurement process are applied and adhered to across all locations.

The optimised procurement system is complemented by an efficient approach to credit control. At some sites, credit control at Sachtleben was already automated with a combination of various optical character recognition (OCR) systems and supporting software tools.

By implementing these systems at the Uerdingen site and adapting organisational processes, it was possible to increase the efficiency of the audit department significantly. Additionally, the electronic archiving of documents and a workflow management system greatly reduced the use of paper and the amount of time and effort needed to process information.

Furthermore, the project included measures to optimise production at the new location by introducing efficient support systems for planning, management and logistics.

BearingPoint first introduced a SAP®-supported production planning system at the Uerdingen site as part of the post-merger project for the Sachtleben factory network. This trial implementation makes it possible to plan production and the necessary raw materials and additives more accurately based on the demand for finished products.

The transparency that this creates means that inventory costs can be reduced. In the future, the system-based approach to production planning will also be used for other Sachtleben factories.

In addition to improved production planning, BearingPoint established a standardised system to support factory control. In order to manage factories belonging to the Sachtleben Group so that they would yield better operational results and, above all, become uniform operations, it was necessary to standardise the respective reporting systems in terms of organisation and systems.

BearingPoint achieved this by introducing a shared chart of accounts and by implementing an advanced, system-based approach to product costing.

BearingPoint also optimised auxiliary processes of physical production: along the supply chain, BearingPoint standardised all material transfer processes with measures such as the introduction of uniform scanner systems for continuous use in production.

The consistent adherence to newly developed process models (template processes) in material management created further potential for optimisation with the future use of the scanner solution in spare parts management at the Uerdingen site.

Looking beyond aspects of quality assurance, an efficient quality assurance system has a positive effect on the picking of customer orders: the implementation of additional system-based functions based on newly developed process templates and process models, all provided by BearingPoint, considerably improved quality inspection of the final products at the Uerdingen site.

As a result, the available stocks of finished and inspected products are recorded more accurately, meaning in turn that Sachtleben can achieve greater automation when it comes to picking customer orders. Plans are already under way for the implementation of additional outcomes of the quality report at other locations in the Sachtleben network.

‘The work of BearingPoint was very constructive, focusing on time and success. At the end of the day, this led to compliance with the specified deadlines and budgets.’

***Dr. Andreas Grünewald
CFO, Sachtleben GmbH***

Successful project completion as part of an ambitious post-merger integration

Working with BearingPoint, Sachtleben managed to achieve the ambitious aims of the project over a period of ten months. The project was based on the key principles of successful post-merger integration into a higher-level organisation: centralisation and consolidation, standardisation, and increased transparency and efficiency (see box entitled 'The principles of successful post-merger integration').

Data relating to separate business entities have been harmonised, and both IT systems and organisational units have been consolidated and centralised. Production planning and control are more transparent thanks to SAP® systems. Purchasing, logistics and credit control have been rendered more efficient, and this has laid the foundation for reduced costs in procurement, production and storage.

Sachtleben can now benefit from new economies of scale in a larger market and with an improved company infrastructure.

The principles of successful post-merger integration

Centralisation and consolidation

One challenge is to bring together organisational systems and to achieve effective cooperation between the two merged companies. Processes and business activities have to be standardised in order to reduce complexity and master the situation.

Standardisation

There is a significant potential for synergies in standardising and harmonising processes. Uniform procedures make it possible for the same departments in different locations to converge.

Transparency

Particularly for international companies, it is important to observe compliance requirements and to arrange a comprehensive, transparent reporting system based on the same structures. Depending on the scope and complexity of the corporate group – and its newly added parts – this can be a particularly important aspect of an integration project.

Efficiency

Process improvements and increased efficiency are essential for a more competitive position. In particular, processes concerning the logistics value chain, integrated production and quality assurance must run smoothly, in harmony and with the best possible flow of information so as to avoid any delays that could drive up costs.

Contact

Andreas Fermor
Partner
andreas.fermor@bearingpoint.com

About BearingPoint

BearingPoint consultants understand that the world of business changes constantly and that the resulting complexities demand intelligent and adaptive solutions. Our clients, whether in commercial or financial industries or in government, experience real results when they work with us. We combine industry, operational and technology skills with relevant proprietary and other assets in order to tailor solutions for each client's individual challenges. This adaptive approach is at the heart of our culture and has led to long-standing relationships with many of the world's leading companies and organizations. Our 3350 people, together with our global consulting network serve clients in more than 70 countries and engage with them for measurable results and long-lasting success.

For more Information: www.bearingpoint.com

