Celanese builds good chemistry in Budapest with a new financial shared services center

Overview

- ***Business Challenge***
  Having become a publicly-traded U.S. corporation, Celanese needed to gain the ability—virtually overnight—to meet far more stringent financial reporting requirements, while at the same time reducing the cost and inefficiency of its decentralized financial organization.
- ***Solution***
  Celanese embarked on a multi-phased approach to improve processes, reduce risk, eliminate redundant systems and upgrade the talent and capabilities of its financial team. Now in Phase 3 of this effort, Celanese has partnered with IBM Global Business Services to build a shared services center in Budapest, Hungary to centralize its 20 plus European and North American financial operations.

Based in Dallas, Texas, Celanese Corporation manufactures industrial chemicals used in consumer and industrial applications, with facilities in North America, Europe and Asia. Of its $6.4 billion in 2007 worldwide revenue, approximately 70 percent comes from outside of North America. The company employs approximately 8,400 employees worldwide.

- ***Key Benefits***
  — *20 percent reduction in total finance costs resulting from consolidated systems and processes*
  — *Nearly 80 percent reduction in time required to close its books*
  — *33 percent reduction in time required to file SEC Form 10-K*
  — *98 percent reduction in the number of late closing entries and errors*
  — *48 percent reduction in audit fees*

There are few names in the worldwide chemicals industry as recognizable as Celanese, whose roots in the industry go back nearly a century. Along the way, it has become one of the world's largest producers of acetyl products and high-performance engineered polymers—the base materials used to manufacture such essential products as adhesives, plastic coatings, paper, non-woven fabrics, automotive applications and beverage sweeteners. In addition to its longevity and market leadership, Celanese also stands out for the number of "lives" it has lived as a corporation. Founded as a U.S. company, it was acquired by German chemical giant Hoechst AG in 1987.

Leveraging local market expertise to optimize a new shared services center

Business Benefits

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- Nearly 80 percent reduction in time required to close its books
- 33 percent reduction in time required to file SEC Form 10-K
- 98 percent reduction in the number of late closing entries and errors
- 48 percent reduction in audit fees
- Improved data transparency for investors and for internal business decision-making
- Elimination of all non-SAP legacy systems
- Improved control over the quality and consistency of business processes

When Hoechst shifted its focus to life-sciences in the late 1990s, Celanese was spun off as an independent, publicly traded German firm, only to be taken private four years later (in 2004) by a U.S. private equity firm. After a year in which the company's operations were both strengthened through acquisitions and consolidated geographically, Celanese again became a public company—this time, based in the U.S. It's at this point in Celanese's business evolution that the true arc of its transformation story begins.

The Celanese that went public in January 2005 (www.celanese.com) was different in many ways from the company that came before it. Among its most distinct qualities was a culture and management that made rigorous, data-driven decision-making and solid execution a top priority. As an outgrowth of this, Celanese management had proven to be realistic in assessing its opportunities as a business—and decisive about addressing them. The company's financial systems and processes were one such area. Even before its relocation to the U.S., Celanese had flagged the cost, quality, timeliness and transparency of its financial systems and processes as problem areas, with the root cause being the proliferation of nonstandard processes and systems across the company's worldwide operations. Now, as a publicly traded U.S. company, the bar would be set far higher for the provision of timely, accurate and detailed financial information—with the need to meet the rigorous reporting requirements of Sarbanes-Oxley just one part of this.

> *"In less than a year, we went from having the basic reporting requirements of a foreign firm to being a US-traded company and having all of the complexity, challenges and filing requirements that come with that."*
>
> – *Steven Sterin, SVP and CFO, Celanese Corporation*

In characteristic fashion, Celanese had moved swiftly to redesign and standardize its global financial processes and to deploy them on a single SAP Enterprise Resource Planning (ERP) platform. But that was only part of its strategy. While process standardization had enabled Celanese to reduce the cost and improve the speed of its financial reporting, the company realized that the geographic dispersion of its process centers—across more than 20 countries—represented an ongoing source of inefficiency, added cost and financial risk. Its answer was to consolidate its financial processes into a single global process, operated from three shared service centers, one at its Dallas headquarters, one in Nanjing, China (to serve Asia) and the other—the outcome of comprehensive analysis—in Budapest, Hungary. Celanese engaged IBM to assist in transition and startup of the Budapest center. The expectation that IBM Global Business Services would be able to provide Celanese with valuable guidance and insights drawn from its experiences in Hungary was a critical factor in the successful transformation of its financial processes.

While confident it had made the best choice—one made largely on the basis of Budapest's "human capital," a function of Hungary's abundance of highly educated, multilingual finance and accounting professionals—Celanese realized that it was no guarantee of success. It would instead be a question of realizing the enormous potential that Budapest offered, a multifaceted challenge that would require Celanese to fine-tune its strategies and policies to conform to the local civic, market and regulatory realities on the ground. In selecting a provider to help put the new shared services center in place, having local familiarity was not enough, explains Mike Colicchio, the Managing Director of Celanese's Hungarian operations. "We wanted a provider who not only had general experience in setting up shared-service centers—but in Hungary specifically," says Colicchio. "IBM was the only provider that could make that claim, and our experience working with IBM reinforced the importance of deep, local experience in making it successful."

Guided by a shared vision

IBM and Celanese had an important shared belief—that the success of a major green field initiative like a shared service center requires more than getting the "big picture" right, and that good decision-making and execution at all levels is critical. Informed by its previous experiences developing shared services organizations in Hungary, IBM had a strong local understanding of the factors that can exert a major impact on success, and how to manage those factors to ensure the best outcome. The abundance of qualified personnel—a linchpin in Celanese's business case for Budapest—is one such factor. IBM added value by pointing out the parameters that could improve Celanese's ability to attract and retain the best employees Budapest had to offer. This ranged from advice on which local agencies to work with for recruitment, screening and hiring of employees, to choosing a physical site for the center that would provide the most convenient access for them and thus improve the likelihood of retaining them. IBM also lent insights to Celanese on the ins and outs of major construction in Budapest, helping the company avoid potential pitfalls and delays.

While avoiding the potential pitfalls in the setting up of the shared service center was important, the project's ultimate success would be gauged by how it would improve the efficiency of Celanese's financial processes. The company's recently revamped process and system standardization efforts had been an important first step in this direction. What remained was for each country's processes to be properly migrated to the shared services platform. The key to success was for each country's process owners to provide seamless, detailed documentation of their processes, which would in effect provide a roadmap for Celanese to follow in

Key Components

Services

- IBM Global Business Services Hungary

Timeframe

- Upfront enablement of shared services platform: 12 months
- Country-by-country migration: In progress

Why it matters

Consolidating the financial operations of its 20 country-specific operations—into a single shared services center in Hungary—has enabled Celanese to optimize its financial processes around the world and moved the company closer to being a globally integrated enterprise. This has brought a quantum improvement in its global reporting and decision-making capability.

replicating them in Hungary. However, as the project progressed, documentation gaps in processes such as Accounts Payable were becoming increasingly evident, posing a direct barrier to the implementation effort. Employing a consultative approach, and leveraging its deep knowledge of financial processes, IBM worked with each country's process owners to fill many of these documentation gaps, thus facilitating the deployment of these processes in the shared service center. IBM's shared services experience also impacted the sequence that Celanese followed in bringing each country on line. Other advisors had suggested that Celanese follow a "big bang" strategy, beginning with Germany (its largest country by revenue). However, citing its own lessons, IBM instead advocated—and Celanese adopted—a phased migration strategy that has succeeded in minimizing the project's overall implementation risks, while maximizing process integrity and knowledge transfer.

Global process consistency

As a result of the three-year process improvement and centralization efforts, Celanese is gaining much more control over the quality and consistency of its processes. Along with that broad strategic benefit has come a number of more direct and measurable benefits, such as the nearly 20 percent reduction in total finance costs, attributable to the inherent efficiency of consolidated systems and processes. Once requiring 25 days to close the books and done only once a quarter, Celanese now closes the books every month and does it in five days. Similarly, the time required to file SEC Form 10-K and to issue earnings releases—a critical reporting requirement for the investment community—has been cut by more than a third. In addition to reporting the bottom line, Celanese has also grown it by improving the quality of its financial processes, two indicators of which are the 98 percent reduction in the number of late closing entries and the 48 percent reduction in audit fees.

SVP and CFO Steven Sterin, the project's executive sponsor, sees the standardization of systems and processes—as well as the attraction of top talent—as both enablers and drivers of the success of the project. He also attributes the project's success to IBM's experience. "IBM understood our strategy and culture as well as the risks of the project," says Sterin. "IBM delivered on its commitment by putting its best people on the team, by being flexible and adaptive in its approach, and by integrating its team into our process."

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Produced in the United States of America
October 2008

ODC03096-USEN-00