

• CASE STUDY

LANXESS

IT-SERVICES

LANXESS settles its accounts with internal and external customers

With nearly 19,000 employees at 50 international locations, LANXESS AG is one of the leading European suppliers of chemical products. The product spectrum ranges from basic chemicals to plastics to natural rubber products for the rubber and tire industries. As of 2006, the company is using standard software from USU AG, their specialist partner, to bill business units and subsidiaries for IT Services, as well as for Planning & Budgeting.

› Initial Situation and Aim

The company LANXESS came into being at the beginning of 2005 as a spin-off of Bayer's chemical sector and parts of their plastic and rubber business. The company is listed on the M-DAX. The name LANXESS was meant as a statement of intent and a commitment to internationality: The name is a combination of the French word *lancer* – to initiate – and the English word „success.“ The entire company was reorganized, including IT. What was previously a cost distribution system based on keys was restructured into a customer-oriented, product-based accounting system which distributes costs according to their origin. However, for the department's new role as an IT Profit Center, a range of requirements had to be met. One of the most basic requirements was to translate technical IT activities into IT products that can be understood and assessed by the customer. This shared knowledge of products between IT customers and IT service providers was to serve as the basis for accepted IT cost management and product billing. Transparency was critical, as was the transformation of products ranging from technologically focused products, through user- and quality-oriented products, to applications relevant for business processes. These transformations helped answer the following questions: How can the

expenses for an SAP workstation be broken down? How are internal IT costs organized – for example for the production and delivery of a chemical product? Which processes exist in the company and what portion of those processes are IT services?

Previously, the billing of IT services according to who or what incurred the costs, and on the basis of defined IT services, did not exist: expenses were redistributed partly by means of a flat fee and partly by direct allocation. Therefore, the actual reason for the costs could not be depicted.

The goal of an initiative started at the end of 2004 was to create awareness through transparency of IT costs and services, so that customers can influence and share responsibility for IT expenses. The foundation for this was the definition of a comprehensive, modularly structured IT service catalog with Service Level Agreements and corresponding prices. Together with CSC Ploenzke, LANXESS developed a product catalog which incorporates defined individual components from the „bottom up.“ These included preliminary products, such as hardware and software components. LANXESS scoured the market for suppliers to carry out the tasks of mapping IT planning and costing, and technical, professional implementation. They decided on the IT cost management platform Valuation from the specialist partner USU AG at the beginning of 2005. The deciding factors were USU's expertise in this complex field and the software's flexibility. „By changing from an incomes received method to a customer-oriented, product-based accounting method, we provide our customers with an opportunity to control – and share responsibility for – their own IT costs,“ project director Joachim Mack points out.



Photo©LANXESS AG; Testing leather patterns in the LANXESS leather laboratory in Leverkusen.

> Project Work

Instead of flat rates, exact allocations of individual budget items, ranging from various product levels down to the customers, were to be used. The essential foundation for achieving this goal was the product catalog. The plan was to have a parallel depiction of IT products on this basis starting in May of 2005 for the subdisciplines of planning and IT service accounting. In particular, cross-departmental planning structures were to be established, the entire service accounting processes were to be defined, the master data needed to be imported, interfaces were to be developed, and reporting was to be optimized. To make this happen, data from the each department's system administrator were required. Based on calculated, classic unit costing, the applications were to support detailed budgeting by using real data. Costing of the various IT services also provided the foundation for a company-wide IT billing model. During a ten-week prototype phase, the project team used the 15 IT products from the Infrastructure Department (IFS) at LANXESS. Upon successful completion of the first phase, the services from the remaining 5 departments at LANXESS were integrated as of August 2005. This makes a total of around 100 customer products. Upon doing so, a tamperproof product and service billing method was implemented that allocates costs to where they originated. IT measurement categories have been bundled to make a product that can be understood and controlled by customers down to the last detail. The categories are charged to the Business Units or Group Functions and the relevant national company upon acceptance.

> Conclusion

Despite the tight schedule, the USU system has been automating company-wide planning and budgeting processes since September 2005 and provides a standardized, inter-departmental budget plan for the coming fiscal year. Following several test billings, the actual billing, as well as the target/performance tracking, was achieved in January 2006. The knowledge that certain services might no longer be needed helps realize potential savings. Not only is it possible to create plan simulations at any time, even answers to questions such as, for example, how much an additional server would cost, can be obtained at the push of a button. Now, the billing for IT services also creates a foundation for planning.



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