Driving Benchmark Performance

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• **World’s largest diversified resources company**

  Industry leader, or near industry leader, positions in major commodity businesses, including aluminium, energy coal and metallurgical coal, copper, ferro-alloys, iron ore and titanium minerals, and have substantial interests in oil, gas, liquefied natural gas, nickel, diamonds and silver

• **2004 Results:**
  - $24.9 Billion USD Turnover
  - $5.5 Billion USD Earnings before interest & tax (EBIT)
  - Market Capitalisation $62 Billion USD *(as of October 2004)*

• 35,000 Employees in approximately 20 Countries
The Supply Challenge

- Maximising areas of excellence
  - Driving alignment within Supply for global goals, strategy and key initiatives
  - Optimisation of supply activities world-wide
  - Knowledge management & sharing
  - Customer & Stakeholder alignment

- Elevating competencies of staff

- Delivering Results
BHP Billiton Global Supply Scope

• Spend of over $10 Billion (USD)
• Seven global Customer Sector Groups (Group Businesses)
• 25+ Assets in over 20 countries (many with multiple sites)
Global Supply Strategic Framework

Optimisation of all processes and value streams
Supply to achieve benchmark level performance
Supplier Management
Category Management & Sourcing
Customer Relationships & Organizational Alignment
Performance & Knowledge Management
Operational Process Management

Innovation & Enablers
Guiding Principles

Become Supply Employer of Choice
Fully understand and commit to alignment with business goals
Deliver lowest total cost of ownership
Optimisation of all processes and value streams
Supply to achieve benchmark level performance

Achieve optimised Supply Base that provides sustainable value add for BHP Billiton

Billiton
Driving Benchmark Performance

Everyone Agrees on the Goals

TCO
Process
Innovation
People
Business
Partners

Everyone Agrees on “The Way We Do Things”
Global Supply – Delivering Value

• **Measures of Success (The Goal):**
  – Recognisable increase in EBIT through supply activities as measured through Global Supply Metrics and BHP Billiton Benefits Capture System
  – Sustained improvement toward benchmark performance as measured by Supply Process Reviews

• **Method of Delivery (The Way):**
  – Drive global alignment with business leaders on the goals, metrics and supporting strategy that will deliver improvements in TCO and customer satisfaction.
  – Execute strategies as agreed
  – Optimise knowledge growth and sharing and leading practice application through the Global Supply Leadership Team and Regional Supply Councils.
  – Improve supply performance through excellence in KPI management, hiring, training and career development practices.
Value Delivery – Improvements in all areas

- TCO Improvement
- Spend Under Contract
- Benchmark Level Supply Processes
- People Development
- Inventory Management Effectiveness
- Process Automation
Benchmarking the “best”

BHP Billiton Supply Process Review (SPR)

• Global benchmarking peer review of Supply processes and practices (all sites)
• External benchmarking used to set criteria and methodology
• Aim is to reach “best” company performance (High Value/Low Cost)
• Involves Supply staff, customers and suppliers
• Outcomes:
  – Formal report and meeting with relevant Management Team
  – Recommendations for improvement
  – Implementation plan with progress reporting
  – Comparative reporting against benchmark by business, region and globally
External Benchmarking

• SPR questions and scoring were developed and are continuously updated through the use of various external benchmarks
  – CAPS
  – Procurement Strategy Council
  – Consulting Firm Benchmark Studies
  – Etc.

• Entire SPR process reviewed by Procurement Strategy Council, Answerthink (Hackett Group) and Denali Consulting in 2004 to assess process.
  – SPR Process firmly validated “Overall, the SPR is an impressive, comprehensive program capable of measuring performance & driving continuous improvement globally” Answerthink, September 2004
  – Improvement recommendations to be implemented
SPR Benchmark Structure

Categories
1. Supply Function Strategy
2. Organisational Alignment
3. Performance Management
4. Knowledge & Information Management
5. Sourcing
6. Supplier Relationship Management
7. Operating Process Management
8. Human Resources Management

Functions
1. Supply Strategy, Planning & Performance
2. Supply Department Management
3. General Purchasing/Procurement
5. Contracting & Contract Management of Services
6. Capital Procurement
7. Warehousing
8. Inventory Management
9. Accounts Payable
10. Supply Systems
11. Customer Service
The Journey to “Best”

SPR Process Delivers:

• A platform for continuous improvement, optimised business practices and improved business partner alignment
• Business improvement at a rate appropriate for each site
• Competitive Metrics that motivate positive behaviour change
  – Reported Globally, by Business Group and by Business
  – Reported Quarterly to BHP Billiton Operating Committee
• Best Practice Sharing & Education Opportunities
• A continuously maintained view of external organisations

“Better” is not good enough
Beyond Benchmarking - The Value Contribution Imperative

• Strengthened customer focus
  – Developing and sustaining business partner alignment is critical to enable credible value generation

• Know what Supply delivers and talk about it!
  – Deployment of competitive metrics that are Finance validated
  – Market Supply (if we don’t, no one else will)
  – Utilise external exposure as an important component to building internal credibility

• Drive high levels of value by elevating Supply from the backroom to the Boardroom
  – Our goal is to make Supply “the place people are recruited from”
  – We hire only people that raise the intelligence quotient
  – We seek diversity

• A vision for success that motivates our people
where Supply delivers