

# Driving Benchmark Performance

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# BHP Billiton

- **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**

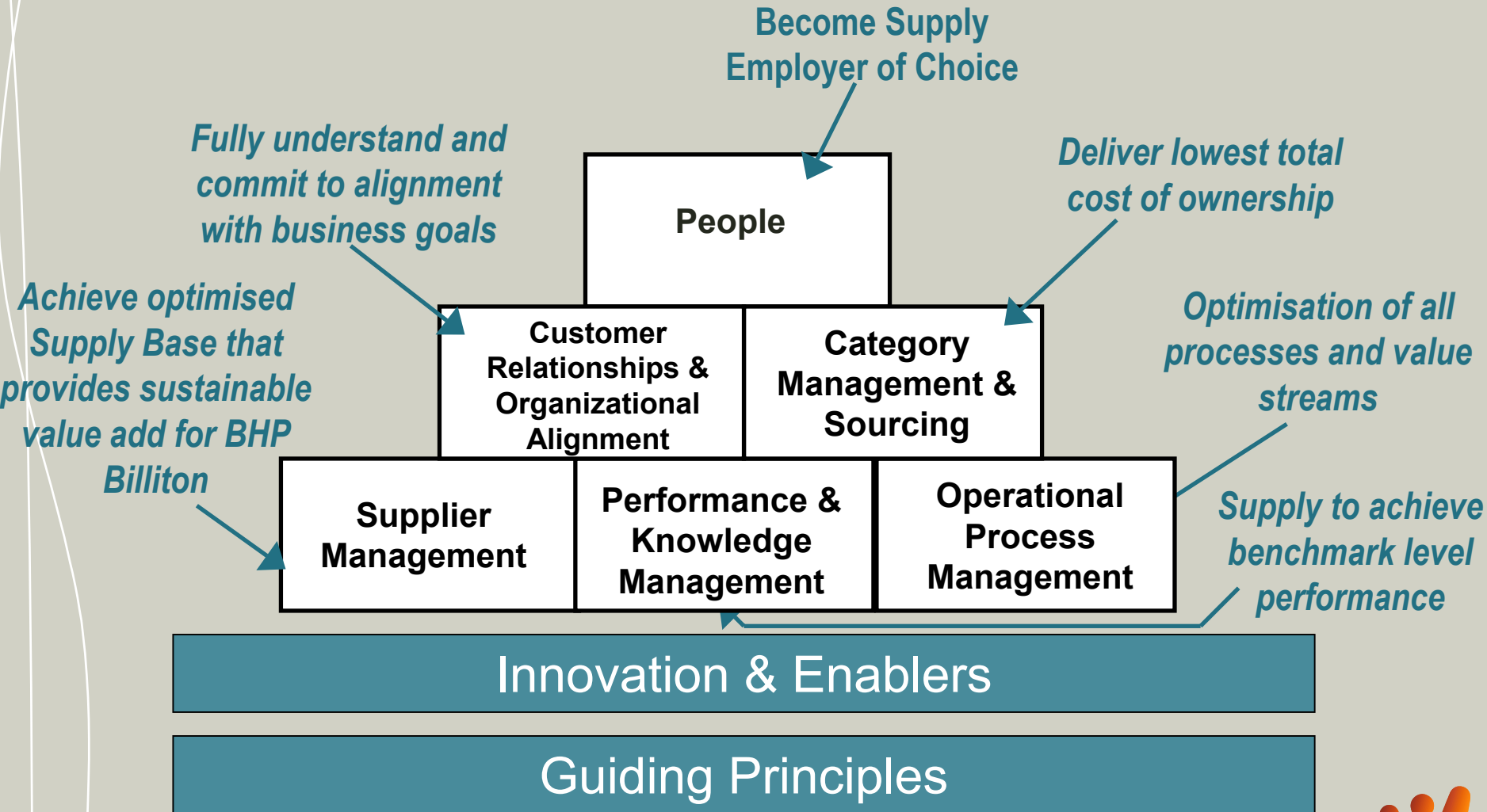


# BHP Billiton Global Supply Scope

- Spend of over \$10 Billion (USD)
- Seven global Customer Sector Groups (Group Businesses)
- 25+ Assets in over 20 countries (many with multiple sites)

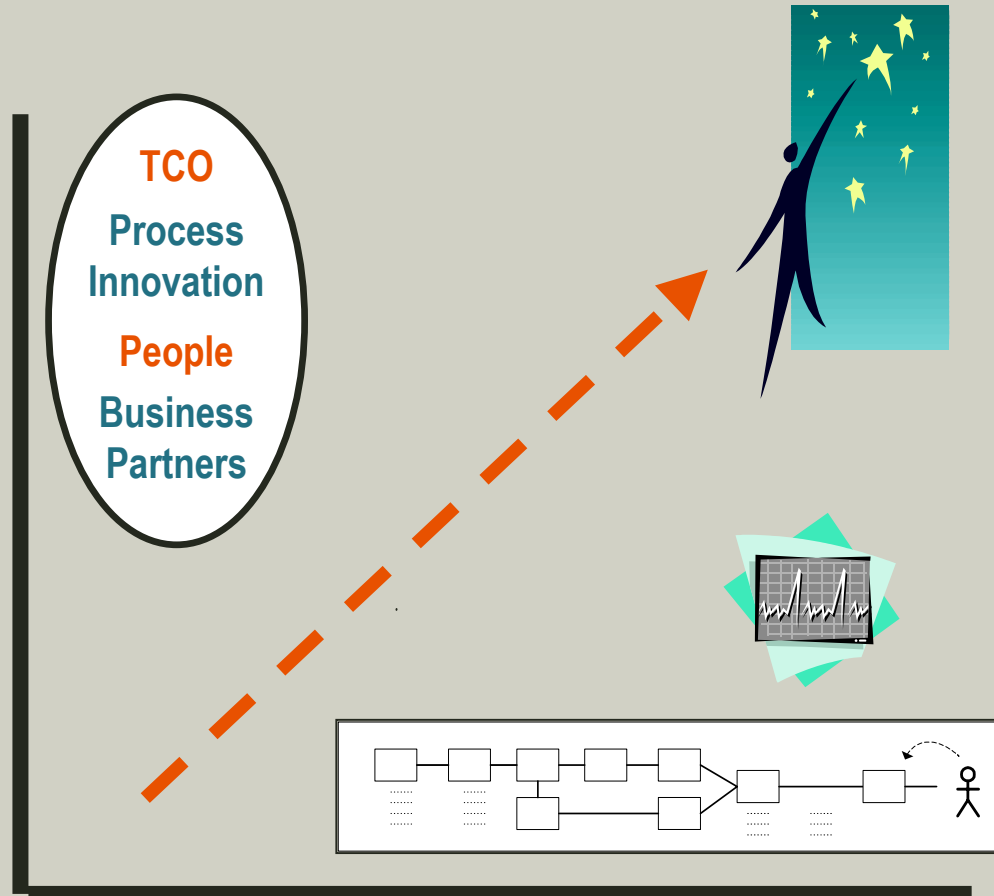


# Global Supply Strategic Framework



# Driving Benchmark Performance

Everyone  
Agrees  
on the  
Goals

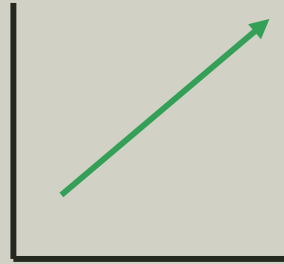


Everyone Agrees on  
“The Way We Do Things”

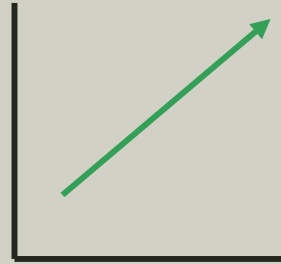
# Global Supply – Delivering Value

- **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.

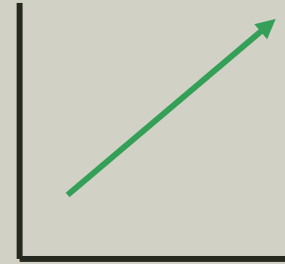
# Value Delivery – Improvements in all areas



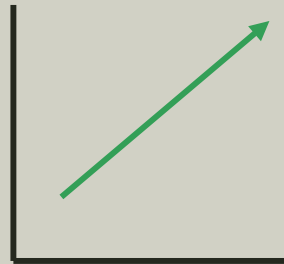
TCO  
Improvement



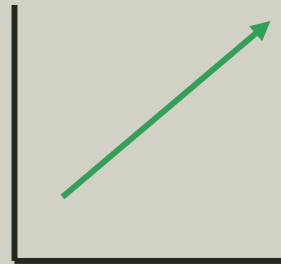
Spend Under  
Contract



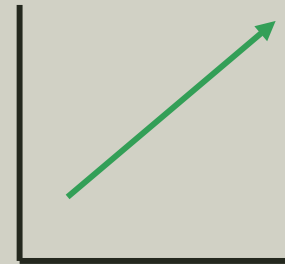
Benchmark  
Level Supply  
Processes



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

# BHP Billiton Supply Process Review Structure

**8 Categories of Supply Management**

**40 Elements of Supply Practice**

**≈ 315 Best Practice Supply Criteria**



# 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
4. Contracting & Contract Management of Goods
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”

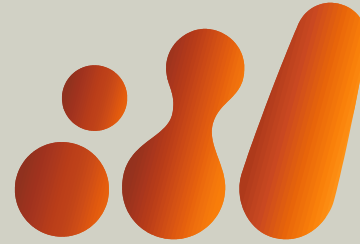
## SPR Process Delivers:

- 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**



# bhpbilliton

where *Supply* delivers

