

ATS

Construction Mining Case Study

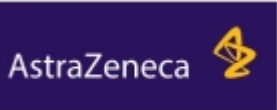
- Capital: \$3+ Billion.
- Consultancy: Many Solutions.
- Cost: \$252 Million Reduction.

30+ years serving thousands with growth in capital, consultancy, and cost.

ATS Clients



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Who We Are

- 30+ years serving in the U.S., Canada, the U.K., and Western Europe.
- Phenomenal client list, stories, and case study outcomes.
- Providing capital, consultancy, and cost reduction.
- 1000+ global affiliates, partners, and experts.
- \$10's of Billions results for organizations.
- 28%+ overall average cost savings.

ATS Organization Details

Organization Name: Construction – Mid to Large

Industry: Construction

Organization Size: Multi-Billion Dollar Organization

Client Billable Type: Hourly, Fixed Contract, Sourcing, Bonus Percentage, Performance Based

ATS Client Needs



Client Challenges / Need: Compliance, Best Practice, Fraud, Process, SOPs, and Systems.



Solutions Provided: Audit, Compliance, Best Practice Development and Implementation, Centralization...



Other Outcomes: Contract Centralization, Internal Audit Creation and Implementation, Training, Capital Increase, Procurement, ...

ATS Client History & Needs

- The information below outlines a mid to large-sized construction, chemical, oil and fuel company that, through numerous acquisitions, grew into a large company. We will be discussing several of the existing issues that were prevalent before, during, and after the acquisitions, the detrimental results of those issues, and the long-lasting consequences of those results.
- The information below is true and the negative consequences could have been avoided by having accurate best practices in management and in the finance and procurement processes.

Company History

- The company had very few Standard Operating Procedures (SOPs), compliance was minimal, and standard practices were not created for the purchase and acquisition of new companies and the resulting mergers.
- Critical equipment and parts were purchased at local levels without volume purchasing.
- Preventive maintenance, MRO, and facilities were not working in liaison with purchasing.
- There was no centralized purchasing being conducted that integrated all regions and divisions but still helped each region and division maintain their need for decentralized products and services.
- Contracts were not evaluated regularly by purchasing for the performance of services and subcontractors.

Company History

- No predetermined Standard Operating Procedures (SOPs) for Equipment buying.
- No open level communications between engineers and site operations (end users), and the procurement group.
- Company did not care about cost savings because their profits were high.
- Procurement was reactive, not proactive.
- Very few effective and accountable audits for finance, procurement, SOX, and site safety.
- No vendor management, no vendor evaluation, and no contract sign off for performance of services contracts, subcontractor services, etc.
- No accountability.

Company Consequences

- Individuals within the company decided to outsource certain key core competency equipment and materials which included: chemicals, anfo, on site equipment, key staff, drilling services, and other key components.
- Because there was no accountability and best practice procedures in place for transparency, some management took kickbacks from vendors by purchasing chemicals, anfo, explosives, oil, and other products from “favored” vendors.
- Lowest cost was selected for some equipment and explosive materials, etc. resulting in higher risk and lower standards.

Company Consequences

- Because of numerous contracts, bids, and negotiations, that began with lowest cost as the most important reason for vendor award, kickbacks to company employees, and no procurement best practice, a massive explosion occurred that injured employees, hurt people, shut down a facility, and several management went to prison. The company lost tens of millions of dollars and the parent company suffered, as well as heavily damaging their reputation.
- It took years for the company to recuperate in all areas (reputation, staff turnover, quality, profit, safety, best practice, industry loss, and so forth).

Client Outcomes: Solutions and Actions Taken

Because of the consequences, we were tasked with implementing solutions. Some of them were:

- Conducted a review of all action areas, reactions, and a summary of staff in each region and site.
- Provided a report of strengths and weaknesses.
- Acted upon data for management buy-in.
- Began a tender with equipment and services and witnessed excellent results.
- Assigned a staff person to review all previous contracts and tighten any area where better value and profit maximization could be implemented.

Client Outcomes: Solutions and Actions Taken

- Employees of the current site shared with other employees at other sites and regions the excellent results of the equipment tender, the improvement of safety and the favorable response of the company's president. As a result, more regions and sites utilized the initiated procurement best practices.
- SOPs and best practice were initiated through work groups and input from all areas for solid procedures and training occurred with improved compliance.
- Safety incidences dropped, Equipment cost purchases decreased, and Productivity rose and improved.
- Staff took ownership of their responsible areas and the work environment changed substantially where people enjoyed coming to work and this caused many other benefits, creating a sustainable, profitable, energetic, and enjoyable company.

Client Outcomes: Procurement Methods and Solutions

- **Critical to Core Competency** – Started conducting in house.
- **Best Practice and SOPs** – Procurement, Finance, and Logistics Folder Audits conducted regularly internally and externally.
- **Contracts** – Review all old one's for any terms, fees, costs, and so forth for better best value. Revise any contracts for decreased risk, improved relationship, cost reduction, and improved partnership.
- **Sole / Single Source** – Can it be competed? Several products and equipment were found to be not competed. Anything with defined master bidding schedule, with organizational support and buy-in was now bid with immense cost savings.
- **Vendor Management** – Expand, Evaluate, and Hold to contract and guidelines.

Client Outcomes: Procurement Methods and Solutions

- **Equipment** – Reverse auction (for equipment manufactured by many).
- **Supplier Partners** – Design and develop partners that complimented their space.
- **Advisors / Contractors / Subcontractors** – Expand network of specialized consultants, contractors, and subcontractors for needed areas that company could not provide without jeopardizing core competencies (more involvement from strategy, upper management, and HR from this initiative).
- **Restructure of procurement where buyers work at site** – For interaction and involvement of need, communication back and forth, and assimilation of correct information into the tender process.
- **Preventive Maintenance** – Separated from some of the equipment for cost break down for more cost reduction.

Client Outcomes: Procurement Methods and Solutions

- **Total Cost Ownership (TCO)** – Defined and implemented TCO in each segment of procurement for physical site, equipment, and so forth.
- **Supplier Location** – With certain equipment and service contracts procured and initiated those companies closest to each location for efficiency and ability to supply rapidly in the event needed were put in place.
- **Warranty** – Changed tender processes to reflect longer warranty for same price. Result in the millions because of equipment break down and below standard warranties in certain areas – negotiated greater warranties because of proactive planning for equipment that would be needed because Cost Analysis conducted for life span of each equipment category and implemented into bidding process for more centralized procurement process.

Client Outcomes: Procurement Methods and Solutions

- **MRO** – Enacted new tender for supplier partner to inventory secured items and equipment for core operations at sites. Because two suppliers were chosen in three countries without jeopardizing MRO, the tender was created to benefit the company as well as these two suppliers as partners – MRO was inventoried and not paid for at many sites until utilized. Critical equipment secured in each location and maintained without cost until used.
- **Site Maintenance (critical operations)** – Implemented an insourced program for on-site staff to monitor, maintain, and repair any equipment that was critical to continued operations.

Client Outcomes: Procurement Methods and Solutions

- **Training** – Instituted a training requirement within any tender that required the product, service, and equipment. The result was more effective and needed training on new equipment, safety, drilling equipment, and other areas as it relates to the use of MRO and equipment at no charge to the company.
- **Tender Structure** – Conducted complete analysis of tender process, effectiveness, length of time for entire request process. Developed and implemented a new plan for the tender processes. The entire process for more than 60 areas in products, services, equipment, contract services, etc. improved with cost savings, efficiencies, restructuring to a best in class shared services organization, and much more.

Client Outcomes: Procurement Methods and Solutions

- **Communication** – Created regular communications between finance, procurement, and logistics, as well as regions to corporate and amongst regions. This instilled sharing of greater practices, needs, buy in, and team effort, resulting in greater performance.

Overall Client Outcomes

- **The entire consequences**, such as, loss in life and finances, tarnished reputation, staff turnover of committed professionals, safety incidences, fines, and so many other areas could have been avoided if best practice in each area, along with communications and accountability, were in place.
- **ATS delivered more than \$252,000,000.00** Cost Reduction, Centralized Procurement, Involved and Created Sustainable Teams, Developed and Implemented Centralized Contracts, Instituted Best Practice and SOP Teams, Revised and Implemented U.S. Compliance, Developed and Implemented Internal Audit Processes (PDCA), Created Efficiencies in Systems Processes and Steps, and Many Other Sustainable and Compliant Practices Processes Systems and Teams.
- **ATS enabled more than \$3 Billion in Capital** for Growth, M&A.

Increase Your Profits, Improve Your
Capital, Reduce Your Costs

