

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**

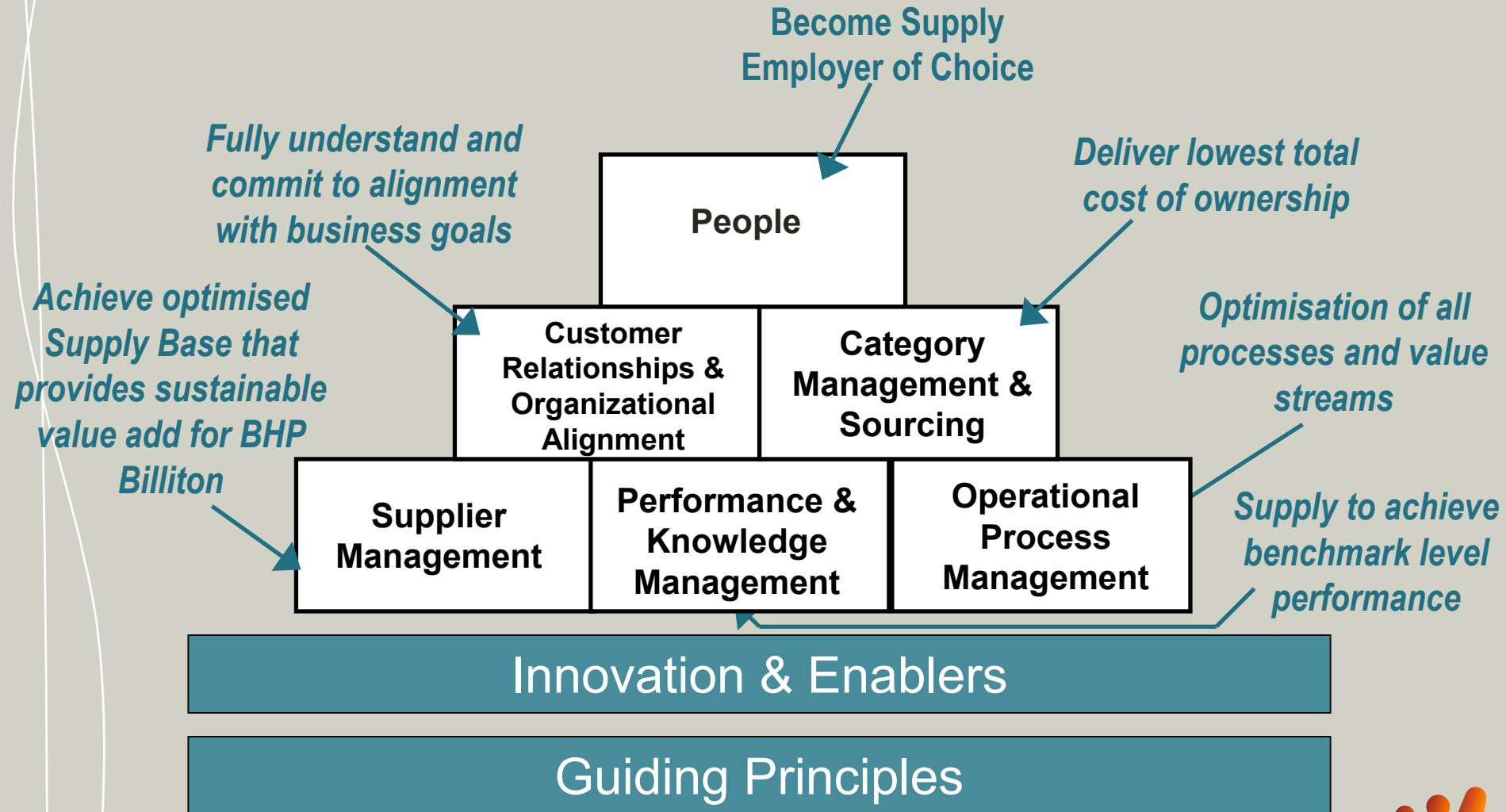


BHP Billiton Global Supply Scope

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

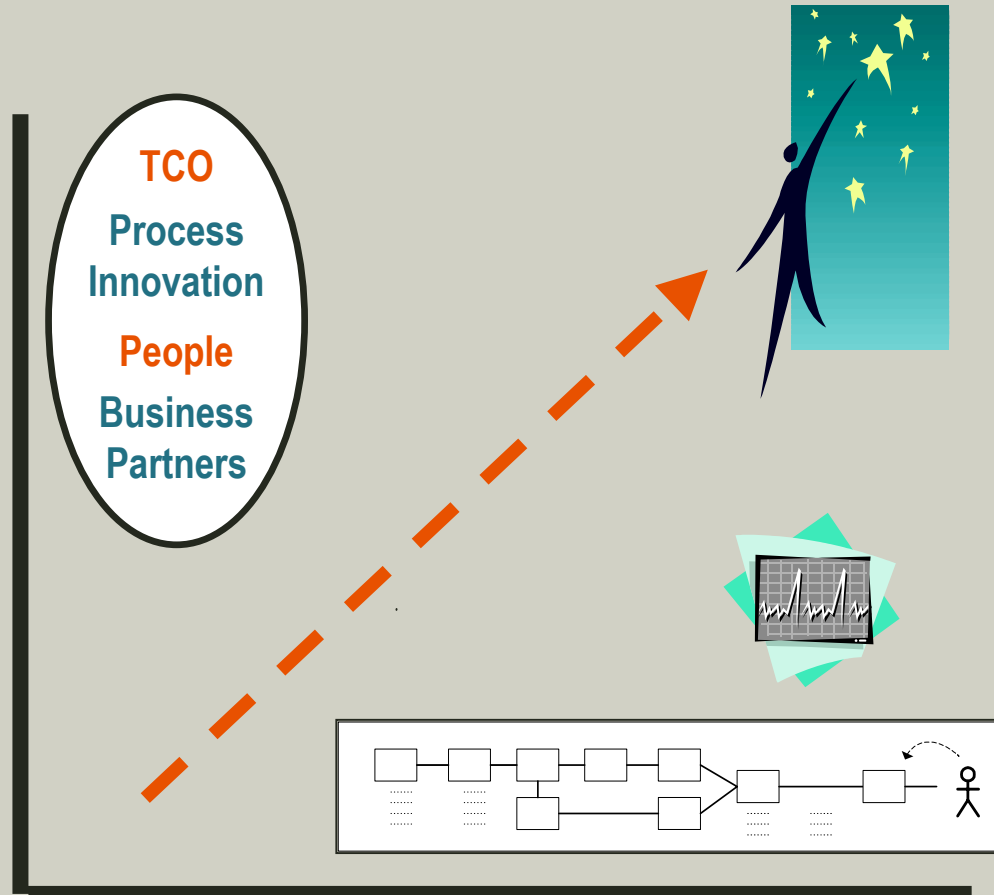


Global Supply Strategic Framework



Driving Benchmark Performance

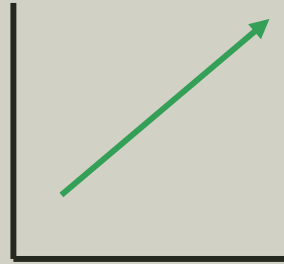
Everyone
Agrees
on the
Goals



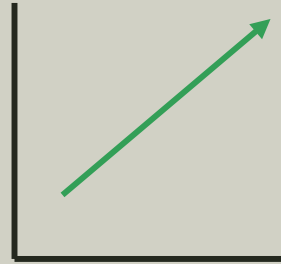
Global Supply – Delivering Value

- **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.

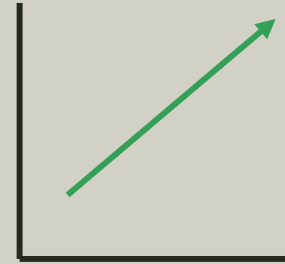
Value Delivery – Improvements in all areas



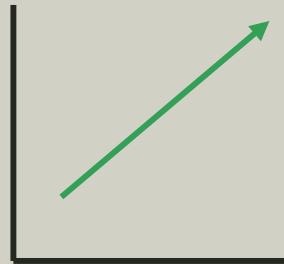
TCO
Improvement



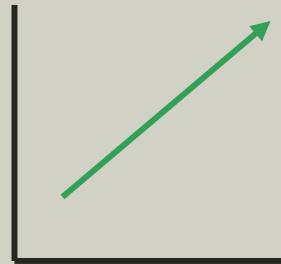
Spend Under
Contract



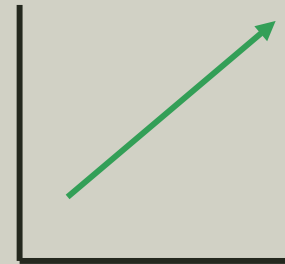
Benchmark
Level Supply
Processes



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



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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”

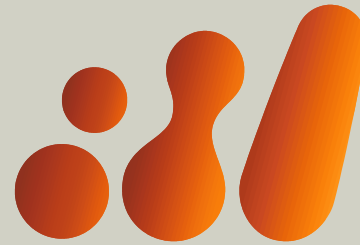
SPR Process Delivers:

- 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**



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*where **Supply** delivers*

