

# Contractors - Manage Risk and Reduce Costs

## Western Mining Corporation – Contractor Management

### Contractor Management

**A defining aspect of the resources sector is that a high proportion of its workforce comes from contracted labour. Effective contractor management is essential to ensure that safety, risk and cost implications are identified and properly addressed.**

**It's time to adopt a structured approach to contractor management to ensure that multiple stakeholders and processes don't place your business at risk.**

### Case Study – Western Mining

#### The Challenge

WMC (Western Mining Corporation) was one of Australia's largest mining and metal corporations, and one of the world's biggest producers of gold, copper, nickel, alumina, talc and uranium. Until it was purchased by BHP Billiton in 2005, WMC's operations in Australia included the Olympic Dam/Roxby Downs copper and uranium mine.

The Faculty worked with WMC prior to the BHP Billiton acquisition to review its contractor management strategy.

With the emergence of outsourcing, WMC began taking on more contractors and less full-time staff.

As a result of centralising supply, there was also a lack of trained procurement staff on site able to provide direction on the correct way to manage contractors. Rates were not benchmarked, length of tenure was uncertain and multiple stakeholders managed many different processes.

WMC needed to find a way to manage its contracted workforce more effectively.

#### Our Approach

The Faculty was engaged to consolidate the existing Contractor Management Framework to reduce risk and achieve cost savings.

Using its project management experience, The Faculty worked to ensure that key stakeholders were engaged to gain initial support for the project.

A project charter was established to gain agreement on process steps and outcomes throughout.

The Faculty worked with WMC to devise and implement a coordinated contractor management framework that provided site contract managers with guidelines, processes and tools to improve the efficiency of services.

The contractor management framework ensured:

- ▶ Agreed terminology and definitions
- ▶ Approval rules
- ▶ Responsibilities matrix – between sites and corporate
- ▶ Contract management guidelines
- ▶ Toolkit for managing contracts
- ▶ Recommendations on contract audit (i.e., medicals, hearing tests for safety, compliance with award rates)
- ▶ Category strategy framework
- ▶ Induction for contractors
- ▶ Issue resolution and escalation processes
- ▶ Issue definition and ratings
- ▶ Review of SAP content and management
- ▶ Partnership, Acceptance, Learning and Sharing framework (PALS)

#### The Results

Supported by team buy-in and significant opportunity for risk mitigation, the project was accepted for roll-out across the business. It was embraced as an acceptable way of meeting the occupational health and safety directives of WMC, while delivering significant cost savings.

**“The Faculty's strength in achieving our expectations on this project was in their extensive practical experience in supply at a global level. At the end of the project, the organisation was left with tools which could be used across all sites. I am now at Tenix where I have used The Faculty again as I am impressed by their consistency in providing high level advice on procurement issues and I view the team as leaders in procurement research in Australia.”**

*Antoinette Brandi, Supply Chain Manager,  
Tenix Shared Services, Tenix*