

The BHP Billiton Story

About BHP Billiton

BHP Billiton is the world's largest diversified resources company and one of the world's most respected organizations (2005 rankings). The organization has over 50,000 employees and sub-contractors working in 100 operations across 25 countries in 30 languages and is:

- A leading supplier of core steelmaking raw materials;
- The world's second largest copper producer & exporter of energy coal;
- One of the world's largest producers of nickel metal, uranium, primary aluminum, oil and gas.

Background

In the 1990s, the global natural resources company, BHP, went through serious financial turmoil. In addition, there was no unified culture and many operational functions were not collaborating in meeting BHP business imperatives. After over \$1.1 billion in write-downs and the loss of four key executives, 1999 brought about multiple restructuring moves. The company sold its engineering, power, insurance, and information tech businesses and began to sell \$2 billion worth of steel operations.

The Challenge

With a \$1 billion cost reduction target, BHP leaders began searching for a firm to partner with to secure success and build a unified culture across the organization. After benchmarking several minerals companies in the US and talking with GE, BHP decided to hire Destra.

The Destra Approach

Destra's model of integrating 'Q'-side (Process Improvement, Six Sigma) with 'A'-side tools and coaching (Change Management, Leadership Alignment) was just what BHP needed to accelerate and execute their goals. Destra's approach would allow for Six Sigma implementation with financial, customer, and employee benefits *and* fundamental company-wide culture change.

Engagement Strategy

To ensure successful deployment, Destra:

- Designed and delivered the education and coaching required to develop senior management team capabilities and strategies;
- Integrated the technical (Six Sigma) initiative with change management deployment practices;
- Equipped the 30,000 employees with the tools to be successful.

Since this was more than a standard Six Sigma deployment, BHP leaders decided to call this world-wide initiative Operating Excellence (OE) to ensure that those involved felt part of a larger whole. OE was rolled out worldwide with the initial training sessions commencing in April 2000.

In 2001, BHP acquired Billiton - a growing, global leader in the metals and mining sector. While acquisitions often cause 'programs' to lose momentum, the newly formed BHP Billiton Ltd. was off to a great start because there was now a set of worldwide methodologies in place to unify the 2 companies. OE continued to strengthen the financials, people, and culture of the now combined organization.

Financial Results

The first year of the OE engagement had these results:

- Together, the 108 coaches trained and 115 projects started saved **\$65M**;
- The OE investment was matched by its benefits;
- Average project savings was **\$250K**.

From 2001 to 2005 there was a total of **\$424.3M** in auditable savings.

Sample Project Results

- Improved recoveries at Ekati Diamond Mine™ saved **\$29.5M USD**;
- Reducing the Sort and Valuation cycle time and cutting the product-to-market time by 2-3 days had a benefit of **\$2.6M USD** (Ekati Diamond Mine™);

- Hillside Aluminum undertook a project to look for opportunities to reduce the total; spend on repairables. Total Benefit: **\$1.2M USD**;
- Optimum Mine improved throughput of energy coal. Total Benefit: **\$2.1M USD**.

“Through our Operating Excellence initiative and other cost savings opportunities we’ve achieved US \$780 million of efficiency gains over the last three years. By institutionalising our methodology through the organisation, we create a sustainable base from which to continue to find efficiencies to improve the overall performance of our businesses.”

Chip Goodyear, CEO, BHP Billiton 2004.

Organizational Results

Since the beginning of Operating Excellence at BHP, hundreds of projects using teams from all parts of the business have been undertaken. Using the OE Sigma and Change methodologies, projects in safety, maintenance, mine operations, supply, mine planning, and processing have unified BHP’s activities and people and changed the culture into one of knowledge sharing and continuous improvement.

BHP Billiton Today

OE continues to be imperative to the company’s strategic framework. The OE umbrella expanded, as BHP Billiton became a world leader in the adoption of ‘Communities of Practice’ and integrated them with OE Sigma and Change Management methodologies and tools.

BHP Billiton has reported a current mid-fiscal year record-breaking profit. The \$5.93 billion AUD is the highest interim profit in Australian corporate history.