

CONSTRUCTION

International construction and engineering company successfully weathers global slowdown



One of the world's largest construction, engineering, and energy equipment companies turned to Alexander Proudfoot to help it weather a severe cash flow problem, which was being exacerbated by a worldwide slowdown in construction activity. Proudfoot helped the company achieve millions of dollars in cost savings by improving procurement practices, reducing past due receivables by tens of millions of dollars, and enhancing the effectiveness of its sales team, which added millions more directly to the bottom line. As a result, the client not only weathered the down cycle in its markets, it emerged from the challenge as a more disciplined and efficient competitor, prepared to advance its market position as economic conditions improved.

Operating in 30 countries on six continents, the client organization

conducts most of its business in two areas. One arm of the company is engaged in engineering and construction services. This includes the design, engineering, and construction of petrochemical facilities and related infrastructure, as well as distribution and production facilities for pharmaceuticals, food additives, and other fine chemicals. The other major division designs, manufactures, and erects steam-generating and auxiliary equipment for power stations and industrial markets worldwide. It is also involved in maintaining and operating client facilities and processes including energy plant operations, field services, and project management.

Proudfoot's assignment impacted all of these disparate services, encompassing the company's global purchasing, accounts receivable, administrative, and sales functions.

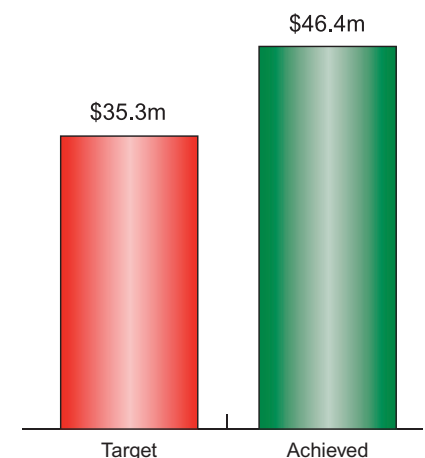
Over a 40-week period, we identified more than \$60m in potential cost savings, of which we achieved more than \$46m during the course of the project. Overall, the assignment provided the client with a greater than 3-to-1 return on its investment.

Among the highlights of the project was a procurement initiative, which was designed to leverage the client's purchasing power by developing vendor alliance agreements. By narrowing its

supplier base and involving vendors as partners early in the design and engineering processes, Proudfoot helped the client to reduce the internal processing costs in engineering and construction. Similar agreements enabled the company to save several million dollars in general overhead costs involving routine office and administrative expenses such as air travel, shipping, and office equipment.

In the accounts receivable area, our initial analysis found a lack of standardised processes for collecting current and past due receivables. There was also a lack of integration between financial management and the operations and project management functions when collecting overdue accounts.

Overall cost savings



To address these issues, Proudfoot developed a standardized Accounts Receivable Management Operating System for all business units. This MOS included clear assignment of collection responsibility, regular accounts receivable reporting and review meetings, and the development and installation of database software that allows all stakeholders to view and track the status of accounts. As a result of these initiatives, the client was able to reduce its past due accounts receivable by \$57m approximately 50% more than originally targeted.

In addition to cost savings, Proudfoot also carried out a sales effectiveness programme that helped alleviate the effects of the downturn in the global market for the client's services. A combination of classroom training,

coaching in the field, and a Sales Management Operating System helped to improve sales effectiveness dramatically. Among the measurable achievements were a fivefold increase in sales meetings in one division, and a 59% increase in another.

The client's vice president of sales and commercial operations noted the company's sales force was achieving "much more face time with customers," and "much better identification of who the customers are and where we want to go". This, he noted, was accompanied by a "much more cohesive sales effort between the commercial department and the sales department".

The combination of cost savings and improved sales effectiveness

positioned the client to respond quickly and positively when market conditions improved. One executive summed up the overall reaction to the effort by saying, "I think [our company] has a bright future... Commercially we're strong; technically we're strong. With the [Proudfoot] intervention and the focus on our cost structure and execution skills, I think it's a combination that should make us world-class in the marketplace."

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Selected procurement savings

