

Strategic sourcing review for a large electricity network business

the challenge

Our client was a large State Government-owned electricity network business that was experiencing unprecedented growth in its capital program, and was falling behind in delivery. The business managed a field workforce of approximately 1500 people and delivered in excess of \$1 billion of work per annum.

The business had hitherto made mainly ad-hoc use of the external services market and was experiencing high costs and poor quality outcomes. They used a large number of external service providers, many of them very small, but in some 'bottleneck' skill areas had not secured any external assistance.

what Marchment Hill did

Marchment Hill worked with the business to develop a strategy to make better use of the external services market.

Through a process involving both extensive quantitative analysis and widespread stakeholder consultation, the team devised a strategy to address the issues of obtaining competitive cost, securing access to key skills and maintaining operational flexibility.

Marchment Hill developed a detailed model of the future Program of Work, reflecting geographic and skill dimensions. The model provided insight into the resource 'gap' as well as those areas of the program presenting the biggest volume risk to the business.

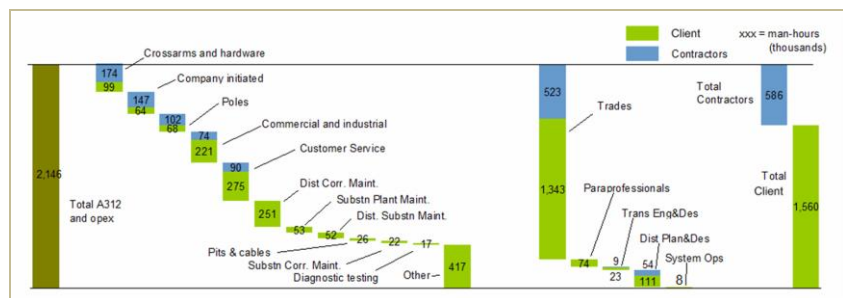


Figure 1: Marchment Hill's analysis showed how to drive unit-cost reductions and reduced contractor management effort through extended commitment to contractors for a range of simple repetitive work

The recommendations covered a range of areas including use of contract resources in regional areas; local discretion in and governance of sourcing decisions; allocation of work to 'panel' contractors; key areas where development of the external market should be stimulated; and strategies for ensuring continued competitive pressure on contractors.

MARCHMENT HILL *consulting*

the benefit

The strategy has resulted in our client engaging with several new service providers to bring new projects and programs to the market.

Further, it has enabled them to articulate the role of external service providers in the business, and has facilitated greater forward visibility of the work program by service providers, with consequent improvements in cost and performance.

Marchment Hill Consulting has offices in three locations which serve Australia and New Zealand, Asia and the Middle East.

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