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High performance. Delivered.

Achieving high
performance in the
global metals industry

Taking today's success
into tomorrow

• Consulting • Technology • Outsourcing



Taking today's success into tomorrow

The consolidation wave that has gripped the global metals industry since the beginning of this century—and which shows no signs of abating soon—has profoundly reshaped the industry and enhanced the fortunes of metals companies across the board.

At the company level, greater economies of scale and operating flexibility have improved profitability. At the industry level, consolidation has concentrated decision making and improved market discipline; helping the industry become less cyclical and more stable. These developments are inter-dependent: Stronger and more reliable levels of company profitability have led to higher valuations which in turn are stimulating further industry consolidation.

Today's "rising tide" is clearly benefiting all metals companies, creating a situation in which almost all industry participants are seen as "winners." However, this will not persist indefinitely. With increasing levels of competition and a range of future challenges, different companies will see different levels of success. Some will do a better job than others of taking advantage of this booming market and/or managing through any downturns that do occur. In other words, over time, there will be an increasing distance between those that achieve high performance and those that simply get by.

A changing landscape

There are a number of challenges that could make it difficult for metals companies to sustain high levels of profitability. Many are already facing increased complexity—a natural result of consolidation as organizations grow larger. Complexity is also driven by globalization as companies gain operations and customers in multiple countries and time zones, and work with a range of products, technologies, languages and cultures.

Knowledge retention presents another critical challenge. Many metals companies face large numbers of retirements in the near future. A great deal of knowledge, experience and leadership will leave the organization along with these people—and the resulting gaps will be hard to fill due to limited recruiting done over the past few decades as the industry went

through hard times. What's more, these workforce challenges are coming at a time when metals companies require more knowledge and skills to operate increasingly complicated and sophisticated businesses. Finding new ways to attract and retain talent is a key imperative for the entire industry.

Meanwhile, there is no shortage of external challenges, either. Market volatility has been dampened, but it has not been eradicated, and global political developments will continue to drive uncertainty and risk, as will continuing capacity growth in developing regions—especially China. And climate change is becoming an increasingly urgent issue; its impact is yet to be determined, but will likely dramatically alter the industry landscape.

Wherever you are...

To serve an increasingly global industry, Accenture has professionals around the world, and maintains metals industry-specific centers in established markets such as North America and Europe, and key emerging markets such as Brazil, Russia, India and China. Our industry-specific resources are backed by Accenture as a whole, which has operations in 49 countries. With this broad range of global resources, we can help growing metals companies address a full spectrum of business challenges—from strategy to execution, and from implementation to performance management—wherever their operations and customers may be.

As the industry's future unfolds, Accenture will continue to collaborate with metals companies to help them develop innovative strategies, redesign business processes, get the most out of information technologies and tap into the potential of their people. We will work with them bring it all together into effective operating models designed to achieve lasting results and high performance—today and tomorrow.

To find out more about how Accenture can help your organization achieve high performance, visit www.accenture.com/metals

New operating models for new times

In the near future, metals companies are likely to find that the traditional approaches to working are no longer effective—and that they need to transform their fundamental operating models.

A company's operating model encompasses three basic organizational spheres and the interactions of those spheres to drive value (see diagram). Traditionally, metals companies have operated with a very hands-on Corporate Core that manages Support Services and Lines of Business at a fairly detailed day-to-day level. However, as companies and supply chains become increasingly large and complex, that model is becoming less and less workable.

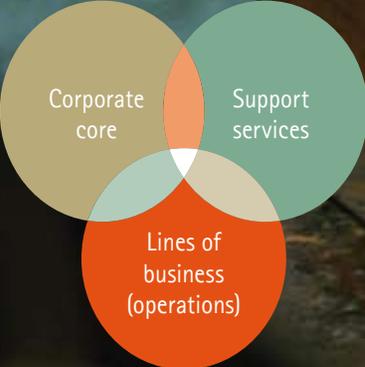
As a starting point in transforming their operating models, metals companies need to ask a number of basic questions about the relationship of the Corporate Core to the other spheres. For example, how hands-on should the core be in managing operations? How should P&L accountability for business units be managed? How active should the core be in managing service cost and standards? Should corporate officers also run central support functions? The answers to such questions will vary depending on the company and its specific situation.



Operating model framework

Corporate core

- Primary strategy, policy and oversight functions
- Delegated extension of CEO and BoD
- Manage performance accountabilities for lines of business and support services delivery organizations



Support services

- Provide support services to lines of business and the corporate core
- Includes both expertise/specialist services and back-office transactional support
- Level of service based on cost/service trade-offs

Lines of business (BU's)

- Primary revenue-generating activities
- Aligned to match competitive and market requirements
- "Consume" support services and operate under the direction of the corporate core

Real-world experience, real-world impact

Accenture helps metals companies succeed in meeting a variety of industry challenges. For example, we have helped companies:

Rethink operating models.

We helped a leading global metals company implement a new operating model that included a redefinition and executive alignment around the role of the corporate core; implementation of a shared services model featuring both transaction and expertise centers; and the establishment of a new performance management system based on ROCE performance objectives. Efficiency savings achieved were in excess of 25 percent.

Identify and assess merger and acquisition opportunities.

With an eye toward industry consolidation, an integrated steel company wanted a systematic way to evaluate possible acquisition targets. We developed an acquisition screening program that provides a consistent framework for assessing targets, and worked with senior management and functional experts to prioritize targets based on the strategic needs and financial considerations. The company now has a clear methodology that uses specific criteria for identifying, analyzing and prioritizing targets—quickly, thoroughly and consistently.

Standardize and streamline processes through outsourcing.

With legacy IT systems and disparate processes across its finance organization, a global metals company outsourced its finance and administrative operations to the Accenture Delivery Center in Prague. The company was able to quickly and efficiently centralize support

functions and eliminate duplicate work while simplifying and standardizing processes. Operational expenses are expected to decrease 30 percent, and management is able to focus a larger percentage of time on the company's core business.

Transform sourcing and procurement.

As part of an effort to move to a new operating model, a Chinese steel producer worked with Accenture to change its approach to procurement. We provided a structured approach to addressing the divergent opinions of various senior and middle management members, developed a transformation road map, and created plans for changing the organization, processes, metrics and technology. The new procurement approach is expected to save millions of dollars a year and is increasing collaboration across business units, paving the way for closer collaboration in areas such as sales and marketing, research and development, and finance.

Enable supply chain improvements.

A major supplier of tubular products saw that in its effort to improve the supply chain, it would be critical to keep people up to speed on increasingly sophisticated tools and concepts. The company turned to the Accenture's Supply Chain Academy—a pioneering educational system that provides access to more than 250 online courses as well as interactive learning events, various information sources and collaborative communities. The academy has helped employees achieve a clearer understanding of supply chain concepts, and given the company a common baseline of knowledge for its continued improvement of supply chain operations.

Take advantage of new technologies and processes.

In its newest factory, a steel manufacturer wanted to minimize the manual tracking of steel slabs in the transport chain. Accenture drew on its radio frequency identification (RFID) and process expertise to automate the identification of slabs. With the automated tracking of these products, the company expects to see shorter loading times and reduced costs—including a reduction of up to US\$658,000 per year in manual labor. The solution will also reduce the risk of product mix-ups that could otherwise lead to millions in additional costs.

Enhance control and efficiency with enterprise systems.

Accenture worked with a major metals producer to complete a complex implementation of SAP enterprise software that supports sales and distribution, purchasing and inventory and finance and controlling processes. Drawing on our Accenture Delivery Methods for SAP methodology, we implemented the entire solution across four plants and some 2,000 users in just 15 months. The effort has helped the company unify processes and centralize key support functions, and given it better financial control, increased efficiency and improved visibility into both supply chain performance and product and customer profitability.



Targeting high performance

At Accenture, we use our industry and business process knowledge, our service offering expertise and our insight into existing and emerging technologies to identify new business and technology trends. We help clients identify and enter new markets, increase revenues in existing markets, improve operational performance and deliver their products and services more effectively and efficiently. To do so, we offer:

- **Management consulting**, helping companies achieve high performance in areas such as customer relationship management, finance and performance management, human performance, strategy and supply chain management.
- **Systems integration and technology**, with a broad range of services covering everything from IT strategy and information management to architectures, infrastructures, mobile solutions and enterprise solutions—including our industry-focused Advanced Enterprise Solution for Metals.
- **Outsourcing**, including application outsourcing, IT infrastructure outsourcing and business process outsourcing in areas such as finance and accounting, supply chain management, human resources and procurement.

Understanding the high-performance business

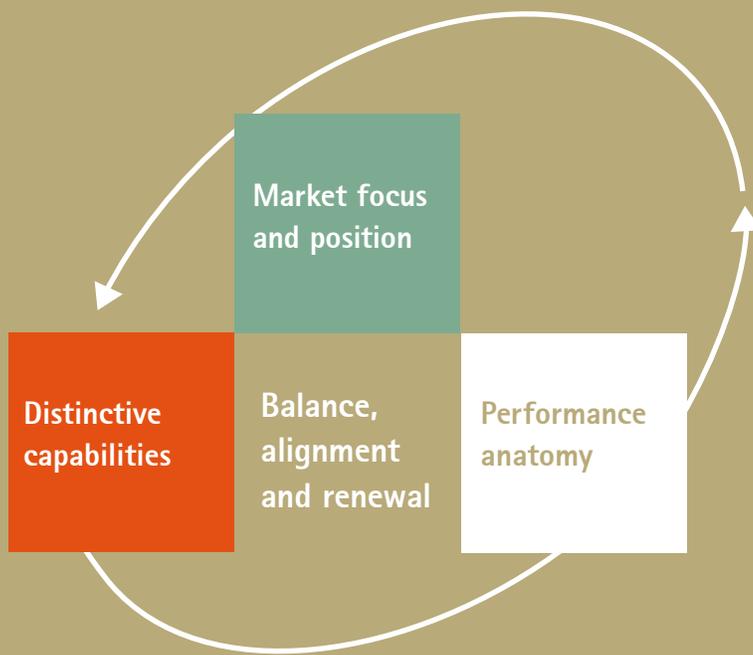
To help ensure that metals companies can stay in the forefront in a changing industry, Accenture works closely with leading companies and industry thought leaders to develop innovative approaches to doing business. In addition, we draw on Accenture's extensive High Performance Business research program. This ongoing, multi-year research takes a data and metrics-driven look at the nature of high performance, and the approaches and actions that businesses take to achieve high performance. The effort, which has to date analyzed more than 6,000 companies, has been recognized by the *Harvard Business Review* as one of the 10 most notable initiatives in the field during the past quarter century.

A fundamental finding of our research is that high performance is based on three building blocks:

- **Market Focus and Position**, which involves making strategic decisions about where and how to compete.
- **Distinctive Capabilities**, which involves the way a company does business in order to create value.
- **Performance Anatomy**, which involves the mindsets that enable a company to make winning decisions and execute better than the competition.

By continually balancing, aligning and renewing these building blocks, companies transform themselves into high-performance businesses. We define a high-performance business as one that out-performs its peers, across business and economic cycles, often across generations of leadership, and as measured by widely accepted financial metrics.

To achieve high performance, organizations need to get three things right.





Driving business process excellence

To help metals companies achieve high performance, Accenture has developed a repository of industry-specific, leading-practice processes. The processes in this process excellence repository were identified and developed through our long experience across hundreds of engagements with metals companies, as well as in our metals-industry research program. We can leverage these proven industry processes to benchmark process performance, redesign processes and accelerate the delivery of technology implementations.



To find out more about how Accenture can help your organization achieve high performance, visit www.accenture.com/metals



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About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Committed to delivering innovation, Accenture collaborates with its clients to help them become high-performance businesses and governments. With deep industry and business process expertise, broad global resources and a proven track record, Accenture can mobilize the right people, skills, and technologies to help clients improve their performance. With approximately 152,000 people in 49 countries, the company generated net revenues of US\$16.65 billion for the fiscal year ended Aug. 31, 2006. Its home page is www.accenture.com.

