Konkola Copper Mines plc

Konkola Copper Mines: Creating a Platform for Future Growth with SAP® ERP

Increasing urbanization, infrastructure spending, and the move to energy efficiency is fueling an increase in demand for copper globally. To meet this demand now and in the future, Konkola Copper Mines plc, a subsidiary of Vedanta Resources plc, embarked on a **business transformation** to become a world-class copper mining and metals company using the SAP® ERP application.

Executive overview

Company
Konkola Copper Mines plc

Headquarters
Chingola, Zambia

Industry
Mining – metal mining companies

Products and Services
Mining of copper, cobalt and pyrite and smelting of copper

Employees
9,500

Revenue
US$1.5 billion

Web Site
www.kcm.co.zm/index.php

Partner
Accenture plc
www.accenture.com

BUSINESS TRANSFORMATION

The company's top objectives

- Integrate and optimize business systems to achieve operational efficiency and gain full visibility across the organization
- Map efficiency throughout the manufacturing process in real time
- Speed up financial closure and reporting and improve audit ratings

The resolution

- Replaced legacy business systems with the SAP® ERP application and integrated end-to-end business processes
- Adhered to standard SAP templates for process redesign
- Implemented the SAP for Mining solution portfolio and adopted best-practice methodology

The key benefits

- Single and consistent view of the business from one data source
- Accurate and real-time metal accounting
- Improved data quality, allowing faster, more accurate decision making

Read more

"Our visibility of, and access to, information on mining production, engineering, and all business functions across Konkola Copper Mines has improved significantly with SAP ERP software."

Arun Phadke, CIO, Konkola Copper Mines plc

TOP BENEFITS ACHIEVED

>$20 million
Reduction in stores inventory

>75%
Less time from purchase order to requisition

>75%
Overall equipment effectiveness of assets

See more metrics

Executive overview

Company objectives

Resolution

Business transformation

Future plans

Integrating business systems for scale and efficiency

Konkola Copper Mines plc (KCM) is the largest copper mining and smelting company in Zambia and is a subsidiary of metals and mining group giant Vedanta Resources plc. KCM's operations span the mining value chain along Zambia's Copperbelt Province and consists of underground mines, open-pit mines, a tailings leach plant, a smelter, and a refinery. The organization employs more than 9,500 employees and has an additional 11,000 contractors.

KCM has enjoyed rapid growth to supply the copper demands of developing nations as they undertake massive infrastructure improvements. In addition, the global focus on energy efficiency and pollution reduction is further sustaining high copper demand for use in the manufacture of electric cars, energy-saving equipment, and energy storage facilities.

However, in the face of such rapid and sustained growth, KCM's internal systems were starting to strain and could not support the growing demands of the company across its entire business value chain. Without company-wide visibility into key operational metrics, KCM encountered inefficiencies across different processes. There were also greater challenges involving scalability of the business, multiple data sources, and lack of integration.

For KCM, evaluating its existing systems and processes became critical to create a platform for future growth. To achieve this, KCM's senior management team evaluated a number of solutions and opted for the SAP® ERP application as its platform of choice.

> "Factors that influenced our decision to use SAP ERP include SAP's strong mining industry leadership, software integration, and the testament from multiple companies within the Vedanta group."
>
> Arun Phadke, CIO, Konkola Copper Mines plc

Executive overview

Company objectives

Resolution

Business transformation

Future plans

Using SAP ERP for better, more accurate decision making

Having decided on SAP ERP, KCM appointed Accenture plc as its implementation partner and set clear business expectations for the deployment. This ensured that the project focused directly on achieving key business performance improvements and facilitated better, more accurate decision making to benefit the company. KCM also gave a clear mandate for minimal customization.

"We recognized the benefits of best-practice methodology and mining industry expertise inherent in the SAP for Mining solution portfolio," says CIO Arun Phadke. "So it was critical for us to change our business processes to reflect these standards rather than tamper with a proven approach. The only customization allowed was for purely regulatory and compliance requirements."

KCM mapped out clear lines of responsibility and appointed the best people to run the project, with implementation success set as a critical key performance indicator (KPI). At the top, an apex committee was formed to ensure that key milestones were met and the project was staffed effectively. Underneath, a steering committee monitored the overall implementation.

"We split the project into a number of phases to streamline the execution and help ensure manageability over the eight-month implementation," continued Phadke. "A conference room pilot demonstrated the designed processes, and each phase of the project was strictly audited to ensure adherence to the SAP template."

Appointing a change manager, KCM tackled the challenge of training 1,300 users, many of whom were first-time users, with basic PC familiarization as a starting point. Training on the new solution was then conducted over a two-month period.

Executive overview

Company objectives

Resolution

Business transformation

Future plans

Extracting greater business efficiency

Since completing the SAP ERP implementation, KCM has realized all business goals set at the start of the project. "We now have the SAP for Mining solution portfolio running across the business, which covers the entire mining value chain from extraction to finished product," comments Phadke.

The company has shortened the cycle time from purchase requisition to PO by more than 75% (from 30 to 7 days), thanks to more agile, integrated processes and company-wide reporting. At the same time, PO to delivery is down from 90 days to 6 weeks.

In addition, the asset overall equipment effectiveness (OEE) has increased to more than 75%, and KCM's management team has been able to map efficiency across the manufacturing process.

Most changes have directly impacted the company's bottom line and lowered operating expenses. For example, KCM has dramatically realized benefits in inventory management by reducing inventory by more than US$20 million.

KEY BENEFITS

>$20 million
Reduction in stores inventory

>75%
Overall equipment effectiveness of assets

>75%
Less time from purchase requisition to order

5 days
For monthly financial closure and reporting

Executive overview

Company objectives

Resolution

Business transformation

Future plans

Mining the company data for deeper insights

With the SAP ERP application now forming the backbone of KCM's operations, the company is well positioned to handle continuous growth in copper demand throughout the world and scale for growth accordingly.

With a single source of data for its entire operations, the company now uses a dashboard to reflect performance against KPIs. KCM's management team now has mapped efficiency through the different stages of the manufacturing process for more accurate reporting. This is helping to drive their decision-making process, which in turn is leading to increased efficiency and competitiveness.

Going forward, the company is considering adopting SAP BusinessObjects™ business intelligence solutions to deepen business insights. This will further enhance decision making to help drive efficiencies and profitability across the organization.

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