IDEMITSU AUSTRALIA RESOURCES

MINING SAP® SOFTWARE TO IMPROVE COMMUNICATION AND SUPPORT GROWTH

"Even though we designed this platform for shared – and improved – communication, we could never have foreseen the positive outcomes that resulted."

Trevor Smith, CFO
Idemitsu Australia Resources Pty. Ltd.

QUICK FACTS

Company

- Name: Idemitsu Australia Resources Pty. Ltd.
- Location: New South Wales and Queensland, Australia
- Industry: Mining
- Products and services: Coal mining
- Revenue: Approximately A$1 billion–$2 billion (US$1.1 billion–$2.1 billion)
- Employees: 850
- Web site: www.idemitsu.com.au
- Implementation partner: Extend Technologies

Challenges and Opportunities

- Create a platform to manage significant projected company growth
- Unite different business units into one company-wide enterprise resource planning (ERP) solution
- Move to a shared services model
- Meet internal corporate governance requirements

Objectives

- Achieve commonality in company systems, introducing a service shared by all business units
- Migrate different company units to a new ERP system
- Ensure that the strengths of the previous ERP system were recreated in a flexible manner
- Accomplish standardization of systems across the company
- Accelerate and streamline monthly reporting cycle

SAP® Solutions and Services

- SAP® Business All-in-One for Mining solution
- SAP ERP Human Capital Management solution (for payroll)

Why SAP

- Strong and capable solution to support current and future business growth
- Comprehensive and powerful reporting tools in an integrated environment
- Flexible system ensuring that strengths of the company's existing ERP software were incorporated into the new solution

Benefits

- Monthly company reporting reduced by 30%
- Surge in effective company-wide communication
- Simplification of systems across the business
- Ability to report and create common data across the business
- Replication of mobile applications used at one site, to be introduced for the first time to other site staff
- Company poised for future growth and smarter management, including plans to raise efficiency, reduce inventory levels, and initiate group procurement and common materials management

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Idemitsu Australia

Organic growth may be the dream of every bright company. But after 30 years in business, having achieved that goal, coal-mining firm Idemitsu Australia Resources Pty. Ltd. (IAR) found itself confronted by new challenges. Organizational change and corporate governance requirements spelled the need to consolidate IT systems. With the SAP® Business All-in-One for Mining solution, IAR realized not only company-wide commonality but greater speed, efficiency, and a whole new era of cross-enterprise communication.

A subsidiary of Japanese company Idemitsu Kosan Co. Ltd., Idemitsu Australia Resources operates two 100%-owned mines and two joint ventures in Australia. Altogether, the Australian mines produce some 10 million tons of coal per annum. One of its 100%-owned mines, Boggabri Coal, has been growing exponentially: from 1.5 million tons in 2010 to 3 million tons in 2011 and, subject to approvals, a predicted 6.5 million tons by 2013. And a recent reshuffle of the finance group had IAR's main joint venture, Ensham Resources, moving in to share the IAR head office. Yet Ensham was running different enterprise resource planning (ERP) software. At this point, IAR recognized the need to both future-proof and consolidate its IT systems.

A Need to Streamline the Business

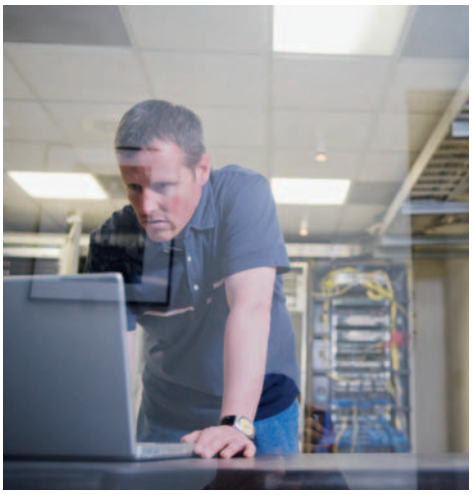
Alongside these challenges was the innate complexity of IAR's business itself. Just 5% of its coal is sold domestically, with the rest shipped predominantly to Asia. The company juggles development and production at its sites, as well as the complex distribution chain of rail, ports, and shipping, and extensive marketing in multiple countries. Improving and streamlining internal corporate governance requirements had become essential. And since its parent company had listed on the Japanese stock exchange in 2006, IAR needed to comply with both Australian and Japanese regulations.

"We've been through a period of significant development in the last few years, mainly through organic growth," says Trevor Smith, CFO at IAR. "We also had to address increased corporate governance requirements resulting from the listing of our overseas parent. And the other major change occurring in our business was the move to shared services." Each of the mine sites acted autonomously, to a greater or lesser extent. "Effectively, we all had different systems, so the push became to standardize those systems. We looked at the core systems in our business, and what we wanted was commonality," Smith explains.

The Move to a Common System

In searching for commonality and a shared services model, IAR took a look at its two existing ERP systems. One was the company's standard, a platform provided by Pulse Mining Systems. This served the head office and the firm's two fully owned mines. The other was the SAP software that Ensham Resources had put in place about a year before.

It would, of course, have been possible to stay with both. And many within IAR were happy with their existing setup; for example, Muswellbrook Coal Company, another of IAR's fully owned mines, had been using its ERP software for more than 15 years. But IAR was impressed with the benefits SAP software had brought to Ensham Resources in just a year. Whereas previously Ensham ran a number of different applications, with separate payroll and manual preparation of accounts, Ensham had achieved full integration in moving to the SAP solution. What's more, a changeover to SAP software across IAR offered not only commonality but a genuine foundation for growth. What SAP offered, Smith says, was an elasticity that would grow with the company. "SAP offered a product with more functionality and greater flexibility for integrating some of the other subsystems and information systems we wanted to use going forward. We felt it provided us with a better platform for where we wanted to take the business."



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Trevor Smith, CFO – Idemitsu Australia Resources Pty. Ltd.

The Value of a Team Approach

Implementing the new system had its complexities. Two mine sites and corporate headquarters needed to migrate to the new software, and that involved a change in the company culture. "We were challenging people to change processes and the way they had done things for a number of years," Smith says. "We had some very sophisticated ERP users who had been using Pulse Mining Systems for a very long time and couldn't see the need to move. So it was complex in that we had software in place that served individual business needs, but the consolidated enterprise required moving to a common system."

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Adding to the complexity, IAR wanted to incorporate into the new scheme various aspects of the old. "We wanted to take the good of the old system and replicate that in the SAP software along the way," says Smith. This included a popular Web-based invoice and purchase order module and mobile applications for maintenance planning and inventory management. "That was considered important functionality that we didn't want to lose," says Smith. "And using SAP workflow processes and the tools that SAP provided, we were able to achieve something that is very similar."

After eight weeks of scoping, implementation was completed on schedule in just 16 weeks. The implementation was multidisciplinary, including functionality encompassing maintenance planning, materials management, payroll, finance, and accounts payable. A multidisciplinary project team included key people from IAR as well as implementation partner Extend Technologies. And it was this team, and the high-caliber skills and commitment of the people involved, that ultimately made the implementation so successful, Smith believes.

IAR ensured that key internal employees from the head office and mine sites were involved in the implementation from start to finish. "It was important to have those people there, because at the end of the day, it was their knowledge of the business, their knowledge of outcome requirements, that guided us through the blueprinting phase of the project," Smith says. Implementation partner Extend Technologies then brought a wealth of experience – and continuity – to the table. "The experience on that team was invaluable in solving problems and issues as they arose," Smith says. "In this project we managed to go through five months with the same people involved. That continuity was key, since those in scoping and blueprinting took it all the way through to configuration. The involvement of the consultant project manager was also key. His experience in SAP implementations and knowledge of the mining business, as well as his relationship with Extend, ensured that the project kept on track against both schedule and budget."

Simpler System, Streamlined Processes, Better Communication

One of the major benefits to IAR has been simplification. All finances are now on the same system, with staff members able to report and source common data right across the business. Mobile applications for maintenance staff were replicated at Muswellbrook and will be implemented at other mine sites. And the time taken to produce month-end results has been reduced by 30%. "We haven't yet met our ultimate objectives. But to realize these efficiencies in just six months since going live is certainly an achievement – given that we also had year-end reporting and audits thrown in." Smith says.

Just as powerful, in a qualitative sense, has been the surge in company-wide communication. "One of the biggest benefits for us has been that people at our various mine sites are talking to one another," says Smith. "We really never had a platform before to do that." Previously autonomous sites are now regularly communicating and sharing

information. The success in this area has almost surprised IAR, particularly in the way it has connected teams from the joint ventures. Smith remarks, "It's a great communication forum for people and their counterparts at other mines to forge relationships. They now know the right person to contact and just pick up the phone. SAP software really brought them together."

The Sky's the Limit for Future Plans

Now that the company is familiar with its new software, IAR is looking forward to reaping the benefits. "Going forward, I think we'll see a lot of qualitative benefits," says Smith. "And that means faster recording time, greater level of detail in transactions, and the ability to drill down into costs." But that is just the start. IAR aims to use its new system to reduce inventory levels, initiate group procurement, build common processes, and create commonality in materials management. The company is also looking at a major reporting review, potentially extending its SAP software landscape this year with the use of SAP BusinessObjects™ business intelligence solutions. Ultimately, with its goal of shared services now achieved, IAR is returning to its journey of organic growth, this time relying on SAP solutions for faster results, greater effectiveness, and smarter communication.

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