

'Lessons Learned from Risk Mitigators' - Case Study Cheat Sheet

Paula is the Head of Procurement at Beatles Construction Group, a large, tier-1 engineering and construction company based in Sydney, with an annual revenue of \$1.5 billion.¹ BCG delivers large infrastructure projects across Australia, including bridges, roads, and tunnels, many of which are government funded.²

Paula's central team is comprised of 3 procurement officers and drives governance across an average of 30 projects at any one time.³ The group engages around 3,000 suppliers and subcontractors and the bulk of procurement and contract management is managed by administrators on each project.⁴

Beatles Construction Group were recently awarded the largest project to date at Abbey Rd called the Ringo Bridge Project. Being their largest project, the central team has been requested to assist and working hard for the past few weeks to source suppliers and subcontractors.⁵ They're not based on-site⁶ and have fallen behind schedule due to several other projects wrapping up at the same time.⁷ The team has also been pulled in to help with business as usual activities like accounts payable reconciliation for those projects.⁸

The team has therefore been working overtime to compile all project requirements, send out RFQs via email to a list of suppliers on BCG's Excel supplier database⁹, and then emailing supplier qualification forms to all tendering suppliers and collecting all returned documentation.¹⁰ Some of those suppliers have worked on BCG's last project which has only just wrapped up a couple of months ago.

¹ All Australian organisation with an annual revenue of A\$100 million and above are subject to adhering to the Modern Slavery Act.

² Organisations who partake in government funded projects are required to meet sustainability and diversity quotas. For example: Indigenous Ownership, Female Participation, Active Learning, Social Procurement etc.

³ An understaffed team leads to a lack of attention to detail. Given the team is always in "firefighting mode" (continuously fixing problems), it leads to a lack of process governance and oversight.

⁴ The decentralised procurement model might mean that the people managing the procurement and contract management do not have the expertise and experience to handle a large project such as this.

⁵ The small team of three is being pulled away from other projects running at the same time. This results in lower efficiency and productivity, due to being spread too thin across projects.

⁶ A lack of procurement expertise on-site and potentially a lack of collaboration as well.

⁷ This is a result of inefficient processes causing delays.

⁸ If you already had a procurement system that talks to your accounting system, the central team would not have to be pulled into this task to investigate potential spend leakage.

⁹ Supplier details are being stored in a disconnect platform, which raises concerns about data security, along with RFQs being sent by email. This is an inefficient way to track and monitor responses and can cause delays in the project timeline.

¹⁰ This manual process takes time and may result in documents going unchecked or lack thereof can result in non-compliance.

Realising this, the project admins checked their separate supplier folder, and then transferred the documentation already provided by those suppliers on the previous project into the new documentation folder created specifically for the Ringo Bridge Project.¹¹ This has helped save them significant time and effort.

George, a Senior Procurement Officer, has been tasked with the responsibility of obtaining approval from BCG's Subject Matter Experts (SMEs), once all compliance documentation has been received from suppliers. George is sending the documentation to the evaluators via an email chain.¹² It's been a tedious task, since many of the SMEs are based on-site and are extremely hard to get a hold of.¹³

The team has been particularly busy this week since many of the suppliers invited to quote on items for this project have been phoning in with various queries and to request changes to their current details, including banking information.¹⁴

Some of those suppliers have called to advise that they will not be able to provide all documentation by the deadline. Some of them are due to start work on-site on Monday next week, so BCG has allowed them to begin work provided that they agree to submit all documentation by the end of the month.¹⁵

About a month ago John, a 55-year-old truck driver, suffered fatal injuries while offloading steel pipes from a his heavy-vehicle trailer at the Blackbird site of BCG's Ringo Bridge project. The investigation revealed that John was performing the task on his own and wasn't wearing the appropriate PPE. The company John worked for, Yoko Logistics Australia, who have worked on several BCG projects in the past, has been under investigation since.¹⁶

BCG have recently engaged a consulting firm to conduct a risk audit of their processes. Members of the audit team are meeting at the PASA ProcureTECH conference in Brisbane to discuss BCG's current processes, identify risks and provide recommendations to their client.

¹¹ Because suppliers were compliant on other project, the team are cutting corners to save time, which is a breach of policy. By assuming these same vendors are compliant on the current site, it also exposes the team to the risks of expired and missed documentation that might apply to this new site.

¹² This is an inefficient way of tracking evaluations and approvals, and can lead to process and task duplication, or potentially missed sign-off from particular evaluators.

¹³ This create process bottlenecks and there is no delegation of authority to ensure a dedicated SME is signing off on the project.

¹⁴ Vendors are not in charge of managing their payment details, therefore this manual process exposes the organisation to fraud as there is no authentication process.

¹⁵ The organisation runs the risk of engaging a non-compliant vendor on-site.

¹⁶ There was no performance evaluation in previous project, and due to a lack of due diligence, the organisation is now legally liable for John's fatality. Consequently, the reputation of the organisation could be in jeopardy and can lead to future opportunities being lost on large projects.