

Interim Cost reduction Saudi Infrastructure

Background

Aramco, the Saudi Arabian utilities company that manages KSA's oil industry was just completing its first five-year plan to develop the infrastructure of the Kingdom. Initial infrastructure programmes (development of roads, sewage treatment plants, water distribution and electrical grids) were running up to 50% over budget in both time and cost frames, resulting in overspend in the order of \$400m per annum. With daily oil revenue climbing to over \$360m, the programme over-run was arising because the Aramco 'cost control' system was insensitive to cost items below \$100k.

Ability to Integrate into Client Company

Appointed as Project Manager, to manage the Development Department, responsible for all construction contracts within the development programme, with a staff of 45, all of which were American engineers, schedulers and surveyors. The first task was to change the existing mind-set to focus individuals on achieving budgets in both time frame and costs. Establishing weekly target figures, allocating specific responsibilities for individuals and creating team environment, provided the framework for a smooth integration into the department.

Impact on Business

Within a 6 month period, over 85% of contracts were operating within programme. The \$400m overspend was reduced to zero and contracts were operating within the annual \$840m budget. Designing a micro-control model, enabled contracts to be managed efficiently by the department and the collated figures fed into Aramco's 'macro' financial control system. Whilst individual contracts were managed at department level, corporate reporting enabled overall economic planning.

Achievement of Objectives

The initial objective was to promptly bring contracts into line with budget and reduce overspend. Having achieved these objectives in 6 months, the next target was to reduce costs. Through negotiating improved supply contracts and using bonus related construction contracts, the department was able to increase through-put by 30%, achieving effectively a \$250m savings per annum.

Leadership/Management Skills

The work-force, contractors and suppliers formed a multi-national selection. Management style had to embrace various cultures which involved an intuitive as well as tenacious approach. Equally, a sensitive approach was required to balance political, religious and corporate cultures, a demand which was skilfully achieved.

Other Comments

An assignment undertaken relatively early in my career, and an experience which has afforded invaluable insight into corporate and political scenarios