SUMMARY

The implementation of TRACK at a leading chemical company revolutionized cost reporting accuracy, achieving 95% certainty. By leveraging TRACK, the company overcame challenges in contractor spend management, late invoicing, and workforce visibility, paving the way for significant cost savings and operational efficiency enhancements.

THE CLIENT
A Multinational Chemical Company

INDUSTRY
Chemical

HEADQUARTERS
Houston, Texas

COMPANY SIZE
20,000+ employees

ANNUAL REVENUE
$41 Billion

PRODUCT USED
TRACK

The Challenge:

Zero Confidence in Budget Accuracy

Chemical Company Gains 95% Cost Certainty with TRACK

Cost reporting, both actuals and forecast, were as much as 25% off before TRACK

A major U.S. chemicals market leader valued at over $30 billion had over 20,000 employees but faced numerous challenges in contractor workforce management, cost reporting accuracy, and equipment visibility across their routine maintenance and turnaround projects.

Field supervisors lacked visibility into contractual terms and conditions, manpower skills, crew mix assigned to their areas, and contractor's on-site time. Additionally, after approving time in the field, the field supervisors never saw the actual invoices. As a result, a Cost Controls team utilizing vendor-supplied Force Reports and Staffing Plans estimated spending. Spending estimates were then adjusted to match ERP actuals. The adjustments were often more than 25%.

They turned to Management Controls (MCi)'s TRACK software for cost controls to manage and pay their contractor workforce with confidence. With TRACK, the chemical company reached 95% cost accuracy in real-time. In addition, outstanding liabilities were accounted for and visible, eliminating late invoicing after projects were closed.

First-Time Manager Faced Budget Oversight Challenges

When a long-time craftsman and a first-line supervisor at the chemical company was promoted to turnaround manager, his first project was overseeing a $3 million outage scheduled to last 11 days.

Typically, the chemical company did one major turnaround every year, exceeding $100 million, and four or more turnarounds in the $1 million to $50 million budget range.

During his first turnaround, the new manager was asked daily to present his progress, regarding his schedule and budget. The questions asked were: Are you on schedule and are you on budget? If not, do you understand why and what to do to address the issues, ensuring schedule integrity and budget control?

Problems Identified

- No confidence in cost reporting during projects.

- Late invoices submitted after projects closed.

- Field supervisors unaware of contractual terms and conditions.

- Lacked visibility into total manpower on-site.

- Lacked equipment visibility in the billing process.

The Solution:
TRACK delivers **95%** Cost Accuracy

When there were issues with the schedule, multiple people were ready to help the new manager.

However, there was less support when it came to spending, forecasting, and cost controls. There was a plan on how much money should be spent each day. Despite the plan and the best efforts of the cost controls team, it wasn't clear how much money was spent in real-time or how the money was spent. This lack of real-time spending and the delay in actual cost settling in his ERP system prevented timely adjustments.

"I found myself trying to figure out how much I actually spent in real-time, but I didn't have enough information," said the former manager, who spent 40 years working in the industry. "I had no confidence in the accuracy of the cost reporting provided to me from the cost controls team."

> # I had no confidence in the accuracy of my cost reporting prior to TRACK.
> – *Former plant maintenance and turnaround manager with more than 40 years of experience in the field.*

Overcoming Cost Uncertainty with TRACK

During his first project, the new manager approached some of the veterans about handling his uneasiness about cost controls. Their advice: "You must be comfortable that the plan accuracy is relatively good and you're going to be close. You'll develop this instinct over time, and you'll know if you're going off course," he said.

So, even veterans couldn't account for spend with 100% accuracy. The new manager wasn't comfortable with this approach.

Two months after another $1 million turnaround project closed out, the new manager was called in to account for a $200,000 invoice submitted 6 months after the project close-out.

The new manager was nervous he would lose his job. "I decided if I get to keep my job, I have to find a tool that will provide more insight into spending," he said.

Then, he found MCi's TRACK contractor spend management software.

Before TRACK, the new manager couldn't tell if he was within 25% of his target number on any given day of a project—except for day one. "There are too many things happening too quickly," he said.

TRACK provided 95% cost accuracy for reporting. Plus, outstanding liabilities were always accounted for and visible, eliminating late invoicing after turnaround projects were closed. One example found by TRACK: A vendor submitted an invoice as if it was a lump sum contract instead of the agreed-upon time and materials contract. The discovery shaved 42% off the invoice.

Soon, every manager, including the veterans running the $100 million turnarounds, was using TRACK.

Key Outcomes

- Achieved 95% cost certainty with TRACK.

- Realized previous cost estimates were off by as much as 25%.

- Gained visibility into manpower and equipment, leading to better safety and cost management.

- Applied savings to additional maintenance projects, enhancing overall budget efficiency.

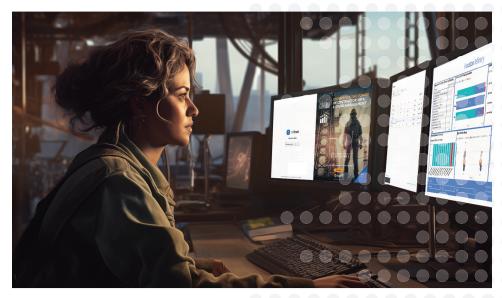- Identified 15% overbilling for equipment.

The Results:
Changed Behavior, Greater Results

TRACK Delivers Enhanced Accountability and Safety

The sinking feeling the turnaround manager felt when he had to account for the late invoice would not be repeated. With TRACK, outstanding liabilities were always accounted for and visible, eliminating late invoicing after projects were closed.

TRACK also removed the burden from the field supervisors to enforce contractual terms and conditions. With TRACK, they could focus solely on working safe and completing the work on time.

Safety was also improved. There were typically 1,000 to 3,000 people per shift when the company did its annual major turnaround ($100 million-plus). Maintaining visibility into the total workforce on-site for safety (and contractual purposes) was nearly impossible before TRACK.

TRACK gives field supervisors' real-time visibility into the on-site workforce. It was a game changer: management knew the exact number of hours and consecutive days every craftsman had worked—ensuring fatigue thresholds weren't exceeded. No longer waiting for vendor-provided Force Reports, they could confirm they had the correct staffing levels to complete the work scheduled for every shift.

Later, the turnaround manager returned to maintenance where he was responsible for ~80% of expense spending at the chemical plant. When his budget was frozen for several years in a row, he could still accomplish the same volume of work, by adding additional vendors to TRACK. By taking advantage of the savings Track provided, he could even offset for inflation.

After transferring to a new location, he started using TRACK for all maintenance projects. At the new location, the maintenance department worked with 28 vendors. Prior to on-boarding the three biggest vendors into TRACK, a two-week case study revealed savings (if amortized over a year) were over $2.6 million. Over the next few years, every vendor was on-boarded to TRACK.

The manager applied the savings to offset the budget freeze while maintaining the facility. In effect, the site was getting more work done for the same budget due to contractor behavioral changes caused by TRACK and eliminating overpayments to vendors.

Conclusion:
Visibility and Value-Added Work

Real-Time Visibility is a Game-Changer

Chemical companies need real-time visibility into contractor spend for reporting and forecasting. Field supervisors need to focus on safe execution of work and completing all work scheduled not cost controls. Managers responsible for budgets need real-time insight into costs to ensure they're not overspending. Accountability for spending and forecasting is very challenging, particularly when there could be thousands of contractors on-site working under different vendor contracts.

Tracking spend by instinct doesn't cut it. Contract terms and conditions are complex, and worksites are hectic. In this case, the maintenance manager knew there was little he could do to ensure budget accuracy and enforce contract compliance.

He turned to TRACK, which provided his team with much-needed real-time visibility into labor, materials, and equipment spend. The increased visibility led to cost savings that the chemical company could turn into value-added work — even when their annual budget was flat.

ABOUT MCi

Management Controls Inc. (MCi) is a developer of a Contractor Data and Spend Management platform designed for industries that rely heavily on contractors for operations, routine maintenance, turnarounds and capital projects. The company's TRACK software offers an end-to-end solution for all parties involved in tracking the costs of contractor labor, equipment and materials, transforming the working relationship between owners and contractors by providing both parties full visibility, significant cost controls and immediate savings.

Connect With Us

Find out how the myTrack Platform can help you better manage and reduce contractor costs.

BOOK A MEETING

TRACK PLATFORM

MANAGE TRACK OPTIMIZE

POWERED BY

MANAGEMENT CONTROLS

1. ORACLE PRIMAVERA / SAP / IBM maximo — Import PO/WO/WBS
2. Automated Time Collection, Labor, Equipment & Materials
3. Automatically Applies Contract Ts & Cs Net-Billable Time
4. Contractor Allocates & Accepts Costs Across PO/WO/WBS
5. Owner Authorizes Costs
6. Contractor & Owner Share Cost & Hours Visibility
7. Contractor Payroll & AR / Update Maintenance Systems / Automated Creation, Validation & Delivery

External Systems / CMMS / ERP

TRACK PLATFORM