

Serving the Sector

With a diverse range of services, the UGM Group is ensuring its future success with employee empowerment and innovative expansion.

Images by Andy Gock

In-sector diversity and strategic development form the foundations for the UGM Group's growth in coming years as the mining services company continues to invest in its people and processes.

The CEO Magazine recently spoke to Paul Hartcher, Managing Director of the UGM Group, about how the company has evolved since he assumed leadership in 2005 and what lies in store for the rapidly growing business.

The CEO Magazine: How did you redefine UGM's strategy and transform the structure of the business?

Paul: We took the focus away from a cash-driven outcome, which was really based upon immediate returns to the then shareholders, to a growth strategy that targeted longer-term objectives that were focused on building value in the company. That was a major change back in 2005.

We initially invested back into our people, and then we started to

invest in equipment. But we never lost sight of the need to maintain that growth within conservative funding limits. We always kept our gearing levels related to the size of the business, and we were always aggressive with debt reduction. That's meant that for quite some years any money we made was put back into the company.

On the way, we invested in some start-ups and we've made some acquisitions. We went down that path to get some diversity, and we've maintained that diversity in our sector, which we call mining services. We've done quite well with that.

What do you think have been the biggest milestones for UGM in recent years?

Like all mining services companies, as the wave of investment took place in the coal industry, we rode along on the coat-tails of that. However, like other mining services companies, we've felt the impact of the recent downturn, and that's been quite severe on a lot of companies.

As a milestone, I'm quite pleased that when the downturn hit, we'd built up sufficient in-sector diversity that, although the traditional mining operations part of our business suffered, the rest of the business carried on through the cycle and actually carried the business through. Although we've reduced in size through that cycle, we're trading quite well.

The other significant milestone was the acquisition of ADDCAR, a business out of the US state of Kentucky. We completed the deal in February this year. We've been working on the ADDCAR technology for more than six years and we now own the business. That gives us additional diversity in our sector, and that diversity has a real technical and operational advantage, certainly geographically. We can honestly say that we're an international business. That also gives us an ability to push through cycles in the market and grow through these cycles.

It's vital that we have that in-sector diversity. We have a number of workshops where we undertake >

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diesel equipment repairs and overhauls; we undertake field services; we have a conveyer division; and we have quite a large fleet of mining equipment that we hire internally and externally. We also have a corporate advisory business where we do a lot of work for key clients in mine planning and scheduling. We do rail work and project management, and we've now started producing a non-steel FRAS pipe that's just taking off in the industry as well.

Now that we've made the acquisition with ADDCAR, which is a high-wall mining OEM, we offer an unmatched range of services as a contractor in the mining services business. I can't see that anybody else offers the range we can, which gives us a certain differentiation from our competitors.

How do you empower your employees?

Around 10 per cent of our business is in the hands of key employees. There's an inherent drive built on the back of our investment in this business that permeates right through the entire company. Those people are all

invited to invest in shares in the company. They're all key executives and management in our company.

The other aspect is that we drive autonomy as much as we can. We try to let people make decisions, though you do have to put some degree of bureaucracy around that, given the legislative framework that we have to operate in and the simple tenets of good business. The amount of autonomy that people can get in our business is empowering in itself.

The widespread corporatisation of the industry has largely neutered the operational roles out there. While it can be tough as a contractor at times, you can be a victim of the blame game and there's a lot of focus on you, but the reality is that in our company you do have a voice.

We have a pretty low turnover of key people, and I think a lot of that has to do with there being a greater chance that our people will feel that all-important sense of achievement.

We haven't gone out there to write any grand policies on

empowerment. We employ people who we have a lot of faith in and we support them. That drives the empowerment.

How do you work with suppliers and strategic partners to foster growth and development?

That's been an interesting journey. We've had a couple of attempts at formalising those relationships and writing lovely agreements between the two parties, but ultimately you're driven by your clients. We've had very good relationships with some strategic suppliers and partners over the years. Quite often, it's built around the needs of a client in a major project, and often that relationship and the contribution from the relevant partners is achieved on an almost silent basis. Sometimes the client is not even aware that one party is helping the other.

Wilson's Mining Services and Bis Industries—we've all scratched each other's backs over the years. We constantly look for opportunities, but we don't cross each other's boundaries. We all try to support each other.

How are you laying the foundations and strategies for UGM's future?

I guess there are a couple of factors. That in-sector diversity is very much a foundation for the ongoing management and strategic alignment of our business. We always talk about it. We started out with the catchphrase 'export the expertise'. If you can build the expertise, then you can build the export market. We're now a business that has a broad range of capabilities, and we work all over the world including South Africa, India, Indonesia, the US, Canada, and Australia.

The other part of our foundations for the future is succession. I said we started to grow the business initially by investing in people. Well, all the people that we invested in were very

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high-pedigree people with very strong operational backgrounds and experience.

What we've done is we've gone through the second phase of that investment and we've got a whole tier of executives in our business who average just less than 50 years of age. Those people run the vast majority of our business. Our succession planning is something that I'm very proud of. When the time comes for me to fade into the sunset, I'll still be a shareholder and know that this business is in excellent hands.

I'd like to see UGM keep doing what it does in respect to our sector. It's a mining services business. I'm not a great believer in the fad of absolute nature of pure plays. It's usually driven by short-term investors. It's been a turn-off for us to go down the IPO path.

There are quite a number of examples of what I believe are



very good organisations run by very good people who make decisions to give them cyclical diversity. Those decisions looked good to me when they made them, yet the fact that they were public companies meant that their share prices were hammered and the people were heavily criticised, and in some cases ostracised. Yet now that we're going through a downturn, the decisions that were made

by those people are what saved those companies.

I'd like to think that UGM can maintain that long-term focus and deliver a good return along the way. Shareholder value isn't created in an overnight jump in a share price but in a sustainable future that's got an accepted growth curve and a consistent return as we make this journey. •



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