



ACTIVITY-BASED MANAGEMENT IS THE DRIVING FORCE

In the period between 2000 and 2008, the Antwerp Port Authority significantly improved the performance of its business processes and the operational result of many of its services. This was, among other things, made possible by SAS® Activity-Based Management. The solution clearly represents the costing structure of each department and service. This insight has led to an entirely new business culture; one which stimulates all managers to run their departments more cost-effectively.

Sector

Port Management

Business Issue

Gaining insight into internal business processes and the profitability of each service

Solution

SAS® Activity-Based Management

Benefits

- **Efficient reporting:** SAS® Activity-Based Management enables the Antwerp Port Authority to meet its many internal and external reporting obligations much more efficiently.
- **Improved cost-effectiveness:** the implementation of Activity-Based Management has stimulated a cost-effective management culture, which has contributed to a significant rise of earnings before interests, taxes, depreciations, and amortizations (EBITDA) in only eight years.
- **Better decision making:** the Activity-Based Management tool enables the Antwerp Port Authority to simulate the impact of its decisions on its profitability.

EMPOWERING MANAGEMENT AT THE ANTWERP PORT AUTHORITY

Identifying strengths and weaknesses

The Antwerp Port Authority is a tremendously diverse organization. It takes care of all port-related services: vessel traffic monitoring, dock and lock maintenance, dredging, tug services, electricity distribution, etcetera.

Managing such a rich set of services is already a challenge on its own, but in this case it was even more difficult. “Before the Antwerp Port Authority was established, all of these services were managed by the City of Antwerp more or less independently from one another. As a result, we had very little information on our overall business.

We did not know the profitability of our services and we had no clear view on our business processes and their interactions,” states Herwig Tulpinck, Manager of the Management Control Department at the Antwerp Port Authority. “However, such information is critical if we are to identify our strengths and weaknesses. Therefore, we decided to implement Activity-Based Management.”

Generating a realistic view of all cost flows

Activity-Based Management identifies each and every activity and hence creates a valuable insight in one’s business. To make this happen,

the Antwerp Port Authority decided to partner with SAS. “SAS offers a robust and flexible tool that is easy to integrate with our self-developed data warehouse,” says Tim Bellemans, Controller at the Antwerp Port Authority. “More importantly, SAS provides a strong calculation engine that is able to generate a realistic view of our cost flows, including recursive loops. This means that it takes into account two-way costing traffic between various departments whereas most other tools assign costs in just one way, from department A to department B.”

“In addition, SAS visualizes the entire cost flow of our organization,” continues Bellemans. “This certainly simplifies cost analysis for our business controllers. It enables them to readily detect large cost increases and quickly trace the underlying reasons.”

Business efficiency takes a giant leap

Since the implementation of Activity Based Management, the Antwerp Port Authority generates full cost reports for each department. The system takes into account all direct and indirect costs, as well as all external invoices and internal cost allocations. This way, the system can calculate the profit or loss of each department. This has

“The simulation capability of SAS enables the Antwerp Port Authority to correctly predict the impact of its decisions.”

created an entirely new business culture. “Full cost reporting stimulates our managers to run their departments more cost-effectively,” declares Tulpinck. “This has certainly had a positive effect on our overall efficiency and has led to a significant improvement of our operational result.”

Efficiently meeting all reporting obligations

The Antwerp Port Authority has many reporting obligations. For instance, the members of the Executive Committee want a quarterly update on the profit and loss figures by service. SAS makes it possible to pre-define such reports, so that they can be generated almost automatically.

The organization also has a series of external reporting obligations. These include the Flemish Government, among others. “Some of our services are part of a management agreement with the Flemish Government. This means that these services are subsidized,” explains Tulpinck. “The Flemish Government demands that we keep them up-to-date on how we expend their subsidies. Thanks to SAS we are able to guarantee full transparency.”

Better decision making

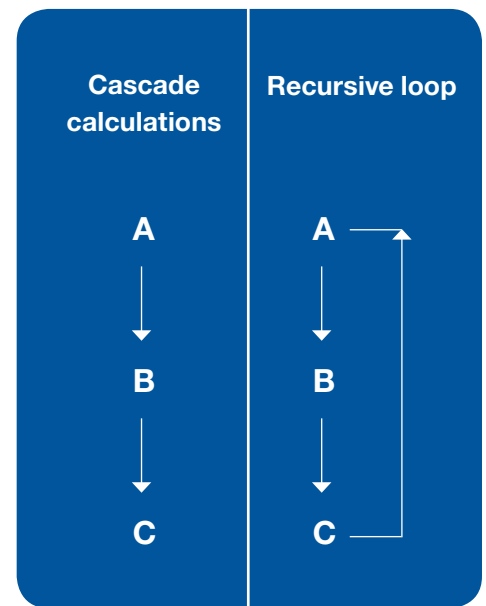
Activity-Based Management provides a solid basis for making sound strategic and operational decisions. The new system makes it possible to predict the impact of certain actions using its capability to create

highly accurate simulations. For example, if the Antwerp Port Authority were to consider the redesign of a business process, the system is able to calculate the impact of such a decision on the overall cost structure.

The organization also uses the system to perform Economic Value Added (EVA®) analyses of its services. “Thanks to SAS, we can now run EVA® analyses for each of our services and calculate whether it generates a return that exceeds the cost of capital, taking into account the original investment.”

Enabling continuous improvement

With the help of SAS, the Antwerp Port Authority has greatly improved its business efficiency. But there is always room for more improvement. “The new system enables us to detect unused capacity. Currently, we are only using this feature for the dredging department, but in time we want to extend this to all of our services. Moreover, we are looking into the possibility of also calculating the profit or loss by customer,” states Tulpinck. “Thanks to SAS we can easily integrate new tools and features. This makes us confident that we will be able to continuously improve our efficiency.”



SAS gives a realistic view on the cost flows of an organization. It takes into account recursive loops instead of just cascade cost flows.



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