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How to use financial reporting to improve operational performance

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INTRODUCTION

Financial reporting is a powerful tool for driving operational excellence and future-proofing organisations.

In this guide, we'll explore insights shared by Rod Smith, Director & Principal at Beresford Advisory, with over 40 years of experience, on leveraging **financial reporting** for **enhanced decision-making** and resilience in the face of downturns.



Rod spent over 40 years with Rio Tinto, most recently as Chief Advisor for Planning and Scheduling. Rod was also a member of Rio Tinto's Ore Reserves Steering committee and Ore-body Knowledge Leadership Forum.

This resource is based on material from The Mining System Short Course. Discover how to **understand, influence and drive** your site's management operating system (MOS) as a key deliverable in translating corporate strategy into site implementation priorities.

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Leveraging Financial Reporting for Operational Excellence

Get the data to the right people to **empower better decision making**. Over the years, Rod has witnessed times when planning and production teams have had no visibility of cost and financial data.

“What I’ve found to be most beneficial around business improvement and plan delivery is getting that meaningful information in a meaningful form to the frontline,” says Rod.

Here is an example of this in practice:

“I was in a pit one day. It was a 250-hour service on one of the loading units. I was talking to the technician who was doing the change out of the bucket teeth.”

The technician was enthusiastic and extremely knowledgeable about the teeth. But when asked what one cost, he said, **“Wouldn’t have a clue.”** Rod identifies this as a **missed opportunity** to engage with people and bring **visibility right** through the organisation.



Leveraging Financial Reporting for Operational Excellence

By drilling down into seemingly **trivial data**, such as survey peg usage, Rod demonstrates how organisations can **uncover valuable insights** to optimise operations and enhance productivity:

“At a time when our business was really struggling to stay afloat...We drilled down and looked at survey pegs. We were spending thousands of dollars a year on survey pegs, and talked to the surveyors and asked how many we were going through. It came out we were replacing a lot of survey pegs.”

*“That was additional time that the surveyors had to spend going back out into the pit. But even more importantly, we said, “Well where are these pegs?” A lot of them were **demarcating road edges** or other particular points that we don’t want **traffic crossing.**”*

*“And if we are running over them with haul trucks, then we’re potentially incurring sidewall damage to the tires. So just simply looking at **one small element** gave us **a lens or window** into the **whole operation** and **the power of that data.**”*



Strategies for Cultivating a Culture of Financial Awareness

While some financial information may be sensitive, Rod advocates for **greater transparency** to **positively influence** organisational culture.

"I think we've gone too far [with keeping financial information private] in many cases. For a site whose main focus is cost per unit of production... let's look at the revenue side. Let's look at the P&L. Let's look to understand what marketing and logistics are doing, what's happening downstream, and how that cash actually comes back into the business," says Rod.

*"The more we can **share** some of that **downstream insight**, the more we can start to **shift culture**, which then flows through to **behaviours**."*

*"Let's get it into the hands of people who are actually **planning, operating** making those **decisions** and then use that to **help us improve**."*



Andrew Dittmann (General Manager - West),
MEC Mining.

"Unless the frontline worker understands their role within the value chain, it's pretty hard to implement a change or maintain a strong level of engagement or morale," says Andrew.

Strategies for Future-Proofing Operational Performance

Moving Beyond Traditional Scalability

Rod acknowledges the limitations of **traditional scalability tactics**, which once provided **significant boosts to productivity**. However, as the ore becomes further away, lower in grade, and costs rise, the returns on these approaches diminish. Instead, he advocates for a shift towards **innovative strategies** that **prioritise efficiency** and **sustainability** over sheer size.

Emphasising Resilience and Cost Management

In light of economic fluctuations and industry challenges, Rod underscores the critical importance of **resilience and disciplined** cost management. By proactively **identifying** and **mitigating potential risks**, organisations can better **withstand downturns** and emerge stronger from adversity. This requires a strategic allocation of resources and a keen focus on optimising operational efficiency.



Prioritising Fundamental Activities

Amidst the complexities of modern operations, Rod emphasises, *“Building resilience into the business comes back to the basics of understanding the fundamental activities of the plan that must be protected, even through a downturn.”*

Leveraging Emerging Tools

Rod highlights the importance of **embracing emerging technologies** and tools for long-term optimisation. From advanced data analytics to predictive modelling, these tools offer invaluable insights into operational performance and facilitate informed decision-making. By harnessing the power of technology, organisations can **identify opportunities** for improvement, streamline processes, and stay ahead of the curve in an ever-changing market.

Through a concerted effort to prioritise fundamental activities, embrace emerging technologies, and cultivate a culture of financial awareness, companies can lay the **groundwork for sustained success** in a dynamic business environment.





SHORT COURSE

The Mining System

Learn how to understand, influence and drive your site's management operating system (MOS) as a key deliverable in translating corporate strategy into site implementation priorities.

From driving productivity and safety to having the knowledge to hold planning priorities accountable, understanding how to guide and implement your site's MOS is key for both the success of your operation, and the growth of your career.

With a focus on practical skills that can be applied directly to your work, this 5-week short course is designed to give you the expertise and insights to drive key decisions that ultimately impact the mine value chain and life of mine plan. This includes enhancing and leveraging operational reports and cost estimations, translating strategic plans into implementation plans, and generating practical plans for applying your learning to your own site.

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