Teach Yourself: Economic Evaluation:

3b. Decision Making How to become part of the decision making Team

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Level 3: Decision making

Level 2: Evaluating the business/project

Level 1: Hands-on economic modelling

### The purpose of this module is to...

Level 3: Decision making Level 2: Evaluation Level 1: Hands-on Making team

Level 3: Decision making

Level Avaluating the business/project

Think to yourself: "Today I start working on a new project/business."

"Today I must begin setting myself up to be one of the key experts sitting around the table when the final decision is being made."

"Starting today I must earn my place."

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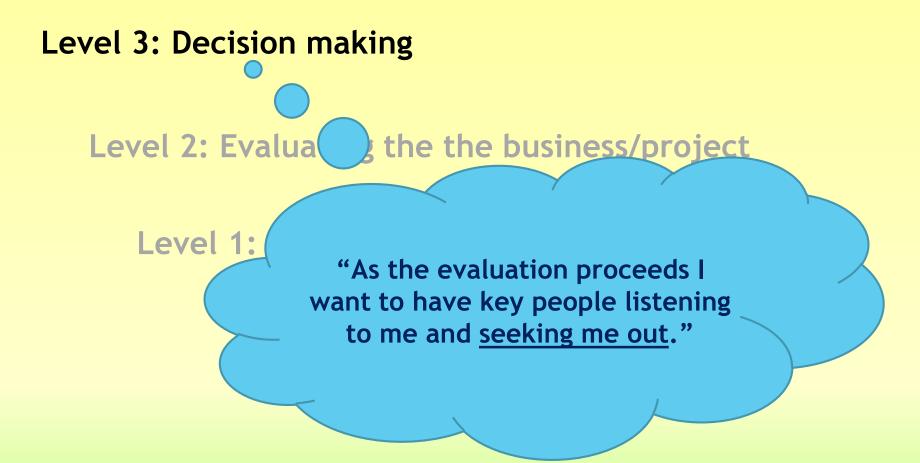
Level 3: Decision making

#### Level 2: Evating the business/project

"Over the next weeks/months I must prove myself as a hard working, competent, positive, constructive, divergent-thinking problem solver."

"My team must know they can rely upon my work because it is easy to understand, fit-for-purpose and because I had it audited."

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#### You can adopt one of two approaches:

- Passive: sit at the computer; receive data; process data; build a more sophisticated Excel model; contact corporate office, go home at night feeling proud of your model; email out results.
- Active: Get out into the plant and understand the business; interact with colleagues when receiving and processing data, get checks and audits; do evaluations with your colleagues, discuss results with key people; think laterally; create; help solve challenges, communicate concisely but comprehensively <u>before</u> emailing out results. <u>Do not become compliant and</u> <u>submissive but remain strong and objective</u>.

# The old-fashioned way of doing evaluations ("financial modelling"):

A commercial specialist sits in an office processing data.

- The work is seen as a fringe activity to compute the NPV result and sensitivity analysis for the paperwork
- Economic evaluation is wrongly called 'financial analysis', 'financial modelling' or worse 'cost modelling'
- It is seen as a non-core activity done at the end.
- Project Managers and other Managers see themselves as doing the important work and leaving the 'financial analysis' to a far lesser player.

### The active way ...

- The economic evaluation is a key Team activity from Day 1.
- It is used as a 'steering wheel' to direct the whole business: its operations, projects, technical studies, technology assessments, trade-off studies, etc.
- The evaluation specialist sits amongst the key operational and technical people and interacts continuously
- Key people want to 'play with' their own copy of the evaluation model to understand their own area.
- It is a lot more than computing NPV results, but not about creating a sophisticated Excel model.
- It is a core activity to manage the business!

### You must understand the whole business!

- In a classical resources business you need to understand the 'Two Bookends"
  - 1. the <u>resources in the ground</u>
  - 2. the market for its products
- and <u>everything</u> between.
- Usually we have little or no control over the two bookends
- But we can control the activities between.

## Get your hands dirty!

Evaluation specialists who previously have worked inside the business in operational, technical or commercial roles generally have an advantage when doing evaluation work

if they have already got their hands dirty and educated themselves on how everything fits together.

Inexperienced specialists, and especially those from a commercial function, will need to get out into the business operations and educate themselves

- to develop a working knowledge of the two 'bookends' and all key activities between.
- > to develop a working relationship with the key experts
- to "Get their hands dirty"

#### One example: -

The author flew overseas into a remote smelter on a Friday night. All of Saturday and Sunday were spent in work clothes with the shift foreman and workers in each key section.

#### On Monday

- the evaluation work started, and most importantly word got around so
- the management and project team began accepting this 'outsider'

On Friday

Section managers began auditing their own copy of the evaluation model: constructively and positively

### How to work ...

- work closely with colleagues
- take the lead
- make mistakes (once) but find them with audits before your results are made known
- learn from feedback and audits
- be actively involved in discussions with decision makers
- get out and about; interact enthusiastically, competently and objectively with everyone
- express complexity in simple concepts
- give your colleagues an easy to use tool: their copy of your evaluation model
- over the years, develop for yourself a broad range of experiences in economic assessments.
- maintain high personal integrity so people know they can trust you

## You know you are being successful ...

When your manager or senior key people regularly drop by for a chat about the business.

When they ask you to help on important tasks:

- Because you can take a helicopter view and objectively but rapidly assess alternative actions.
- Because you set out all key results, key information and major interactions in concise, easy-to-follow concepts so they can make a decision 'with eyes wide open'
- Because they trust you to do a thorough and objective assessment

You know you are being successful when you are sitting at the table when important decisions are being made