

# Teach Yourself: Economic Evaluation:

## **3b. Decision Making**

**How to become part of the  
decision making Team**

Spend only a few seconds on most slides.

# Economic evaluation has three levels ...

**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: Evaluating the business/project

Level 1: Hands-on economic modelling

**teach yourself how  
to how to become  
part of the Decision  
Making team**

# Economic evaluation has three levels ...

## Level 3: Decision making

## Level 2: Evaluating 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.”

# Economic evaluation has three levels ...

## Level 3: Decision making

## Level 2: Evaluating 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.”

# Economic evaluation has three levels ...

## Level 3: Decision making

Level 2: Evaluating the the business/project

Level 1:

**“As the evaluation proceeds I want to have key people listening to me and seeking me out.”**

# 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 before emailing out results. Do not become compliant and submissive but remain strong and objective.



# 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 resources in the ground
  2. the market for its products
- ▶ and everything 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*