



Mining Operational and Financial Data to Optimize Corporate Strategy and Performance

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Mining is a business that can benefit greatly from an integrated planning and analytics platform. Unlike most other businesses, mining companies—particularly those extracting precious metals—have little control over the demand for, the supply of, and the pricing of their product. Yet these companies need to make strategic decisions involving the allocation of huge amounts of capital to explore for and extract their product. They must also make operational decisions designed to maximize returns on their investments on an ongoing basis. Publicly traded mining companies also contend with providing accurate, forward-looking financial guidance to the capital markets, where results are highly scrutinized and “missed quarters” can have a negative impact on stock price.

A financial and operational planning, budgeting and forecasting platform with advanced modeling and scenario analysis capabilities can be an ideal solution for a mining company wrestling with these issues. Working with **Huron’s Enterprise Performance Management & Analytics team, Agnico Eagle Mines (TSX and NYSE: AEM)** successfully implemented a solution that links its operational and financial decision-making in real time and enables its operations and financial functions to work together as one team.

This case history briefly reviews how this was accomplished, from both a technology and

integration standpoint, and—most importantly—from a people and processes standpoint.

Agnico Eagle’s Needs

Agnico Eagle Mines Ltd. is a leading international gold producer, with mines and exploration properties in Canada, Finland, Mexico and the United States. Agnico Eagle took flight back in 1957, when mining legend Paul Penna brought together his silver-producing interests in Cobalt, Ontario with his gold exploration activities in the Abitibi region of northwestern Quebec. The eventual merger of Agnico Mines Limited with Eagle Gold Mines formed Agnico Eagle, today one of the largest gold mining companies in the world. Growing mainly through the acquisition of smaller exploration companies and the development of significant properties, the Toronto-based company generated revenues of US\$1.985 billion in 2015, and has a market capitalization in excess of \$7.6 billion.

In the early 2010s, Agnico Eagle experienced significant challenges in some of its mining operations and, consequently, had difficulty in meeting its guidance to investors and analysts. In 2011, due mainly to these issues, the company’s valuation and its credibility took significant hits. As a result, the company’s management team undertook a deep and broad assessment of Agnico Eagle’s performance management capabilities.

The performance management assessment project was led by Agnico. However, the implementation of a solution was carried out in partnership with Huron's Enterprise Performance Management & Analytics group, beginning in 2012.

The Agnico Eagle/Huron EPM&A team identified the following needs to be addressed by the solution (called Project Phoenix inside the company):

- Improve Communications from Corporate
- Standardize Close, Planning and Budgeting Processes
- Enable Limited Automation Across Reporting Processes
- Improve Data Consistency
- Standardize Technical Processes

The Solution

Over a 30-month multi-phase period Agnico Eagle and Huron EPM&A launched and integrated a solution that comprises Oracle's Hyperion Financial Management (HFM), Hyperion Planning (HP), Essbase, Hyperion Strategic Finance (HSF) and Oracle's Financial Data Quality Management.

The implementation spanned 10 time zones, eight production facilities, one regional office and the head office. Agnico Eagle currently has 35 users of HFM, 190 users of HP and 10 users of HSF. Subsequent to this initial implementation, the team also did a smaller roll out of an Oracle OBIEE pilot project and currently Agnico Eagle has 35 users of the dashboard functionality that was built and implemented.

The implementation of the Oracle Hyperion suite of products was preceded by a cross-functional performance assessment project which concluded with a number of recommendations, both with regards to organizational structure and supporting software.

The driving principles of the project implementation were as follows:

- 1. Define Global KPIs** – Ability to measure and discuss progress against strategy

- 2. Align Chart of Accounts** – Foundation for financial information. Reports and metric calculations built upon COA
- 3. Improve Global Strategic Planning** – Simulations, What-ifs, and financial impacts around strategy. Help solidify targets and guidance
- 4. Automate Global Budgeting and Forecasting** – Speed, flexibility and accuracy in the budget and forecast process
- 5. Automate Financial Submission and Consolidation** – Reduce time gathering information to allow for more analysis of results
- 6. Standardize and Automate Financial Reporting** – Create common tools to allow users to independently access financial information
- 7. Automate Mine Site Budgeting, Forecasting and LRP** – Align cost structures and reduce off-line spreadsheets to have consistent cost comparisons across sites. Pilot results at Kittila were analyzed and then applied to rest of sites

Agnico Eagle recognized very early on that this significant change in performance management processes and systems could only be accomplished if an effective change management program were put in place to involve and guide its people through the necessary changes. Successful implementation would require changes to roles and responsibilities in both the finance and operations teams, and changes to reporting requirements and reporting structure. The leaders of the Huron and Agnico Eagle implementation team recognized that the installation and integration of the technology and software solutions was in fact the easy part; getting the users of the platform comfortable with their roles and responsibilities was perhaps 80 percent of the effort.

The Project Phoenix leadership team was made up of people from finance and operations. The team visited each production facility to do a current state analysis which was reported to the steering committee.

About the Authors

Jeff Radtke, Managing Director, Huron Jeff works with client teams to design and execute corporate and business unit problemsolving strategies. His primary areas of focus center on the use of technology to drive profitable growth, enhance business processes, and optimize performance measurement and management. He has more than 20 years of experience in the technical and strategic consulting domain with a concentration in the Office of Finance and complex transformation initiatives.

Tassos Siatras, Senior Director, Huron Tassos has over 10 years of consulting experience specializing in technology-enabled finance transformation programs. Tassos has successfully delivered over 20 engagements leveraging Oracle Enterprise Performance Management and Business Intelligence technologies. His focus has been on improving operational and financial process and using technology to enhance enterprise performance in multiple industries.

Johan Rehnstrom, Corporate Director, Financial Planning & Analysis, Agnico Eagle Johan Rehnstrom, CPA CMA, has more than 20 years' experience from various roles within the Finance functions, both in Sweden and Canada, including controller and CFO at companies listed with the Stockholm Stock Exchange. He has worked for Agnico Eagle Mines Limited since 2005. Most recently he held the position as Corporate Director Financial Planning and Analysis and is currently holding the position of Regional Finance Director, Europe.

Based on the analysis, the team decided it would do a companywide implementation of HSF at the head office and HP at one site concurrently (a pilot project). One of the reasons for implementing HP at one site

first was to get an understanding of the implications of an implementation.

This pilot project was also to be used as a basis to decide whether to implement HP at all other production facilities at the same time, or do them in sequence. Based on the findings and conclusions from doing the pilot, the team decided to implement HP at the other sites one after another.

It should be noted that the decision to implement the solution using an on-premise platform rather than Cloud-based technology was a conscious and practical one. Many of Agnico Eagle's mines and production facilities are in extremely remote locations. Agnico Eagle's Kittila mine in Finland, for example, is located some 250 kilometers inside the Arctic Circle. The Meadowbank mine is located in the Kivalliq region of Nunavut, about 2,600 kilometres northwest of Toronto. At the present time, Cloud-based systems are not feasible due to Internet speed and availability issues; this may change in the years ahead, however, and a hybrid system or full Cloud functionality may be adopted over time.

The Results

The full implementation of the project occurred in phases within two years of its kick-off. The impact of the successful implementation of Project Phoenix was immediate and dramatic:

- Information became much more accurate and timely due to the aligned COA and systems.
- There is a significantly improved analytic capability due to scenario analysis and accurate submissions.
- Aligned cost structures and driver trees improve operational efficiency and increase management's ability to manage.
- The entire organization is using the same tools for all planning, consolidating and financial reporting.
- There is now the ability to analyze costs and run different scenarios at production unit levels.

- Agnico Eagle has improved its ability to quickly consolidate, analyze and report on different plans.
- There is now increased ability to do variance analysis and drill down into the submitted numbers to understand the root cause of the variances.
- There is now “one version of the truth” and no more sending Excel documents.
- Once new plans are entered into Hyperion, the next activity in the planning process has the numbers and are immediately available to all users.
- There has been a shift in time required to collect and validate data/information to focus that time on finding reasons for variances and providing explanations.
- All users have the ability to easily produce working papers to support comments and “theories.”

In addition to the internal benefits of improved accuracy, timeliness and easier processes, there has been a noticeable improvement in providing accurate guidance to investors and analysts, resulting in increased credibility and trust.



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