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# Anvil Mining, A Best Practice Resources Case Study

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A Cubewise Case Study - July 2014 produced by the Sydney Office, Australia. All technology terms, software names and logos are accurate to year of production of this study.

## About Anvil

In 2002 Perth-based Anvil Mining commenced a copper mining operation in the Democratic Republic of Congo (DRC) in Central Africa which has seen significant growth and success. The fledgling miner expanded rapidly from 2002 to 2007 with a relatively small team and gained access to extra capital by incorporating in Canada, listing on the Toronto Stock Exchange and Australian Stock Exchange soon after. By the end of 2007 Anvil had expanded to 3 mines in the DRC. The demand for copper rose dramatically as the world saw a steady increase in consumer spending.



## Overview

### Problem

Anvil have had numerous challenges over the last few years – operational sites in Africa, an overload of Financial and Operational data, plus the Global Financial Crisis making them instantly unprofitable.

### Solution

IBM Cognos Business Partner Cubewise recommended IBM Cognos TM1 through the ensuing years with a series of Proof of Concepts and prototypes to prove the value of the TM1 Information Platform.

### Benefits

Multiple benefits have been accrued; the IBM Cognos TM1 single platform has allowed Anvil’s BPA team to “build for the business” culminating in business buy-in for true Responsibility Management at a time when it is most needed



Anvil Mining logo 2014

# Introduction

Anvil was the second foreign mining company to start producing in the DRC after the civil conflict. During the past 2 years they produced 16,000+ tonnes of copper in concentrate per year from its HMS plant in Kinsevere. This growth has had its challenges with Anvil having the deck stacked against them in their short existence - having to survive the political instability of a civil war in the DRC (1998-2001), a dramatic fall in the copper price (late 2008), a mining review (2007-2009) and the Global Financial Crisis (2009).

For its first few years Anvil reported, analysed and planned using exclusively Excel spreadsheets. The amount of time required to compile these consolidations and budgets meant that there was no time to focus on what the business needed to do, but rather focusing on what the business was doing.

The TM1 story at Anvil is roughly split into 3 phases;



# Phase 01

## IBM Cognos TM1 Consolidations

In 2006 Anvil concluded that the business had out-grown their spreadsheet systems and that their ERP system (Pronto) was just that: an ERP system as opposed to a BI tool. Clearly a new BI system was required.

During the procurement process other BI tools were also considered but IBM Cognos TM1 was selected for its flexibility, analytical capabilities, ability to scale/grow and for the ability to integrate with Pronto Chart of Accounts. Once the decision had been made it was not long before Phase 1 of the IBM Cognos TM1 project at Anvil Mining started. The initial objective was to deliver a consolidations model which would reduce the turn-around time required at month end.

The architecture of IBM Cognos TM1 brought in the data from Pronto and allowed the users to view their information pre & post-consolidations. This gave the users the ability to quickly compile reports and financial views of the business.

The project was a major success and dramatically reduced the amount of time required at month-end. In the past it had taken between 22 and 25 days to compile the consolidations which in effect left very little time to analyse the information. By 2010 the month-end process was taking roughly 8 working days which represents a dramatic improvement. Additionally, it has also enabled internal efficiencies - users are now able to focus on managing the business rather than getting swamped by the more routine elements of the work.

Another benefit was that the external auditing & reconciliation process was vastly simplified and culminated in a shorter audit due to the transparency inherent in the TM1 environment.

“Three weeks of help from Cubewise was all that was required in order to establish a multi-company, multi-currency Consolidation system,”

Lui Evangelista. Group Financial Controller

*“This gave the team the ability to start focusing on what is happening in the business, rather than what has happened”*

— Troy Barclay,  
Group Business Analyst



## Phase 02

### Global Financial Crisis spins Anvil into Cost Control

The collapse caused by the Global Financial Crisis spun the world economy into a recession and as a result many sectors suffered. The copper price was not immune from this crisis. During the course of the Global Financial Crisis the market price of copper dropped from \$4.06 per pound to around \$1.28 per pound over a period of only 5 months (July-Dec 2008). Suddenly Anvil's core business was in danger.

By the end of 2008, Anvil had to make some difficult decisions and had to act fast. They developed a strategy which required them to cut almost all of the capital spending, while managing the company operating costs as closely as possible.

As a result all 3 mines were placed on "care and maintenance" and a \$400m capital project at Kinsevere was placed on hold. Additionally the company had to retrench a staggering 1,900 staff members, which reduced Anvil to only about 300. A company whose primary focus had been expansion, was now forced to shift its focus onto "Cost Control."

In order to respond to the dramatically changing situation, a new Phase of the IBM Cognos TM1 system was brought into play. Now, a rigorous centralised budgeting, analysis and planning system was implemented in order to control costs with increased granularity and more clearly defined responsibility for reporting back to cost centre managers.

## Phase 03

### Budgeting & Forecasting - the Global Financial Crisis

With clearer cost control and planning rigour, Anvil was able to better position itself to ride out the severely challenging conditions. However, still critical to surviving the Global

Financial Crisis was the company's cash position. Thanks to IBM Cognos TM1, Anvil found it possible to run multiple scenario analyses very quickly, in order to determine how long it could survive based on how much capital injection might be needed at particular times. Finding a strategic investor capable of injecting significant capital was made all the easier because of the TM1 flexible Management Accounting System.

The next task was to move responsibility for budgets and forecasts out to the

operational managers. Says Barclay, "This enabled the Business Planning and Analysis (BPA) team to source information required for managing in real-time, rather than trying to manage based on historic information. This capability made IBM Cognos TM1 the "go-to" software as a forecasting and budgeting tool. Cubewise was again enlisted to build and advise on what Anvil had created, driving for Best Practices and methodologies as promoted with "Bedrock TM1". The goal was to enable users to get even more out of the IBM Cognos TM1 models and create buy-

in around the rest of the company. Being dual-listed on the TSX and ASX meant that there was an even greater reporting requirement - with a flexible tool like IBM Cognos TM1 it was easy to comply with those requirements keeping the BPA team "lean and mean" but also highly effective."

*"The Business Analysis team could re-run the whole forecast model in seconds while adjusting numerous inputs in real-time during meetings. In my experience with Management Accounting Systems – this capability of TM1 is unique."*

– Troy Barclay,  
Group Business Analyst





A close association between the operational sites and the BPA team was required to manage the delivery of this “cost control” system. As with many businesses, this required a change to the culture of the company. Historically it was the responsibility of Finance to manage the delivery of budgets, but with the introduction of IBM Cognos TM1 and a well-managed cultural change the users on-site began to be empowered to take responsibility for their own numbers. The big shift was that the Head of Departments became the owners

of their forecasts, which in turn enabled them to do weekly reporting and tracking in conjunction with Pronto. This opened up the opportunity for users to build cost scenario forecasts and plan more effectively. Users were now able to login on-line and build their entire budget from the ground up ie zero-based budgeting. As a result they became masters of their own destiny, yet the burden on their time was minimal.

Additionally the users on-site and in the field were supplied with IBM Cognos TM1 Web. These users could simply login to the web interface and compile, review, submit and report on their information. Users found the application so friendly and flexible that it made it an obvious and logical choice of front end. Importantly, the BPA team’s “time to market” for producing the templates was short as they could build and adjust templates and reports themselves in hours as opposed to the days/weeks it had taken in the past.

Bridging this gap helped remove the inevitable “us and them” attitude that comes with the distance between head office and the operational sites. Everyone was now part of the same system working towards a common goal. The forecast numbers soon became more accurate and well trusted. Now budgets are much closer to actuals; on average the variance is currently about 5%.



## Summary

### Why have Anvil driven so much value from their systems?

There is little doubt within Anvil that a major contributor to their survival from the Global Financial Crisis was their clear business insight – right down to the relevant levels of mining physicals and costs. However, they were deriving benefits well before they embarked on the Cost Control and Forecasting Projects;

It took significant skill and foresight on Anvil's part to realise the capability of the tools around them – firstly that ERP is strictly the domain of ERP and Business Intelligence is the domain of Business Intelligence. Secondly, the employment of tools which can be developed by the business – in this case the BPA team. And just as importantly, there was next to no risk involved – they road-tested the tools instead of believing vendor stories of success, realising that Business Intelligence and Business Performance Management implementations vary wildly due to complexity and scalability.

Anvil found IBM Cognos TM1's ease of use and fast build time underpins the secret to building valuable Management Accounting Systems ie user involvement. The fast build time allows for an "iterative and inclusive" problem-solving environment – inclusive because the end users are constantly involved for buy-in and domain expertise.

Thus, they have Best Practice information systems built on a comparative shoe-string budget – that critical ability to ask any financial and operational question at any time and disseminate it to the wider business in the knowledge that that information is right, trusted and can be acted upon.

And it shows; due to their historical challenges, foresight and passion, Anvil have one of the leanest, most productive and efficient BPA teams in the Mining sector.

## The Future

Systems always have to reflect the changing nature and business logic of the company but now the road ahead for Anvil is more refinements and deeper modelling for the operational (Life of Mine) model and its accompanying integration of the Cashflow model – the model which was so valuable in the GFC. Finally they will tackle real-time operational physicals from the plants and further dashboard development.

*“The BPA team is lean and mean. We are 3 strong and service 100 users with all the financial and operational information required including all Statutory and Management Reporting.”*

– Troy Barclay,  
Group Business Analyst



## Why & About Cubewise

**Cubewise is a premium IBM Cognos partner with over 100 implementations of IBM Cognos across the globe.** Cubewise has taken its years of combined IBM Cognos TM1 and Group Finance know-how and produced the IGFIS (Integrated Group Finance Information System) solution. IGFIS represents a powerful, high ROI finance tool to any mid-market company, especially those that thought such professional tools were only the domain of the largest organisations.

## About IBM Cognos® TM1

IBM Cognos TM1 is a high performance, cube-based database and modeling solution that is unmatched in its flexibility, scalability and multi-user collaborative ability. It has become the cornerstone of IBM's Performance Management solution strategy.

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