ALEXANDER PROUDFOOT
people • productivity • profitability

Mining
Cutting the Cost of Operating

"In many cases, companies are addressing barriers. However, more than often their benefits don't reach the P&L or are not sustained."

Implementing Change

In the midst of an uncertain economy, executives must always stay one step ahead of oncoming changes or run the risk of falling behind. Making the right adjustments to cost structure in advance can sustain company growth.

Unfortunately, our findings have shown that most internal cost-cutting initiatives are short-term and do not have a significant impact on an organization's P&L. Once it is evident these initiatives are not viable, executives typically reconsider, abandon or re-launch them at a later date. Delays like these result in lost opportunities and missed chances to gain a competitive edge in the marketplace.

In order to produce meaningful and sustainable results, executives should make cost reduction decisions based on company culture and then implement the changes in conjunction with employees across the entire organization. An aligned and engaged workforce can rapidly improve quality and service levels, reduce unit costs, and increase revenue and profit margins.

Key elements of sustainable cost reduction include:

- **Minimize non-essential spending** – Costs that are not imperative to day-to-day operations should be eliminated.
- **Target cost drivers** – A thorough analysis of operating cost sources and understanding the correlation between financial and operational plans will provide a higher degree of transparency and improve accountability.
- **Responsible third-party spending** – Solid third-party contracts will help reduce costs and fortify the supply chain.
- **Embed fiscally responsible mindset** –Every employee should be encouraged to manage and control spending.

Mining organizations that analyze cost structures now and react accordingly will be able to **grow with control** as market conditions fluctuate.