

What is an initiative?

Initiatives fall into 4 different categories

The term “initiative” describes an effort

- Requiring significant people and/or funding resources (i.e. >1 person)
- Containing a revenue/savings stream for the company
- Which is discrete and does not have strong dependencies with any other initiative
- Either new or current (i.e., already underway)

Categories of initiatives

Adaptation of core markets

Description

- Revenue increase in core markets through tactical execution of programs, acquisition, or introduction of new products

Examples

- Price optimization
- Creation of a service business
- Introduction of derivative products

New business creation

- Revenue increase in new markets achieved through innovation or acquisition

- Leverage existing technology to serve new market
- Acquisition of company with products in adjacent market

Earnings growth

- Expense-reduction activities achieved with essentially zero upfront investment

- Operational excellence and cost-cutting
- Performance management

Productivity improvement

- Expense-revolution activities achieved with some upfront or ongoing investment

- IT-enabled productivity projects
- Automation of routine quality assurance tasks

Are these initiatives clearly defined in the business plans for your Sector?

Plotting the portfolio of initiatives helps to display what investments are being made in current and future performance

● Size of bubble reflects relative economic attractiveness of initiative

Risks

Familiar

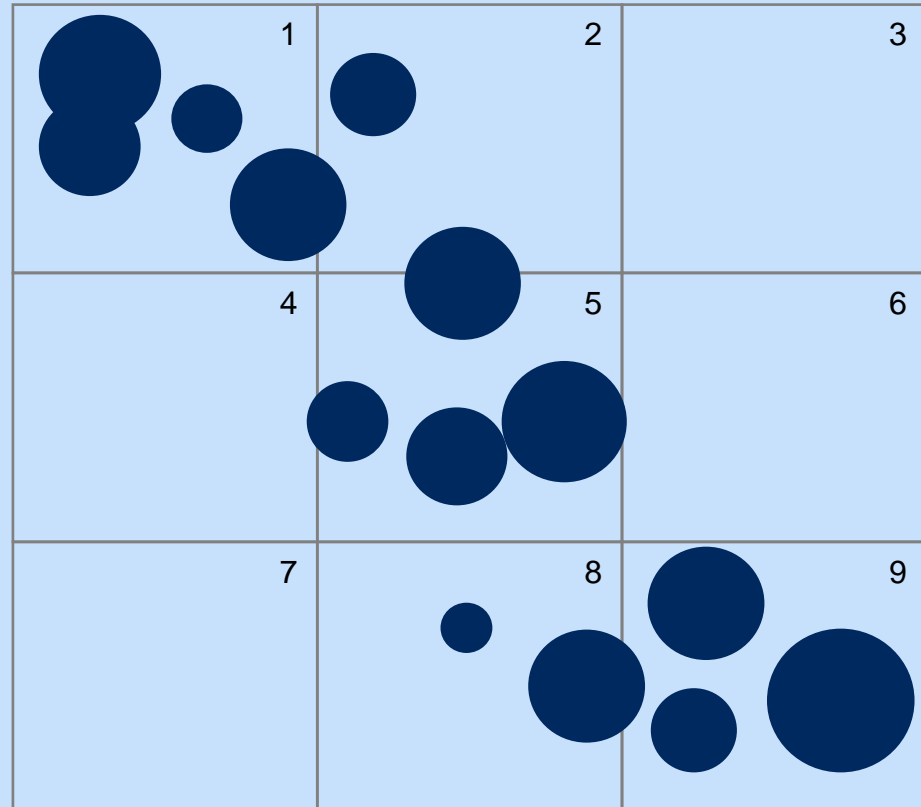
- Distinctive knowledge surpassing competitors
- Invest in initiative possessed by company or easily acquired
- Involves execution risk

Unfamiliar

- Knowledge surpassed by competitors'
- Attempt small to mid-size investments to gain familiarity

Uncertain

- Possibility of success difficult to estimate
- Can be overcome by using management of passage of time and diversification
- Attempt small initial investments to gain familiarity



1 year

- Meet current earnings expectations
- Extend and defend core business

2-3 years

- Create medium-term growth

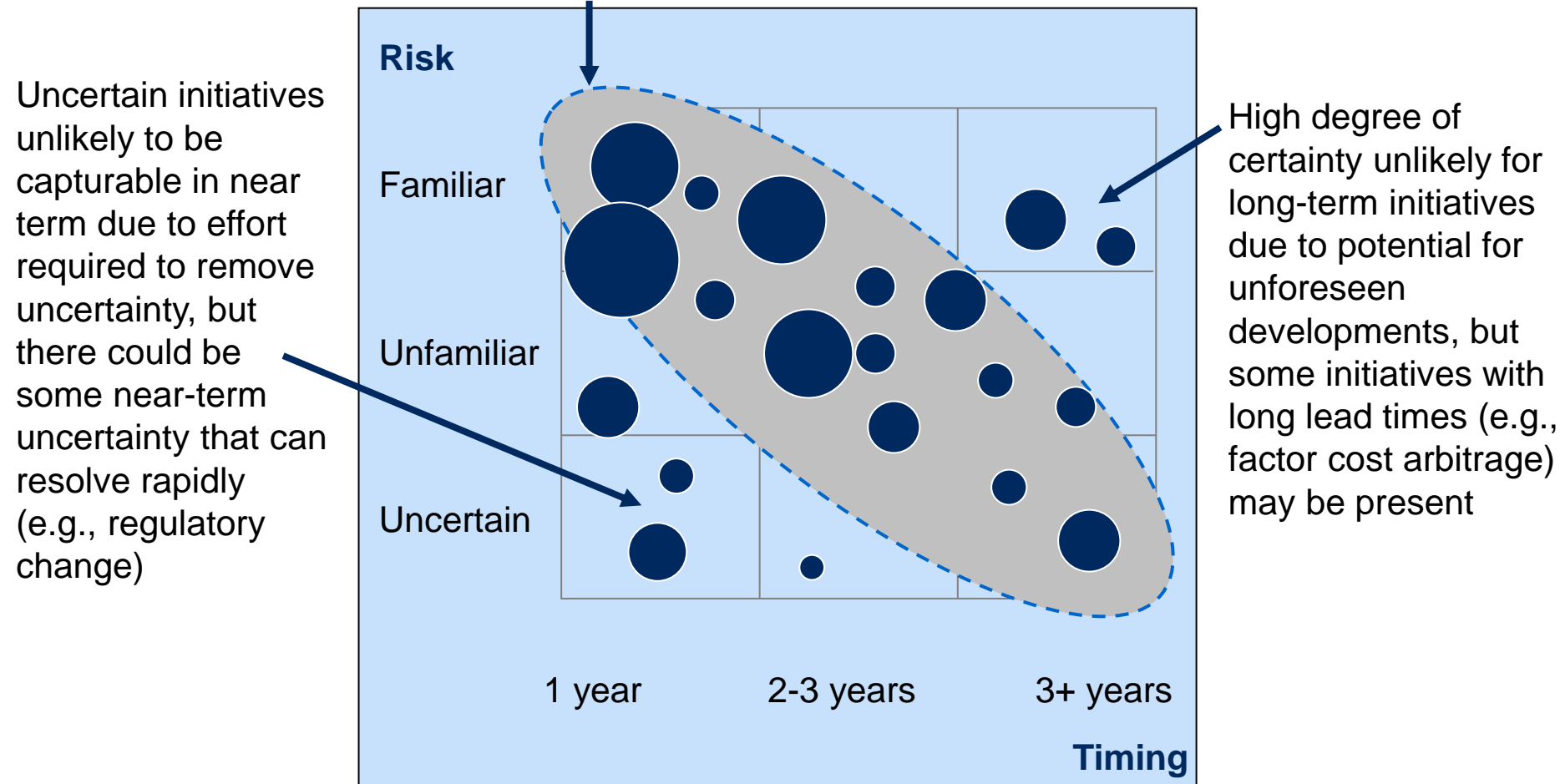
3+ years

- Generate portfolio of high-return options
- Create long-term growth

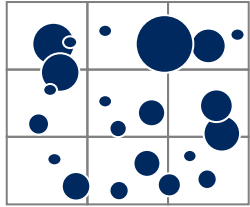
Time

Ideally portfolio of initiatives should strike a balance between short term/familiar and longer term/less familiar initiatives

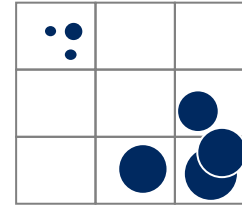
A broad range of initiatives spacing the grid is necessary to ensure both short-term upside and a long-term pipeline of opportunities



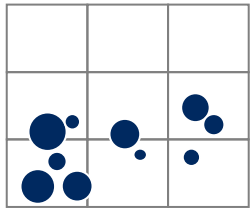
An unbalanced collection of initiatives puts an SOE at risk



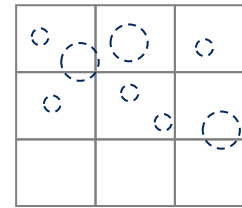
- **Lack of focus**
 - SOE may not be able to execute well on all initiatives



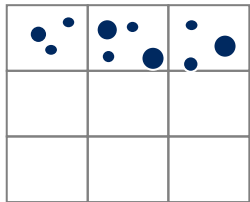
- **Big future bets**
 - SOE may not meet targets if big bets don't come through



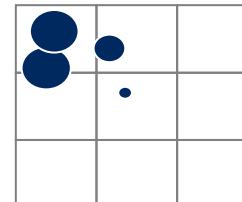
- **Risky future**
 - SOE lacks any initiatives that have high probability of being successful



- **Poor initiative definition**
 - SOE does not have a clear plan to meet targets



- **Risk-averse**
 - SOE may not be able to continue to grow



- **Poor innovation/improper management**
 - SOE will not be able to grow

Over time, portfolio should be rigorously managed and reassessed to adapt to internal and external changes

○ Size of bubble reflects relative economic attractiveness of initiative

A “Keep”

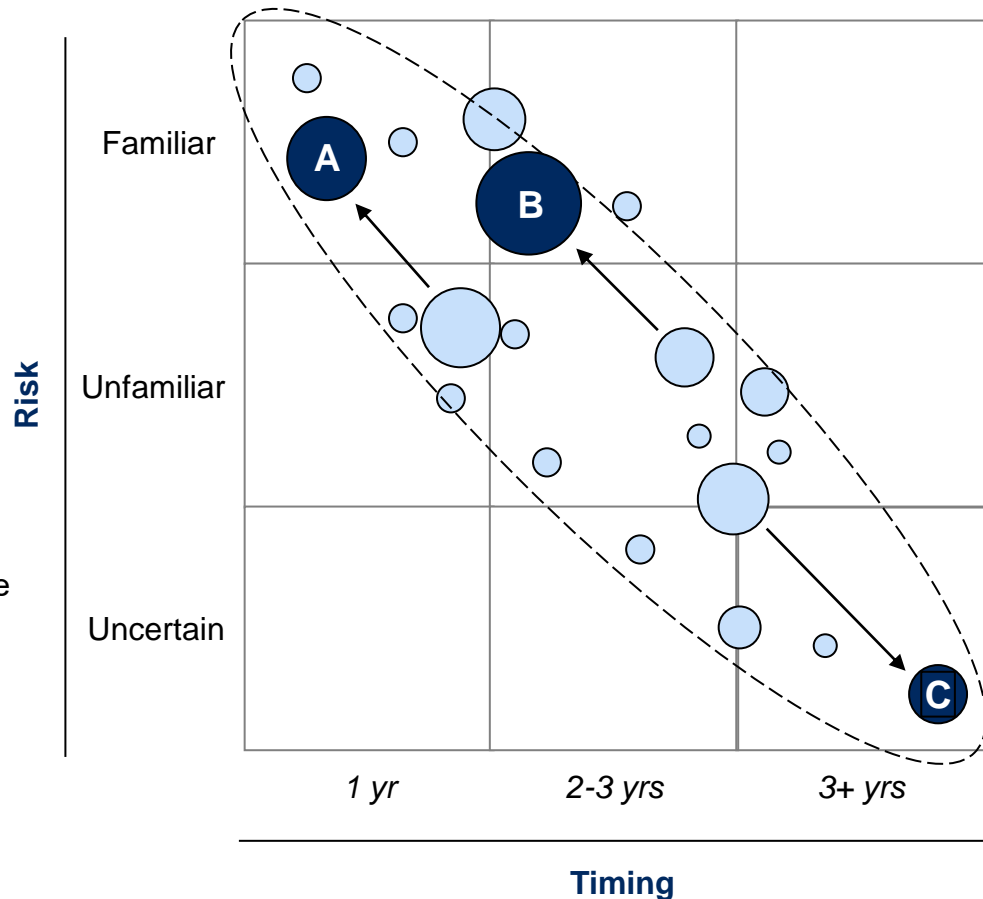
- Initiatives which will be kept should migrate
 - Left, as time-to-return approaches the present
 - Up, as familiarity increases

B “Grow”

- Initiatives which will be grown should be treated like “keep” initiatives (bubble size should be adjusted)

C “Exit”

- “Exit” initiatives should be removed

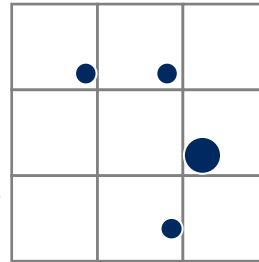


New initiatives should be introduced to refresh and rebalance portfolio

Under-performing or non-strategic initiatives should be eliminated

- Add initiatives
- Reprioritize initiative

Add



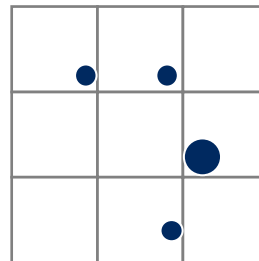
- Execute high-priority initiatives
- Evaluate initiatives with greater uncertainty/less familiarity
- Set checkpoints and milestones

Execute

Monitor

- Initial results of implementation
- Attractiveness of initiatives evaluated further

Reassess



Purge

- Semi-annual review
- Reassess based on
 - Market evolution
 - Corporation capabilities/intangibles

If used well the portfolio of initiatives will layout a robust set of concrete actions to meet the SOE's goals

What parts of the business plan do I do first?

- **Execute near term familiar initiatives**
- **Prepare for longer term, more unfamiliar initiatives**

How do I sequence actions?

- **Focus resources on largest economic impact initiatives which are most likely to succeed**

Am I overloading the organization?

- **Assign enough capable people to key initiatives to ensure success and delay others until qualified people are available**

Will we make our targets?

- **The economic impact of initiatives will show if the performance targets will be met**

What happens if some of the actions don't go as planned?

- **You should expect some will not perform as well as expected**
- **Channel resources to initiatives performing well, away from poor performers**

Portfolio of initiatives template

Discussion Draft

Potential initiatives for the State Company for Petrochemical Industries (from business plan and discussions in workshop)

Facility related

- \$350-450M in facilities upgrades to increase/rehabilitate plant capacity
- Improve reliability of gas supply (or install technology to store and maintain pressure of gas)
- Improve reliability of electricity supply

Supply chain related

- Secure better access to spare parts

Organization related

- Manage extra employees (minimize financial effect of extra employees)
- Conduct marketing and sales training for key employees (or hire in expertise)
- Develop R&D capability within SOE
- Request bid from technical consulting company

Products and sales

- Manage product mix for target markets (e.g., polyester fibers for Iraqi textile market)
- Conduct marketing campaign to increase sales
- Identify and develop export markets

Strategic

- Develop partnership with another company
- Secure low-cost, subsidized feedstock from Gol
- Secure feedstock supply from Kirkuk or other sources
- Get access to bank loans or other financing options (may require legislative changes)

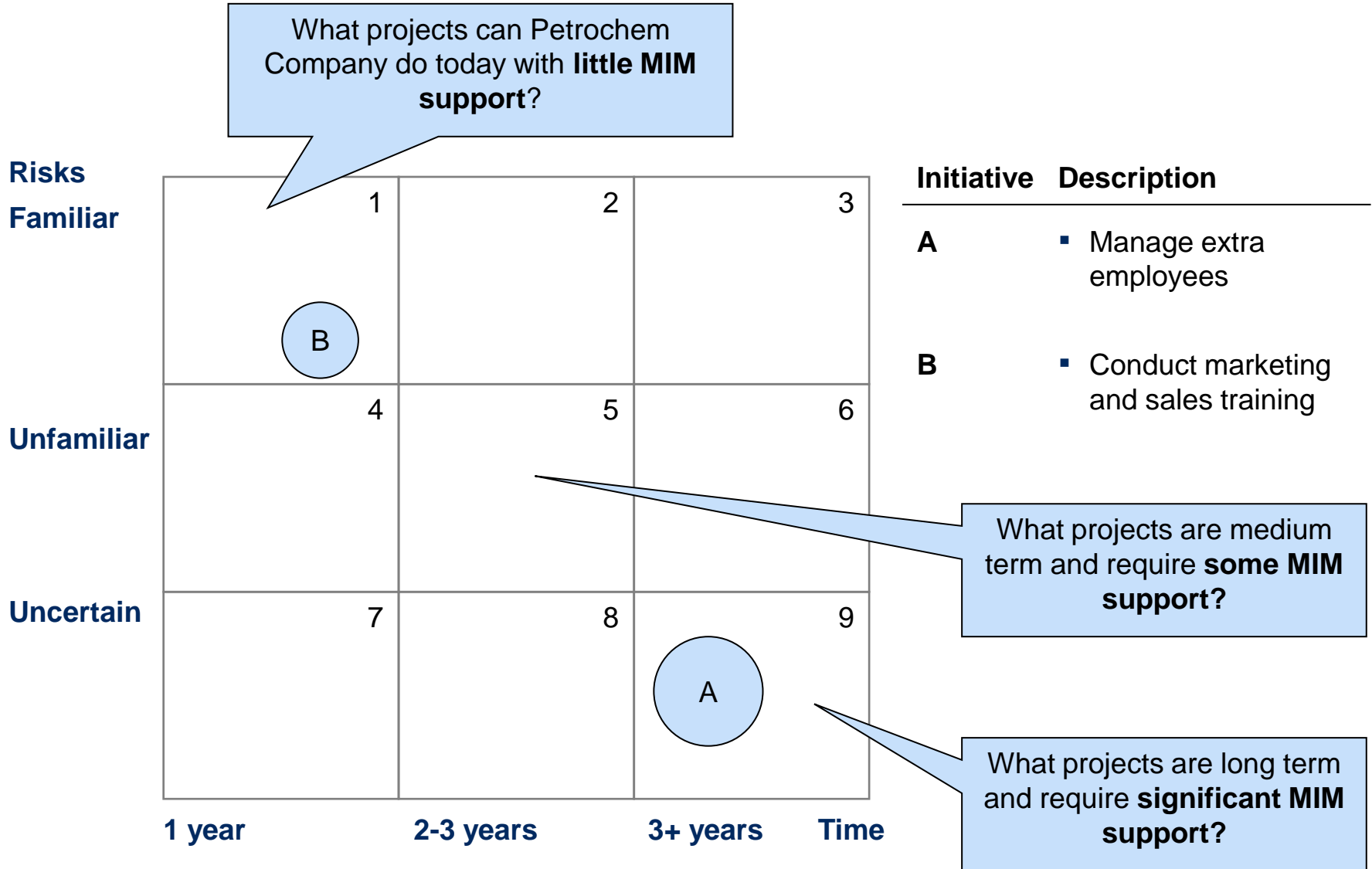
Initiative template example

EXAMPLE

Initiative	Description	Investment \$USD	Timing	Impact	MIM HQ support needed	SOE next steps
A	<ul style="list-style-type: none"> Manage extra employees 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> 3+ years 	<ul style="list-style-type: none"> Administratively isolating the extra employees would decrease the SOE's operating costs by ~\$1.0 M per month, which would allow the SOE to be profitable at current production levels 	<ul style="list-style-type: none"> Need permission to split the SOE into 2 administrative units <ul style="list-style-type: none"> One unit will contain the actual employees with labor cost covered by the revenue of the SOE Extra employee unit will be paid by Gol 	<ul style="list-style-type: none"> SOE will identify the number of employees that are actual and the number that are extra
B	<ul style="list-style-type: none"> Conduct marketing and sales training 	<ul style="list-style-type: none"> \$1,000/employee (Current 12 senior staff members) 	<ul style="list-style-type: none"> \$1,000/employee (Current 12 senior staff members) 	<ul style="list-style-type: none"> Increased marketing and sales effectiveness would raise revenue in the local marketplace by up to XX per year 	<ul style="list-style-type: none"> Need additional funding to hire outside marketing experts to train staff 	<ul style="list-style-type: none"> SOE will begin analyzing current marketplace to understand the needs/demands of customers

Illustrative plotting of the portfolio of initiatives

EXAMPLE



Blueprint For MIM Department of Public Affairs (Updated)

Discussion Draft
July 2009

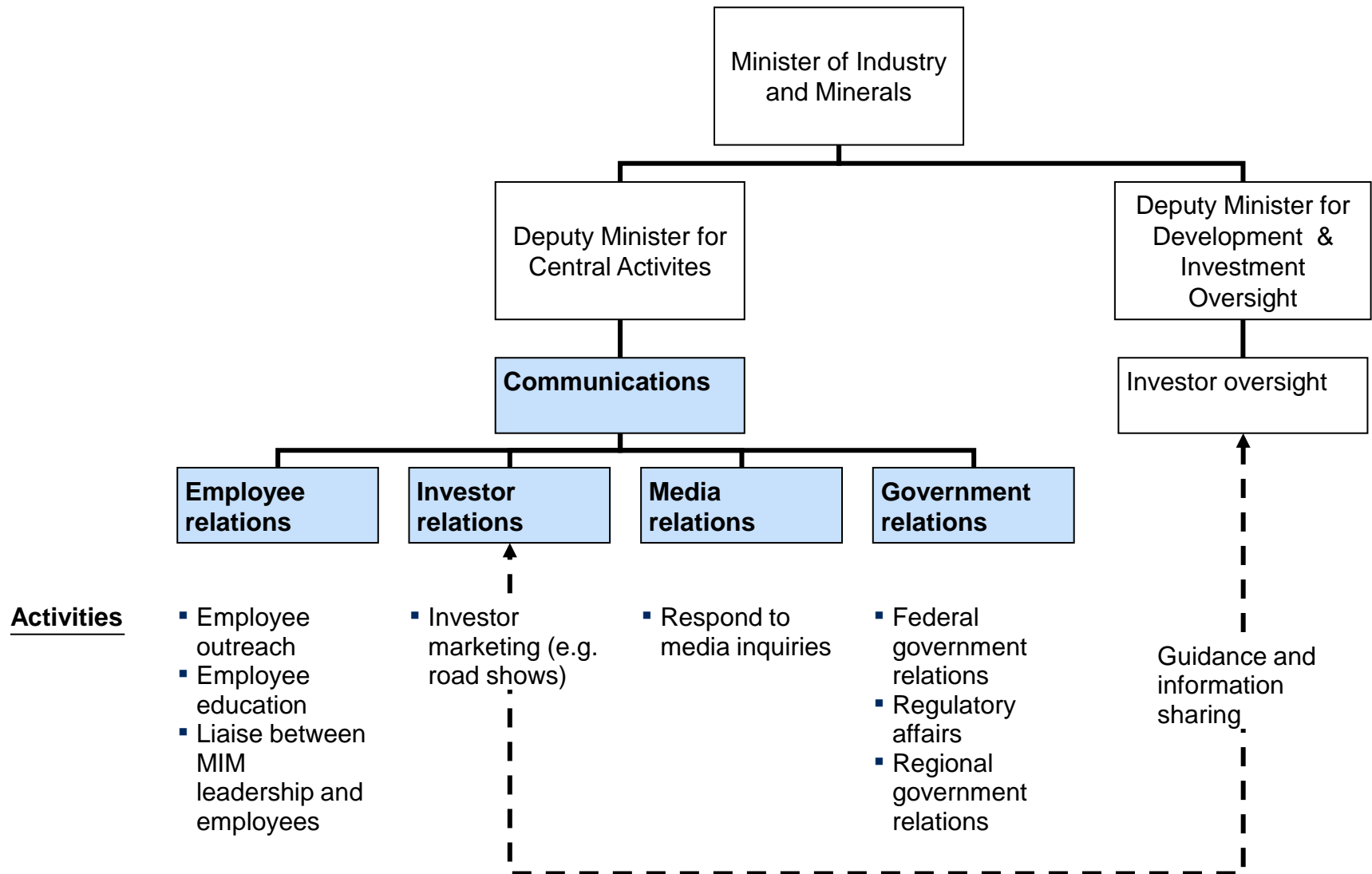
MIM should consider the communications objectives for four groups of stakeholders when designing a public affairs department

Stakeholder	Communications objectives
Current and prospective investors	<ul style="list-style-type: none">▪ Create awareness about investment opportunities▪ Provide information about potential investments▪ Meet investor requests for further SOE information
MIM employees and leaders	<ul style="list-style-type: none">▪ Explain MIM transition strategy and how it affects employees▪ Create commitment to MIM transition plan▪ Provide voice for employees within MIM leadership team
The wider public	<ul style="list-style-type: none">▪ Proactively engage and shape public perception of MIM▪ Provide answers to media inquiries regarding MIM and SOEs
GOI	<ul style="list-style-type: none">▪ Assist promoting MIM regulatory initiatives▪ Provide regular updates regarding MIM transition effort▪ Publish reports on SOE transactions, financials, and performance

Successfully achieving initiatives likely will require four new functions

PRELIMINARY

New public affairs function

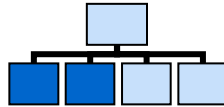


Public Affairs organization can be built in three stages, adding capability as needed

Focus

Description

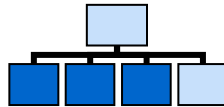
Stage 1 (3 – 6 months)



- Employee relations
- Investor relations

- Communication Chief in place
- 1 Employee and 1 Investor Relations team in place
- Employee and investor relations team can assist with media and government communication

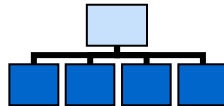
Stage 2 (3 – 6 months)



- Employee relations
- Investor relations
- Media relations

- 1 Media Relations employee in place
- Existing teams can cover government communications

Stage 3 (3 – 6 months)



- Employee relations
- Investor relations
- Media relations
- Government relations

- 2 Government Relations employees in place
- Full Public Affairs organization stood up and functioning within 18 months

Stage 1 primary function: employee relations

Function	Near-term to do's
Objectives	<ul style="list-style-type: none">▪ Coordinate message on MIM transition progress for all employees▪ Educate all employees about the impact of transition on<ul style="list-style-type: none">— Company operations— Employees activities, responsibilities, expectations, etc.▪ Build awareness of training opportunities for inactive workers
Activities	<ul style="list-style-type: none">▪ Deliver message to employees regarding MIM progress and transition<ul style="list-style-type: none">— Decide whether different messages go to active and inactive employees— Develop awareness campaign (e.g. memo, signs in factories)— Decide best medium for each activity (e.g. memo, direct mailing, speech from SOE DGs)▪ Establish MIM-wide communication strategy to inform employees about training opportunities<ul style="list-style-type: none">— Develop awareness campaign (e.g. memo, signs in factories)
Capabilities required	<ul style="list-style-type: none">▪ One team leader ideally with a communications background and strong communications skills▪ Team of two people that have good sense of morale and concerns of workers as well as strong communications skills

Stage 1 primary function: investor relations

Function	Near-term to do's
Objectives	<ul style="list-style-type: none">▪ Attract foreign investors to SOEs▪ Align DMs of Central Activity and Investor Oversight on message content and communication strategy▪ Lead investor marketing strategy on joint DM team <hr/>
Activities	<ul style="list-style-type: none">▪ Create joint communications team<ul style="list-style-type: none">— Develop coordinated message and strategy— Develop investor marketing campaign▪ Meet with other stakeholders within Central Activity and Investor Oversight to align on message content on update on impact and progress <hr/>
Capabilities required	<ul style="list-style-type: none">▪ One leader with strong understanding of market transition process▪ An counterpart team member from Investor Oversight

Next steps

- 1. Gain alignment amongst Deputy Ministers**
 - 1a. Align on mission of Public Affairs organization
 - 1b. Align on reporting structure and information flow
 - 1c. Align on implementation timeline and priorities
- 2. Hire Chief of Communications**
- 3. Work with Chief of Communications to fill in Stage 1 positions**
- 4. Develop and communicate key message for Stage 1 priorities**
 - 3a. MIM employee messages
 - 3b. Investor messages