

STRATEGIC DECISION ANALYSIS AND RISK MANAGEMENT MASTERCLASS

15-17 OCTOBER 2012, KUALA LUMPUR, MALAYSIA
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ORGANISED BY



**STELLAR CONSULTING GROUP &
ASIA-RESOURCE NETWORK**



Course synopsis

Strategic Decision Analysis is a facilitated strategy development process that integrates robust decision and risk analysis to address complex uncertainty with a clear, optimized strategy. It is another level of depth and breadth beyond Strategy Mapping. This course is a good fit for a company or business unit that needs a strategy development process that is both collaborative and analytical. It is especially suitable for organizations in industries where there are significant capital allocation decisions that need to be made in the face of complex uncertainty. Companies enter the 21st Century in an increasingly competitive and risky business environment. Under those circumstances, managers have a growing need to adopt better and more systematic decision processes that explicitly embody the firm's objectives, desired goals, and resource constraints.

Managers, for example, are regularly confronted with the issue of allocating scarce capital among a set of available exploration, development and acquisition opportunities - opportunities generally characterized by high degree of financial risk and uncertainty. Because these decisions are among the most conceptually difficult to make, managers are compelled to utilize the most advanced techniques to guide their project and portfolio evaluations. Moreover, in modern capital and business markets the link between strategic and financial decision making has become more and more important. Consequently, firm managers must focus as never before on the value their corporate and business level strategies are creating. Efforts to build linkages in the firm between strategy and finance issues must involve the entire organization - the impact on mitigating risk and improving performance can be significant.

Course Background

This training course is a practical, hands-on approach to modern techniques in risk management and strategic decision making for all aspects - including prospect evaluation, resource allocation, diversification and risk-sharing, corporate planning, and strategy development. Participants are given an advanced set of decision science and strategy techniques and shown how to implement these techniques in their own business setting to enhance the value of the firm. The course is an intensive 3-day course of study based on the premise that individuals learn most effectively through an active analysis of realistic business situations. Through a carefully designed sequence of lectures, case study, and discussion, attendees actively participate in the study of business situations faced by managers in companies. Participants are guided through hands-on exercises to familiarize them with the analytical and problem-solving techniques.

Under the experienced guidance of the Course leader, participants learn how to integrate the theories and practical procedures presented into their own specific "real-world" problem contexts.

Course Objectives

- Understand the characteristics of strategy and capital allocation issues which confront the firm.
- Learn how to most effectively apply an advanced set of decision science and strategy techniques to their specific business situation.
- Understand the importance of risk-sharing and diversification in project selection.
- Measure, manage, and control financial risk.
- Understand the performance implications of your firm's risk taking actions.
- Learn to act on your business strategy through the capital allocation process

Who Should Attend

- Economics and planning personnel
- Financial analysts
- Project evaluation personnel
- Finance directors
- Corporate executives specifically responsible for corporate risk activities
- Bankers responsible for financing activities
- Representatives from ministries responsible for resource development
- Petroleum exploration and production managers

Day One

Strategic Decisions in Modern Business World

Managers face important decisions regarding capital and resource allocation which are influenced by any number of critical factors. Understanding the components of the decision problems faced by managers is an important element of the decision process. Course participants examine closely the characteristics of the strategy and capital allocation issues which confront their firm.

Modeling and Structuring Decisions

The ultimate purpose of formal decision science techniques is to help decision makers make better decisions. Participants are introduced to decision analysis and its application to decision problems faced by managers. Participants have the opportunity to review actual problems and case studies of the decision analysis approach at companies worldwide. Discussion focuses on how participants can improve the quality of their decisions and create value for the firm.

Topics include:

- The decision analysis process
- Measuring decision quality
- Introduction to influence diagrams
- Decision tree modeling
- Applications of decision analysis

Probability Concepts and Assessment

- Probability Primer
- Making Subjective Probability Assessments
- Estimating Probabilities
- Introduction to Bayesian Analysis – Incorporating New Information
- Using Statistics to Make Better Decisions

Value of Information

Information gathering is a normal activity associated with the decision making process. To managers, the effect of this new information is to reduce the amount of uncertainty and risk. Information only has value in a decision problem, however, if it results in a change in some action to be taken by a decision maker. Participants will learn to apply value of information models to decisions. Participants will be presented spreadsheet applications of value of information decision models that can be utilized to improve information gathering decisions and save money.

- Information Value and Decision Making
- Value of Perfect and Imperfect Information
- Value versus Cost of Information
- Applications of Information Value Models
- Building Spreadsheet-Based Decision Support through the Use of Value of Information Models

Competitive Bidding

Many firms compete regularly in the competitive bidding environment. Decision makers recognize that bid outcomes can be highly uncertain. Utilization of more systematic bid processes in the firm can improve the likelihood of winning blocks, reduce the chance of over-bidding and "winner's curse", and create value for the firm. It is important for decision makers to have a clear understanding of the competitive environment, estimate the likelihood of winning at alternative bid amounts, and search for the optimal bid that maximizes the firm's value.

- Understanding the Competitive Bidding Environment
- Over-bidding and "Winner's Curse" – Some Evidence
- Utilizing Econometric Analysis to Predict the Level of Competition
- Predicting the Winning Bid
- Utilizing Decision Analysis to Find the Optimal Bid Amount

Sensitivity Analysis and Simulation

Participants will look closely at "hands-on" techniques for conducting sensitivity analysis and Monte Carlo simulation. Participants will become proficient in analyzing multiple sources of uncertainty and examining the effects of these uncertainties on firm profits. Participants will learn to simultaneously consider uncertain variables such as reserve recovery factors, productive area, costs, product prices, operating expense, etc. in their economic analysis.

- Simulation Techniques
- Independent and Dependent Events in Simulation
- Introduction to Spreadsheet Based Simulation Packages
- Applying Simulation to a project Prospect
- Modeling Uncertainty and Its Impact on Decision Making

Direct Choice Methodologies – Shortcuts to Effective Decision Making

- Combining Simulation Outputs and Direct Choice Methodologies
- Dominance Rules in Evaluating Project Uncertainty
- Examining Simple but Powerful Ranking Techniques in Project Analysis

Benefits of Attending

In these three day course you will improve your own skills in risk management and strategic decision making. We will show you how to apply practical and proven methods that will enable you to:

1. Apply risk assessment and analysis techniques to your specific business situation;
2. Incorporate multiple objectives into your risk analysis and decision process;
3. Employ state-of-the-art asset and project evaluation techniques;
4. Utilize a portfolio analysis approach to allocating scarce capital and resources.
5. Provide managers clear guidelines on making choices among risky projects;
6. Measure the value of seeking additional information before you pay for it;
7. Organize objectives into a systematic framework to evaluate investment alternatives;
8. Measure, interpret and implement your firm's unique risk tolerance level;

Day Two

Financial Principles and Project Valuation

Participants are presented the fundamental concepts associated with modern financial theory and shown how to effectively link these concepts to strategies. This module will help demystify the field of financial evaluation and provide participants a "hands-on" approach to project valuation based on capital market concepts. Most important, participants will learn how to use valuation to make decisions about courses of action for their companies.

- Financial Management and Maximizing Market Value
- Efficient Financial Markets
- Cash Flows and Their Incremental Effects
- Fundamentals of Present Value Analysis
- Project Risk and Return
- Estimating Your Cost of Capital

An Introduction to Real Options Analysis

Real option analysis is the newest advance in financial theory and project valuation and is particularly applicable to the firm. Participants will learn that managerial flexibility associated with capital allocation decisions is what gives options their added value. Participants will apply option pricing methods to value strategies based on the flexibility they give.

- Asset Options
- Abandonment Options
- Options to Defer Development
- Option to Expand
- Application of OPT

Diversification

Participants will learn how diversification is an integral part of business and capital markets. They will learn how diversification works to reduce risk because returns of different investments do not move exactly together. Participants will apply modern portfolio techniques to decision problems and see how these techniques can be applied to their own specific decision contexts. Participants will provide clear evidence that portfolio optimization techniques represent a valuable tool for capital budgeting.

- Diversification works to reduce risk
- Systematic and unsystematic risk faced by the firm.
- Portfolio analysis and some examples of the portfolio effect
- Constructing the "efficient" set of project portfolios
- Using linear and non-linear programming approaches for portfolio analysis

Limitations of Expected Value Analysis in Decision Making

In this module, participants will learn some of the common pitfalls associated with exploration risk analysis. Participants will learn, for example, that the expected value concept, which weights the financial consequences by their probabilities, often does not adequately take risk into account. To most decision makers, risk is more than just a function of the probability distribution of reserve outcomes or financial payoffs, but also the magnitude of capital being exposed to the chance of loss.

Day Three

Modeling Risk Propensity

Participants will be introduced to the concepts and application of preference analysis in the setting. This decision analysis approach, enable managers to measure their firm's financial risk tolerance, incorporate their propensity for financial risk into the decision process, and provide recommendations about the appropriate level of diversification. Participants will see actual applications at major and independent companies and learn how to apply the concepts to their own business setting.

- Risk Aversion - What Is It and How Do We Measure It?
- Valuing Risky Projects - An Alternative Approach
- Certainty Equivalents - Bringing a "Cash Value" to an Uncertain Project
- Using Decision Analysis to Assess Risk Attitudes
- Using Preference Analysis in Decision Making - Some Applications

Risk-Sharing and Joint Venture Analysis

Participants are shown that the preference analysis approach provides guidance to the firm in terms of the value of diversification and risk-sharing. Unlike expected value analysis, which is an "all or nothing" decision rule, the certainty equivalent approach will aid the participants in selecting the appropriate level of project participation consistent with the firm's risk propensity.

Participants will be shown by examples from the various sector that this valuation approach provides them a formal means to quantify the advantages of selling down or "spreading the risk".

- Risk Sharing and Expected Value Analysis - Where's the Guidance?
- Risk, Risk-Sharing and Your Firm's Financial Risk Tolerance
- Finding Your Optimal Share in Projects With Preference Analysis
- Constructing the Appropriate Portfolio in Light of Your Firm's Risk Policy
- Case Study: Energy Corporation

Managerial Perspectives on Risk and Risk Taking

Participants will consider how managers view risk and what the impact of those perspectives are on risk-taking, project evaluation, and project selection. Participants will also become familiar with the risk adjustment practices used by companies. The Course leader will provide additional information from the industry regarding how managers perceive risk, how they adjust for risk, and how they behave in terms of making risky choices. Participants will explore the impact of such issues as:

- Do managers think of risk in a similar manner?
- Are managers generally risk takers or risk averters?
- Are managers more willing to take risks in their business decisions than in their personal decisions?

Measuring Corporate Risk Tolerance

Participants will explore a number of practical methods for measuring corporate risk tolerance. They will learn how to encode the firm's risk preferences so that risky investments can be systematically evaluated in the context of the firm's risk propensity. Among the methods presented will be industry-specific questionnaires designed to elicit risk attitudes from senior management, analysis of prior project decisions, and a comprehensive empirical analysis of risk taking by some of the largest international firms.

Risk Taking and the Performance Implications

Participants will review industry evidence that firms vary significantly in their propensity for financial risk. We will examine differences in risk-taking among major companies. Representatives from different companies will be able to explore their peer group of companies and observe how their risk-taking compares to other companies. Even more importantly, participants will analyze performance differences based on firms' willingness to take financial risk. This will enable participants to identify their firm's appropriate risk policy and make recommendations about implementing that policy in their firm setting.

- Corporate Risk Tolerance
- Some Implications About Risk Tolerance
- The Risk Tolerance Ratio (RTR) - A Relative Risk Propensity Measure
- Risk Tolerance and the Performance Implications

Business Strategy and the Capital Allocation Process

Participants will learn methods to integrate two functions that are often very separated in the firm - business strategy and capital allocation. Participants will discuss an actual case study and application that:

- Provides a means to identify and evaluate a larger set of potential opportunities
- Links those opportunities and decisions with the company's objectives and goals
- Formalizes the risk analysis process such that managers understand the risk implications of their choices concerning partnerships and diversification
- Provides a technique to evaluate the firm's position relative to its strategic plan
- Improve the overall quality of investment decisions and ultimately create value for the firm.

Participants will receive an individual, comprehensive e-notes and course materials in the form of Netbook.



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OUR COURSE DIRECTOR



Gregg B. Albert is President of Consulting Group, a global management consulting and training advisory firm. He works across industries with primary expertise with Hi-Technology, Oil and Gas and Defense/Aerospace companies by helping them create the skills necessary to grow their business.

Mr. Albert's practice focuses on Corporate Strategy, Finance, M&A and Business Acumen for a number of F1000 firms. Mr. Albert created the **BTS/Strategic Management Group** Global University practice advising leading business schools on simulation technologies for use in graduate and executive-level curriculums. He has led client engagements in over 30 countries.

Mr. Albert is **Adjunct Professor of Finance** at **Drexel University** where he teaches MBA courses in M&A and Transactional Finance.

Following a research grant at NASA, Mr. Albert began his professional career at the Palo Alto, CA **Venture Capital** Firm focusing on IP & Equity Transactions. After working in Venture Capital, Mr. Albert joined **ROXIO** in IP business development where he structured numerous acquisitions and JV transactions. Following business school, Mr. Albert joined **DuPont** on the Global Mergers and Acquisitions team where his team negotiated and financially structured transactions, equity partnerships and JV's totaling over \$7.4B.

Mr. Albert's academic credentials include BS and BA degrees in Philosophy and Physics from the **University of California at Berkeley**, an M.Phil in Philosophy from **Oxford University**, Magdalen College, an MBA from the Haas School of Business at **University of California at Berkeley**. Mr. Albert also completed the "Mergers and Acquisitions" executive course at the **Kellogg School at Northwestern University**.

ABOUT US

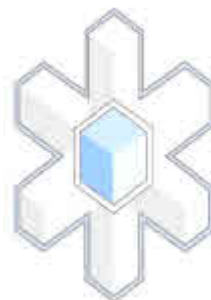
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In addition to organize training programmes, we also deliver a very wide range of services in training consultancy and event management services. Our expertise in event management solutions spans across management of conferences, seminars, training, road shows, exhibitions, launches, brand activations, social functions, incentive programmes and teambuilding. The package includes an efficient project process covering all logistical aspects, marketing, design of printed and electronic media. The focus remains towards constantly building on past experiences and providing top of the line services at competitive prices that help us deliver on what we promise and further customer satisfaction by providing them more than what they expect out of partnering with us. We are constantly looking for new and innovative ways to deliver high-quality, market focused events to suit your needs.

Asia Resource Network is your solution for all event management needs. Talk to us and let us explain to you how we can help. From all events, big or small, we can facilitate a full suite of solutions to meet and exceed your expectations.

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