A WELCOME MESSAGE FROM THE CHAIRMAN AND CEO

Congratulations on joining Energy Inc.’s management team! We hope your career in our company will be truly challenging and rewarding. As you proceed through our orientation for new managers, we’d like to help you achieve a better understanding of our company.

Background and Objectives

Energy Inc. is a diversified energy industry leader with core businesses in crude oil and natural gas, electric power, energy trading and marketing and environmental services. Our most recent report to financial analysts is posted in the WebBoard conference area. Energy Inc. is faced with many of the issues and opportunities evident in the global energy scene today. Not only must we continue to operate our core businesses profitably, but we must also grow our assets in order to maintain and improve our competitive position, at a time when the energy industries must deal with adversity as never before.

In order that your training and our business planning proceed as efficiently as possible, here are a few guidelines to help you along your way.

SCHEDULE

Our work schedule for the semester is posted on the Energy Institute Web site. Please note that the schedule is subject to change. We will try to accommodate all individual needs with regard to potential conflicts. However, if you must miss any of the scheduled management meetings, please do the following.

- Make arrangements with your colleagues to collect any briefing materials for you in your absence. This is your own responsibility.
- Make arrangements with your colleagues to deliver any work assignments due, or send them to me electronically. I do not accept late assignments.

“RULES OF THE ROAD”

Overview

This is a business-public policy survey course on the worldwide energy industries. Our main focus is on change that forces strategic adaptation. Change affects our bottom line, investments and operations.
We must have a strong understanding of the forces that impact our business in order to devise timely solutions, especially crucial as we formulate strategies for new ventures and business development.

Many of the issues we face in the energy industries are related to government policies and regulation. Tensions exist as energy industries, governments and societies strive to achieve common goals and objectives. From the corporate perspective, we have the following considerations.

- We want to be proactive – to employ strategies that can exert influence on our external business environment.
- We want to better comprehend and take control of the government-market interaction. This includes analyzing the direct effects of government policy on strategic considerations for the energy industries, and to determine whether policy risk factors can be identified and managed.

From a social perspective, the provision of energy goods and services are essential to expanding economic development and maintaining and improving quality of life and living standards. Our task as commercial energy managers is to operate our businesses at the highest level of excellence possible with regard to social and environmental performance, while achieving (or beating) our targets of profitability and shareholder return. This is not easy!

Because of the scope of our needs as we move forward during the next four months, we sometimes must deal with a higher level of analysis, such as the basis for public policy (social preferences regarding the role of government), business ethics issues, geopolitics, and so on. Thus, briefing materials for our management meetings and our discussions will be quite diverse.

**Importance of Our Management Team**

The energy sector remains one of the most important to the global economy as well as to Houston, Texas and the U.S. Understanding the dynamic forces that impact energy businesses in this region is critical for current and future commercial managers – whether you work in the energy sector, for government, for a major energy customer, an energy service company or from your own perspective as an individual consumer. *The energy industries are rich, but relatively understudied, examples of real-world business trends and strategic responses.*

**Format of Scheduled Meetings**

We will conduct our management meetings using an interdisciplinary seminar format covering a wide variety of topics related to energy business strategic adaptation. You will be expected to contribute from your acquired skills in business strategy, organizational behavior, international management, finance, decision analysis, IT, accounting, marketing and other business disciplines as well as your technical skills in the earth sciences, engineering, economics, political science and law for those of you with those backgrounds. Guest speakers will add to the interdisciplinary mix.

*Your briefing materials were developed with funding provided to the UHCBA through the CBA Energy Institute by private energy companies. One of the objectives for the Institute is to help strengthen ties between the Houston energy community and CBA and UH faculty and students.*

**IMPORTANT NOTE:** All participants in this course must have Internet access and supply e-mail addresses to the CEO.
Pre-requisites

It is preferable that you have completed most of your MBA core courses. It is desirable that economics or the equivalent required courses have been taken. Those of you from other colleges and departments should have completed your core course requirements in those colleges, and have good familiarity with economic principles.

Our hope is that you joined Energy Inc. out of an interest in the energy industries. Direct experience or detailed familiarity is not a requirement. However, your may have to bring yourself up-to-speed on the basics of the energy industries. Fortunately, there are lots of ways to do this.

• Visit the Wiess Energy Hall at the Houston Museum of Natural Science (a weekend field trip is scheduled for this course).
• Tour the U.S. Energy Information Administration Web Site (www.eia.doe.gov). We will use this Web site extensively during the course.
• Tour the Natural Gas Information and Educational Resources site (www.naturalgas.org). These are great overview materials not only for the natural gas value chain, but also in general for upstream oil and gas development.
• Tour the American Petroleum Institute site (www.api.org) and access their background materials on oil production, refining and marketing.
• Tour the Energy Institute’s Web site (www.uh.edu/energyinstitute).
• Review the annual reports of energy companies online.
• If you have access to the Wall Street Journal interactive site (www.interactive.wsj.com), check out the Briefing Books for financial performance of publicly traded energy companies.
• Watch for major energy stories in the news media.

Your own Briefing Book of information, sources and references provides more ideas. Note that many of the Web sites listed above contain your “textbook materials” for this course (see the course schedule).

Readings and Other Materials

Reading materials you are assigned during the next few weeks will provide a broad array of perspectives including economics, business, law and technology. Your CEO will provide some; others you must obtain from referenced Web sites. Your course schedule also includes several references and readings that are “highly recommended.” These are optional, not required for the course.

Performance Requirements and Evaluations

The following assignments will be your responsibility for the course.

Snap Assignments
20 percent of total grade

The “snap” assignments are short essay responses to a key question that will be raised by your CEO (me). I often, as CEO, require quick, short information to address a critical, short fuse problem. The “snap” assignments are designed to provide me with the quick information I need (when meeting with investors, dealing with unhappy analysts, solving crises or preparing for major speeches). The rules are as follows.
• Each response should be submitted as an e-mail response to the CEO, roughly one page in length and should consist of the following.
  • A brief response to the question.
  • Any recommendations you may have or be asked to make.
  • A snapshot of the resources used to answer the question, if you have gone beyond the course materials and recommended Web sites.
• There will be three snap assignments during the semester. The average of your grades on these assignments will satisfy the 20 percent allocation of your final evaluation.

Competitor Reports
30 percent of total grade

It is essential that we at Energy Inc. understand the nature of competition across the energy value chains. Each manager is responsible for generating a current, incisive report on a company of your choice within one of our business segments. You must follow the criteria outlined below.

• Your report must be no more than three pages of succinct information that will allow us to evaluate best practices across the industries. You should submit your report as a “Memo to the Chairman and CEO of Energy Inc.”. You should use one-inch margins all around, 11-point type, and single spacing. YOU MUST SUBMIT YOUR REPORT VIA E-MAIL OR ON DISKETTE. You must address the following aspects of the competitor company you have chosen.
  • BRIEFLY IDENTIFY your company’s core business segments, major activities in each during the previous fiscal year and key financial results. This should comprise about one-third of the content of your report.
  • MARKET POSITION OF THE COMPANY YOU ARE ANALYZING. Using information on operations and assets, corporate organization (private, public, state-owned) and key financial performance data you MUST clearly specify, as best you can, your target company’s market position in the industry. You should include the following: examples of other companies in your target company’s strategic group and your company’s market share, as best you can determine.
  • YOUR INCISIVE ANALYSIS ON ACTIONS your company is taking to improve its market share/competitive position.
  • DISCUSS THE IMPLICATIONS FOR ENERGY INC. These may be broad and related to industry trends, or they may be specific related to our core competencies.

Team Projects
Proposal: 10 percent of total grade
Oral Presentation: 10 percent of total grade
Written report: 30 percent of total grade (40 percent if no oral presentations)
TOTAL: 50 percent of total grade

The focus for your semester projects will be identified by the CEO (me) and will encompass an issue we must address that is critical to Energy Inc.’s ongoing performance and growth. Each project will include recommendations from the management teams that represent our core business segments.

Project requirements are as follows.
Proposals:
- Each team will be required to address the issue posed by your CEO from the particular perspective of the business segment your team represents.
- You must prepare a clear, three-page proposal for your projects (same format as competitor analysis). It should include the following required information.
  - Identification of the **target problem**.
  - Why it is **important**.
  - Description of the **setting** – industry/general business/economic conditions, policy environment, other relevant considerations in your business segment.
  - Description of **data and analysis** you plan to use in support of the project.
  - What you **expect to interpret** from your team’s study – the broader implications for Energy Inc. and the industry, whether there are alternative interpretations or models, and so on.

Oral Presentations:
- Members will make verbal presentations on their projects at our semiannual Board of Directors meeting.
- Each team presentation should not exceed 15-20 minutes in length.
- Teams are encouraged to use effective visual aids and are expected to prepare and present their project results in the most professional manner.
- All teams and team members are required to attend the Board of Directors meeting unless there are definable extenuating circumstances.

Written Reports:
- **ALL team members must be involved in project report preparation.** Each written report must CLEARLY delineate the contribution of each team member to the project.
- You should follow these guidelines for the written report.
  - You should **follow the same format** as the proposal.
  - Your report should be **no more than 20 pages** in length (you may use appendices to elaborate or present additional data and analysis).
  - You should include liberal use of **data, charts, graphics**.
  - You must **thoroughly document and cite** all information sources – references, reports, interviews, Web sites, etc. *With regard to Web material, remember, plagiarism is unethical, no matter your source. The Internet is an easy target.*
  - Again, I WILL NOT ACCEPT PABLUM FOR THE MASSES. Your reports must be thorough, incisive, thoughtful and well laid out with supporting data and analyses.

I will use the following criteria in my overall evaluation of the team projects.

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<th>Category</th>
<th>Percent of Total Evaluation</th>
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<td><strong>Command of the topic</strong> – your team’s understanding of the issues and central questions.</td>
<td>15</td>
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<td><strong>Quality of analysis</strong> – data, arguments, conclusions (relevance, diversity of sources, validity of sources).</td>
<td>15</td>
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<tr>
<td><strong>Context</strong> – command of the bigger picture for the industry and your business segment.</td>
<td>15</td>
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<td><strong>Quality of interpretation</strong> – support for your findings and recommendations to the Board.</td>
<td>35</td>
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<tr>
<td><strong>Quality of team presentation</strong> – organization of presentation, clarity, quality of supporting presentation materials (charts, slides, overheads,</td>
<td>10</td>
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etc.), ability to complete presentation within the time limit allowed. 

Quality of written report – clarity of text and graphics, organization, neatness, intellectual creativity in presentation and treatment of topic, documentation of sources.

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Your final performance evaluation for this course can be improved (or injured) by two things – your attendance and your level of participation.

• In order to encourage participation and use of all the resources you are being provided for the course, I will suggest discussion questions ahead of major topics. I will look for active responses during our class meetings. Managers who are consistently unprepared or who do not respond will know it!

• While you may need to be absent for certain activities, it is important to notify me ahead of time, especially for extended absences. Attendance at scheduled meetings is particularly important when we have outside guest speakers.

• You are expected to be fully prepared for each management meeting. Discussion must be well-informed in order to be productive. Because this industry is fast-moving and dynamic, I may be compelled, from time to time, to pose specific problems, cases or questions during our management meetings. Your presence in our meetings and your ability to respond effectively to these assignments may be used in my final evaluation of your performance!