A Business Plan Review for Moçambique Previdente, SGFP, SA

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1645296

A consultancy report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

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Protocol number:

DECLARATION

I, Ilídio Rodrigues Bila, declare that this is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

(Ilídio Rodrigues Bila)

Signed at Johannesburg

On the 18th of June of 2018

DEDICATION

To my mother, Clara Dias Panguana.

ACKNOWLEDGEMENTS

I thank everyone who directly or indirectly contributed to making this journey possible. A special thank you to my supervisor, Jane Mwebi, the team from Moçambique Previdente, especially Mr Aldo Tembe, for allowing me to lead the preparation of the company's strategic document. Big thanks to all my friends, colleagues and family for unconditional support. And thank you, times over and over to Claudia, for everything.

SUPPLEMENTARY INFORMATION

Supervisor:	Jane Moraa Mwebi
Word count †:	14990
Supplementary files:	Survey Report
	Financial Statements

† Including Executive Summary, References, etc.

EXECUTIVE SUMMARY

Moçambique Previdente, SGFP, SA (MP, SGFP) is a pension fund management firm, operating in Mozambique, since 2013. The shareholders previously ordered a study for a business plan that could set the long-term strategy and feasibility study for the company. This study was conducted in 2011 by Pricewaterhouse Coopers (PwC), Mozambique, in conjunction with Envision Strategy Consultants (ESC).

The 2012 macroeconomic conditions were favourable, as the economic outlook was positive amid discoveries of vast reserves of natural gas in the country. Mozambique experienced an average GDP growth rate of 7.2% between 2001 and 2015. This rate was 2.3% higher than the average GDP growth rate in the Sub-Saharan region for the same period (The World Bank, 2017)[1].

PwC & ESC (2011) projected that the assets under management (AUM) by MP, SGFP would be close to USD39.9 million by the fourth year, as opposed to the USD2.5 million (minus fees, insurance and other expenses) recorded in 2016. The total number of participants predicted for the fourth year was 17.7 thousand, as opposed to the 1.3 thousand participants enrolled by 2016. Note that until 2016, the pension fund business comprised only 6.7 thousand participants (Instituto de Supervisao de Seguros de Mocambique, 2017).

In recent years, the current macroeconomic environment became a matter of concern as the country was going through a financial crisis (Cotterill, 2017). It was with the current state of the industry in mind that the company decided to draft a new business plan.

The report used a mixed methodology to capture all dimensions of the problem. So, it conducted a market survey to get an indication of pension fund service attributes clients would value the most with. The results could help improve the value proposition

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[1] Own calculations derived from The World Bank Data Bases, https://data.worldbank.org/?name_desc=true

and increase market share. The report also used audited results and other documents available on the public domain to understand other aspects influencing business performance.

The report estimated that business volumes could grow close to MZN107.6 million in five (5) years, and that would lead to a fair value of the equivalent MZN133.5 million. The book value of equity was estimated to be close to MZN33.12 million in 2017. The close monitoring of expenditures and gains of efficiency proved to be determinant to improve profitability issues.

The improvement of the firm's cash flow would be dependent on the Board member's ability to renegotiate and restructure ADM (Aeroportos de Moçambique, EP) debt, and the management aptitude to diversify from State-Owned Enterprises (SOEs) and add more privately controlled corporate clients. These clients would ideally act in more resilient industries like the financial, extractive and energy sector.

The practical deployment of profit centres and the hiring of an experienced business developer were also pivotal to the strategy to be adopted. All the above will not matter if concrete actions do not follow recommendations, and policies to address accountability issues and good governance is not in place and enforced.

Keywords: Complementary Pension Fund, Employee Benefits, Mozambique

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List of Abbreviations and Acronyms

3Ps:	Performance, People, and Processes
4Ps:	Product, Price, Place, and Promotion
AUM:	Assets Under Management
ADM:	Aeroportos de Moçambique

CAGR:	Compounded Annual Growth Rate
CAPEX:	Capital Expenditure
CAPM:	Capita Asset Pricing Model
CCR:	Cash Conversion Rate
CPI:	Consumer Price Index
DB:	Defined Benefit
DC:	Defined Contribution
DCF:	Discounted Cash flows
EBIT:	Earnings Before Interest and Taxes
EBITDA:	Earnings Before Interest, Taxes, Depreciation and Amortisation
EMOSE:	Empresa Moçambicana de Seguros, Sociedade Anonima
ESC:	Envision Strategy Consultants
FAQ:	Frequent Asked Questions
FCF:	Free Cash Flows
FDI:	Foreign Direct Investment

GDP:	Gross Domestic Product
GETCOOP:	Cooperativa dos Gestores e Trabalhadores da Emose
IGEPE:	Instituto de Gestão de Participações do Estado
IMF:	International Monetary Fund
INE:	Instituto Nacional de Estatística
ISSM:	Instituto de Supervisão de Seguros de Moçambique
IPS:	Investment Policy Statement
KPI:	Key Performance Indicator
LNG:	Liquified Natural Gas
MP, SGFP:	Moçambique Previdente, Sociedade Gestora de Fundos de Pensões
MPT:	Modern Portfolio Theory
MP, SGFP:	Moçambique Previdente, Sociedade Gestora de Fundo de Pensões
MZN:	Mozambican New Metical
NBC:	Negotiable Benefits Consultants
NPV:	Net Present Value

OECD: Organisation for Economic Co-operation and Development

and Legal

PC: Profit Centre

PESTL: Political, Economic, Social, Technological and Legal

PwC: PricewaterHouse Coopers, Mozambique

SBU: Strategic Business Unit

SEO: Search Engine Optimisation

SOE: State-Owned Enterprises

SWOT: Strength, Weaknesses, Opportunities and Threats

ROE: Return on Equity

SWOT: Strength, Weakness, Opportunity, and Threat

US: United States

USD: United States Dollar

1 INTRODUCTION

1.1 Company Overview

Moçambique Previdente, SGFP, activities include pension fund management services and all correlating activities, such as asset management and investment. Hence, participating, directly or indirectly, in the development of related projects in different business sectors. The company started its activities with a share capital of MZN24 million, with over 240.000 shares, each with a nominal value of MZN100,00. Four (4) reputable Mozambican companies own the company, with the following shareholding structure:

- Empresa Moçambicana de Seguros, SA (EMOSE) (40%), a state-owned insurance company founded in 1977;

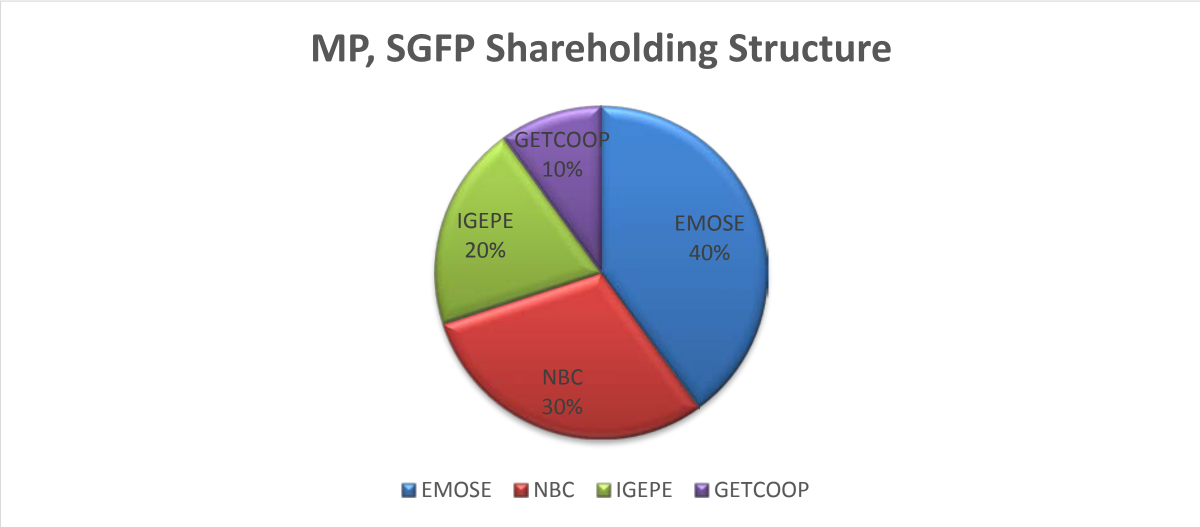
- Negotiable Benefits Consultants Mozambique, SA (NBC) (30%), part of the South African multi-national group; NBC Holdings PTY, and responsible for the daily operations of the business, as they have the technical competencies and a proven track record in managing a similar business in South Africa;

- Instituto de Gestão de Participações do Estado (IGEPE) (20%), a State Holdings Management Institute; and

- Cooperativa dos Gestores dos Trabalhadores da EMOSE (GETCOOP) (10%), which is the association representing EMOSE employees.

Figure 1 below portrays the shareholding structure explained above:

Figure 1 – Shareholding Structure



Source: Company Profile (Mocambique Previdente, 2016)

The MP, SGFP's primary objective is the maximisation of portfolio investment returns while controlling risk. The company's vision, mission, and values and statements (Mocambique Previdente, 2016) are as follows:

Vision: To become the leader in the management of pension funds schemes in Mozambique.

Mission: To add value, creating benefits for society, through constructive and sustainable engagement with our clients, employees, and shareholders, to think of the future while living the present.

Values: Integrity and responsibility; effective management of resources and costs; integrated communication

The company's primary source of revenue is through the provision of the following services (Mocambique Previdente, 2016):

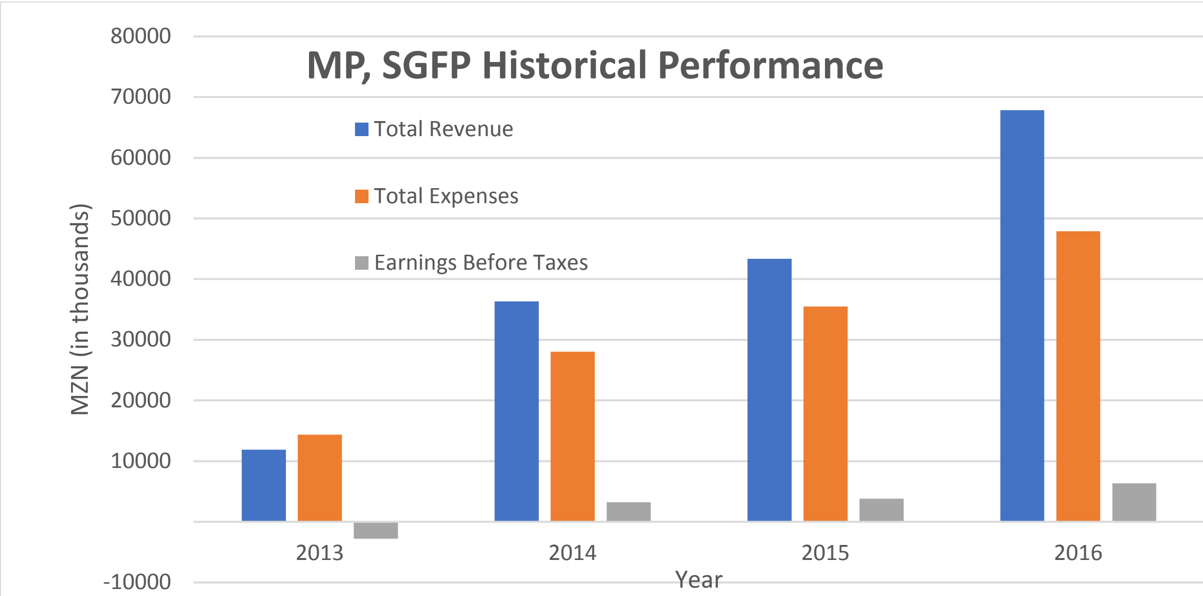
- Consultancy for the creation of Pension Funds;

- The administration of Pension Funds; and

- Asset management and investment consulting services.

According to the company's audited financial reports (Ernest & Young, 2016), the year 2016 has shown positive results, recording a net income of MZN6.3 million. The net income represented 9% of turnover for 2016, well below short-term "risk-free" government bond, that reached highs of 26% in December of 2016 (Moodys Analytics, Inc, 2017). Figure 2 below illustrates the company's performance since its inception:

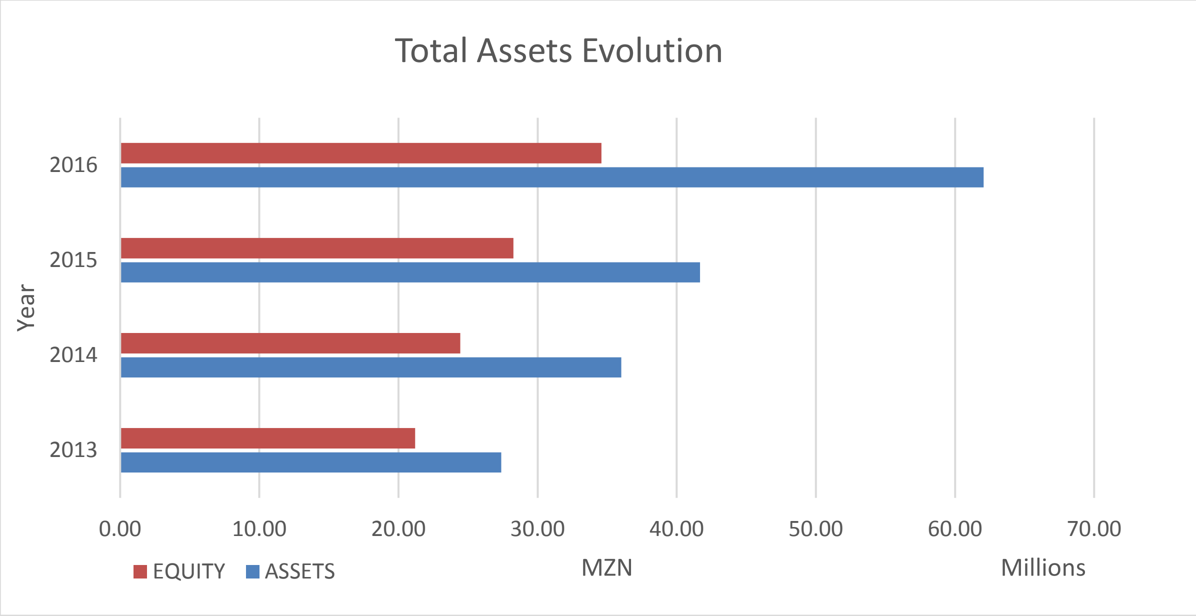
Figure 2 - MP, SGFP Historical Performance



Source: Companies financial statements

The book value of the firm grew by 20% in 2016 and registered a compound annual growth rate (CAGR) of 17.69% over the last three (3) periods (Ernest & Young, 2016). The company's total assets were listed at MZN62.1 million in 2016, from an amount of MZN27.4 million recorded in 2013 (Ernest & Young, 2013). Figure 3 below illustrates the company's total assets and equity portion growth since inception:

Figure 3 - Total Assets Growth

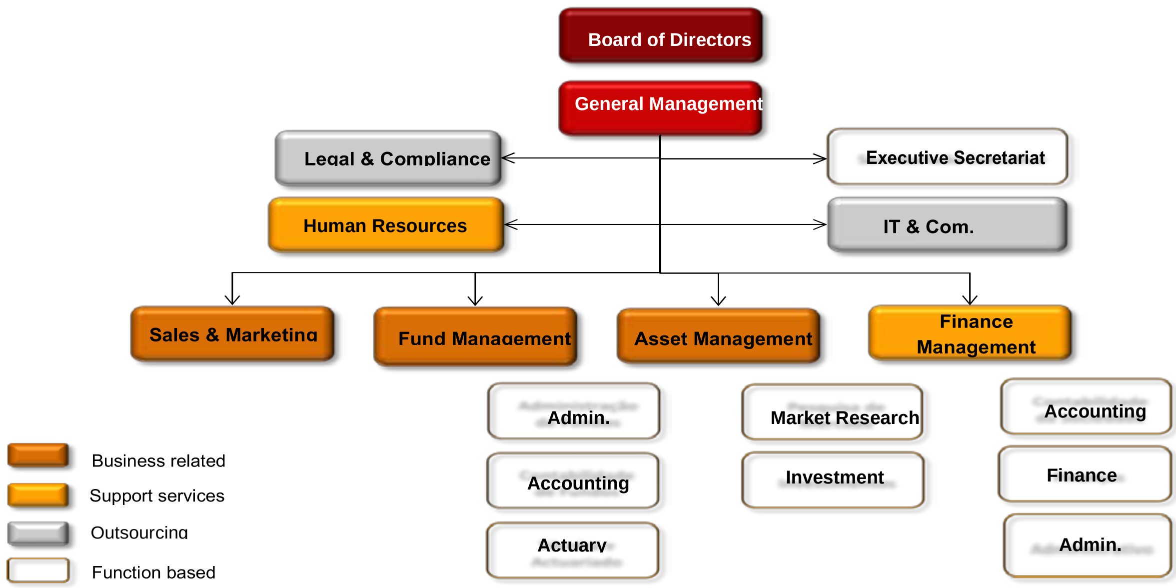


Source: Company's financial statements (Ernest & Young, 2013) (Ernest & Young, 2016)

The company's receivables grew exponentially as a portion of total assets, previously 26% of the total assets in 2013 (Mocambique Previdente, 2014), it accounted for 76% of total assets by the end of 2016 (Mocambique Previdente, 2016). Deficits were recorded for two (2) funds during this period, showing the first symptoms of liquidity problems. The problem started in 2015, and it was reported to the regulator - the Insurance Supervision Institute of Mozambique (ISSM) (Mocambique Previdente, 2015).

The creation and management of pension fund schemes are governed by the Decree 25/2009 (Conselho de Ministros, 2009). The decree allowed that a single legal entity could manage the administration of funds and asset management divisions. The Decree 262/2009 (Ministerio das Financas, 2009) ensures total independence of fund's assets from the company's assets by demanding separate financial reporting statements for both entities. The following figure illustrates the firm's organisational structure (SDOConsultoria, 2015):

Figure 4 - Organisational Structure



Source: Organisational Manual (SDOConsultoria, 2015)

The company relatively controls the core functions of the business, as it outsources the actuarial consulting services as well as the fund's investment policy design to NBC group affiliated firms (NBC Mozambique, SA, and Investment Consulting Services division of NBC South Africa). The local banks provide custodian services. The company executes the administration of funds and asset management internally.

The objectives, responsibilities and overall characteristics of each of the funds may vary. Similarly, the pricing applicable to clients. The five (5) funds average return for 2016 was 10.8%. The low figure is due to decreasing contributions of two (2) central funds, Aeroportos de Moçambique and Petromoc.

Diversification is a central point for all funds, and the Investment Policy Statement (IPS) allows for overseas investments when necessary. The IPS for the Funds favours alternative investment options since it could appeal to participants. The IPS emphasised the importance of “assurance”, and this could only be guaranteed by the quality of professionals at company’s disposal.

The Funds could be a DC (Defined Contribution), DB (Defined Benefit) or Hybrid. And the rating varied from 0.75% to 4% for administration fees and 0.45% to 5% for investment fees. According to management (Tembe, 2017) the company would waive actuarial and legal fees to secure the administration and asset management agreement with the client.

The primary difference between DC and DB plans relies on who carries the responsibility to ensure future payments to participants. For DB plans the liability lies with the employer, and for the DC plans the members share the risk as the employer did not guarantee the benefits. Instead, they depend on the performance of the investment made from participants accumulated savings (Louis, 2012). Global trends indicate that the industry is seeing an increase in importance from Defined Benefit (DB), to Defined Contribution (DC) pension fund arrangements, because of an ageing population, last financial-economic crisis, low growth, and interest rates (OECD Pensions Outlook 2016, 2016).

1.2 Former Study Key Strategic Points

The PwC & ESC strategy proposition for the company addressed the investment policy and allocation of funds matters. The study highlighted the following key strategic and operational points:

- Priority to be given to corporate clients;

- The adoption of an investment policy that would contribute to the country’s development;

- The leverage on competencies from experience with “insurance life products” and the EMOSE’s insurance business as a whole; and

- The development of strategic partnerships along the company value chain, recommending for shareholding agreements whenever necessary.

MP, SGFP did not adequately explore the synergies with EMOSE. No investment was directed towards infrastructure as recommended by the PwC & ESC study. Table 1 below shows the estimated results projected by the former study and compares it to the company’s current results:

Table 1- Projected Results Vs. Actual Results

Description	Expected Results - 10y	Expected Results - 4y	Actual Results - 4y
Assets Under Management	$189.20	$39.90	$2.54*
Beneficiaries	36486	17676	1324
Contribution and Management fees	$11.62	$2.89	$1.1388**
Operational Costs	$9.40	$2.57	$1.60
Employees	21	10	15
EBIT	$2.22	$0.32	$0.30
Net Income	$1.49	$0.20	$0.21
Operational Cash Flows	$2.30	$0.48	-$0.06

*Net Value (minus all the obligations, including fees and insurance)

**Includes other revenues other than management and contribution fee

Source: Adapted from PwC & ESC feasibility study (PwC & Envision Strategy Consultants, 2011)

1.3 Problem Statement

As illustrated in the company overview section above, Moçambique Previdente, SGFP did not meet the performance projected by the former PwC & ESC 2011 study. The PWC & ESC study had projected that the assets under management (AUM) by MP, SGFP would be close to USD39.9 million by the fourth year, as opposed to the USD2.5 million (minus fees, insurance and other expenses) recorded in 2016. The study also projected that the total number of participants predicted for the fourth year will be 17.7

thousand, as opposed to the 1.3 thousand participants enrolled by 2016[2]. This poor performance was partly due to unfavourable macroeconomic conditions and partly due to the strategies adopted by the company - MP, SGFP.

In an effort to improve the performance of MP, SGFP, in 2017, its Management decided to draft a new business plan. This study assessed the MP, SGFP performance gaps with a focus on:

- Slow growth of income and unsatisfactory returns, when compared to government bonds' risk-free rates of 26% as mentioned above;
- Cash flow constraints because of an increase in the receivables account;
- Narrow, and undiversified client base characterised by *State-Owned Enterprises*;
- Company's commercial weak competencies; and
- Weak financial literacy of potential clients.

1.4 Consultancy Objectives

The primary goal of the report is to recommend the best possible ways to deal with the above problems through a business plan, focussed on the following objectives:

- Increased profitability;

[2] Note that until 2016, the pension fund business comprised only 6.7 thousand participants (Instituto de Supervisao de Seguros de Mocambique, 2017).

- The improvement of the value proposition;

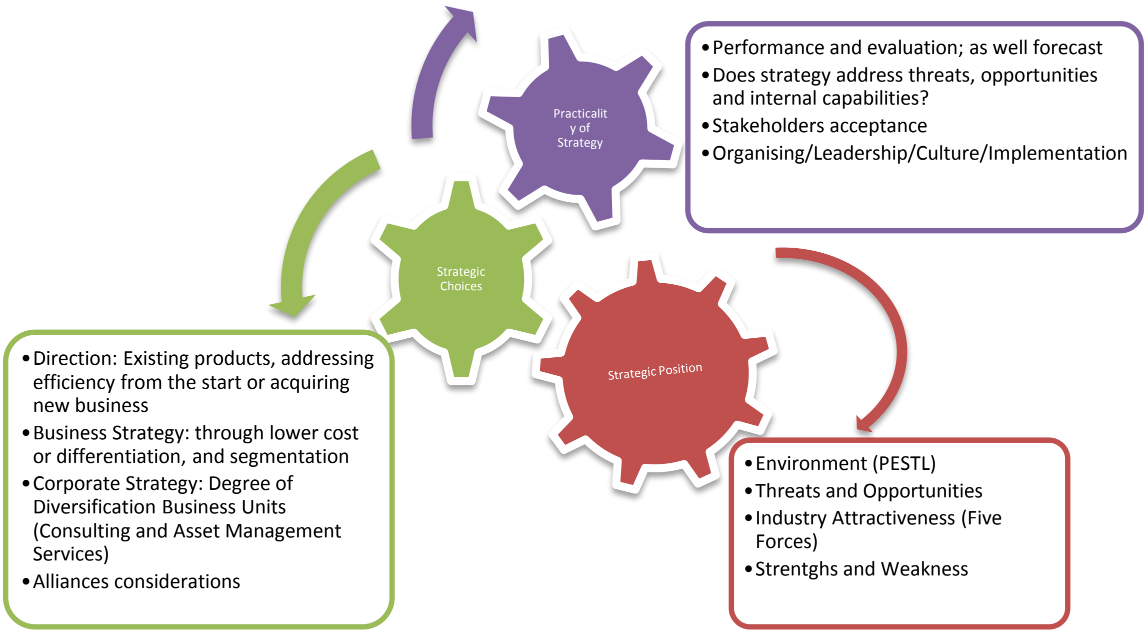
- The increase of the market share by growing the number of *Close Funds* and the volume of assets under management;

- The increase in the number of participants of *Open Funds* to a minimum of 500 per year; and

- The increase in collection effectiveness.

The figure 5 below illustrates the business plan's strategic framework:

Figure 5 - Strategic Framework at a Glance



1.5 Scope of the Consultancy Work

The scope of the consultancy work includes:

- Re-assessment of market size, existing potential clients, and their needs;
- Cost considerations;
- Strategic partnership considerations;
- Marketing strategy; and
- Business performance, financial forecast model as well as evaluation.

The scope excluded:

- Design of new service products;
- Investment policy analysis;
- Price formation examination; and
- Organization's culture, leadership style and ethics.

1.6 Approach of the Consultancy

This report uses a pragmatic approach as defined by Cresswell (2003), putting focus on the problem. Information and data were collected using mixed methodology approach to understand all dimensions of the problem.

The primary source included interviews with the MP, SGFP staff and two (2) interview meetings with all the five (5) members of the board. The meeting with the Board members was necessary to incorporate the board's views and sensitivities regarding the business. Another primary source was a survey on customer needs and preferences. Knowing the customer needs and preferences informs the company's development and delivery of superior value. A web-based structured questionnaire was used to collect responses and the results of the survey were analysed through descriptive statistics. The secondary sources comprised of a management literature review on strategy and marketing, internal company documents, as well as information available on the public domain regarding the pension fund industry. Data was analysed by triangulating the different sources of information i.e., interviews, survey responses, and secondary source data.

The secondary source involved review of financial and strategic company reports, and industry relevant reports. The company's actual and expected performance was analysed using financial modelling. This included projections of cash flows and company valuation under four (4) possible scenarios, as well as a set of assumptions that were informed by industry data and derived from sales growth estimations. The study used the Discounted Cash Flow (DCF) model for company performance analyses and the Capital Asset Pricing Model (CAPM) to calculate the discount rate.

The study took into consideration transparency needs and participants' privacy concerns by communicating the purpose of the study upfront and seeking authorisation and information access request where required. To address participants' privacy concerns, participants were not identified by name and data analysis was conducted at an aggregate level.

1.7 Structure of the Report

Chapter one is the introduction which gives the company overview and context. It highlights previous study strategic points out and indicates to what extent current strategy has drifted from estimations. The chapter points out the problems to be solved, defines the scope and methodology used.

Chapter two provides situational analysis with a focus on political environment and economic issues, as well as the state of the local pension fund industry. Later, on chapter three, the report discusses the company business model focusing on the sale and marketing strategies. It explains the strategic choices and aspects of the marketing mix.

Chapter four covers the financial analysis of the company in comparison to the industry. It provides the firms' past financial performance analysis to make the critical forecast assumptions that could affect the company's' financial evaluation. Finally, the report provides the summary of the analysis, and recommendations for the company's business plan and list key activities in chapter five.

2 SITUATIONAL ANALYSIS

This section scanned the environment and examined the external market conditions using PESTL analytical framework, which looks at the political, economic, social, technological as well as the legal aspects that could influence the firm's business. The internal company capabilities were assessed by identifying the strengths, weaknesses, opportunities and threats of the company (SWOT analysis). The report provided an analysis of the attractiveness of the market using the Porter Five Forces framework.

2.1 Political and Economic Environment

The political instability and military conflict in the country constrain investment, mainly foreign direct investment (FDI) to the state, as it disrupts the flow of normal business activities. The political instability was marked by conflicts between Frelimo, the ruling party, and Renamo, the most influential opposition party. At present, the country is optimistic about the outcome of current negotiations for a cease-fire which should ease the political tensions.

In addition to political factors, the following events contributed negatively to the financial stability of the country:

- The recent "hidden" debts crisis;
- Unfavourable commodity prices;
- El Nino drought effect that hit most of the sub-Saharan African countries; and
- Declining FDI.

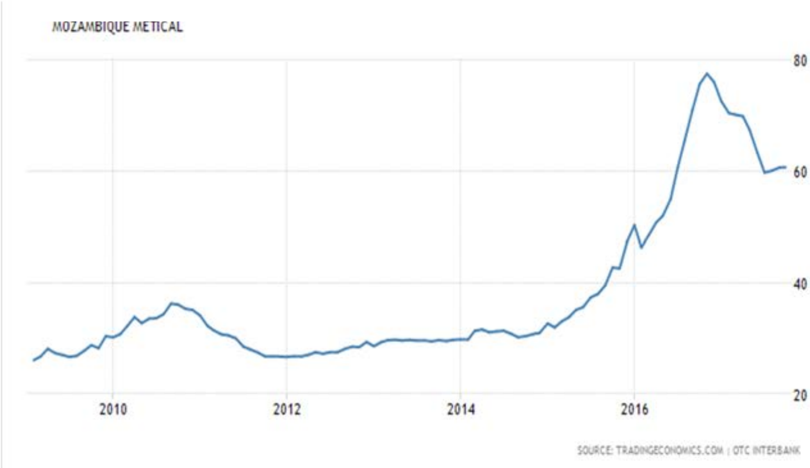
The country's GDP growth for 2016 was estimated at 4.3%, the lowest in the last fifteen years (Santos, Gallardo, & Filipe, 2017). The national statistics indicated a growth of 3.0%, year on year, for the third quarter of 2017 (INE, 2017). This low GDP growth has contributed to lower business confidence levels, and the suspension of international partners budget support, which represented a considerable portion of the country's budget, approximately 2% of the GDP (Santos et al., 2017).

Mozambique relied heavily on the International Monetary Fund (IMF) Standby Credit Facility Programme, but this was cancelled; This led to unprecedented liquidity problems to finance the debt service, and ultimately, to default on sovereign bonds.

The government is negotiating with the IMF to restore investors' confidence, by implementing a fiscal adjustment and a tight monetary policy. Santos et al. (2017) questioned the government's ability to implement fiscal adjustment measures given the fact that the country has registered continuous primary budgetary deficits in the past years. The gap reached its peak in 2013 when a value equivalent to 9% of GDP was recorded.

The inability of the Government to sort out domestic economic challenges affected the short and long-term liquidity of SOEs. These SOEs were the company's main clients. This situation demanded the instant diversification of the client base, as the SOEs were exposed to increasing service debt rates.

Figure 6 - USD/MZN Historical Exchange Rates

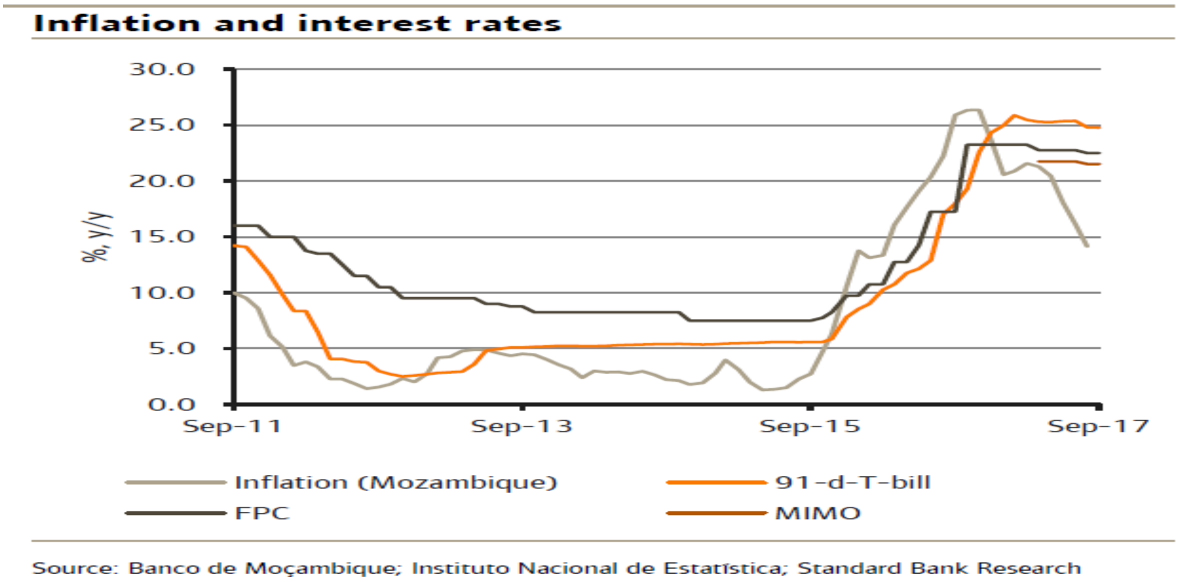


Source: Tradingeconomics (Trading Economics, 2017)

The Metical recorded an accumulated depreciation against the dollar of 63.2% by October 2016 (Banco de Mocambique, 2017), Figure 6 above shows this abrupt change in rates. With restricted access to hard currency and selective banned imports, the prices soared, and the shock of supply caused by severe drought and military conflict, that limited the free movement of people and goods, aggravated inflation.

According to Santos et al. (2017) and the Central Bank of Mozambique report (2017), inflation rose from 2.73% in 2015 to close at 25.27% by December 2016, and the reference rates climbed to 23.25%. Figure 7 below is illustrative of the evolution of these reference rates. The INE forecast was optimistic, and it estimated inflation of 13.5% for 2018 (see Table 3, page 27). Worsened market conditions could expose the company to cash flow problems as they tend to increase sales through expansion of credit as it was the case with Aeroportos de Moçambique and Petromoc (MP, SGFP principal debtors).

Figure 7 - Inflation and Interest Rates Evolution



Santos et al., 2017 reported contributions to GDP per sector as follows:

- The Primary Sector with 26.2%,
- The Secondary Sector with 14.4%,
- The Tertiary Sector with a contribution of 55%, and
- Lastly, the Extractive Sector contributed approximately 4% of GDP.

The extractive sector was regarded as critical and was the fastest growing sector, expanding by 31.9%. The tertiary sector followed with a surprising growth rate of 2.9%, with trade, transport, communications, and finance sub-sectors being the more significant contributors with 7.6%, 3.7% and 14,6%, respectively (Byrne et al., 2017). Byrne et al., (2017) also reported that the secondary sector contracted by 1.4%. Table 2 below shows in greater detail the contribution to GDP per sector and respective evolution from 2006 through 2016.

Table 2 - GDP Composition by Sector

GDP by sector (% of total)				
	2006	**2014**	**2015**	**2016**
Agric., livestock, hunt., forest. & fisheries	28.0	23.4	22.6	22.3
Extractive industries	1.3	3.2	3.7	4.1
Manufacturing	13.5	8.8	9.0	9.0
Electricity and gas production/distribution.	2.4	2.6	2.7	2.6
Water	0.1	0.2	0.2	0.2
Construction	1.4	2.0	2.1	2.0
Trade, repair of motor vehicles	9.3	11.4	11.5	12.0
Transport and storage	8.4	8.4	8.1	7.8
Lodging, restaurants and similar	2.3	2.4	2.5	2.4
Information and communication	3.6	4.1	4.2	4.2
Financial activities	2.4	5.7	5.7	5.7
Real estate activities	7.5	7.1	7.2	6.9
Public administration, defence and social security	4.4	5.6	6.0	5.8
Education	6.1	7.0	7.0	7.3
Health and social work	1.5	1.4	1.5	1.5
Other services	7.7	6.5	5.9	5.9

Source: Instituto Nacional de Estatística (INE, 2017); Standard Bank Research (Byrne, et al., 2017)

Santos et al. (2017) professed that the recent developments in the extractive and energy sector would help boost a long-held production capacity and push GDP to an estimated growth of 5.5% and 6.8% in 2017 and 2018, respectively. These estimates were contrary to more pessimistic forecasts from the Standard Bank report (Byrne, et al., 2017), of 3.8% and 3.5% year on year for 2017 and 2018, correspondingly. Table 3 below provides details on the quarterly outlook for the key macroeconomic indicators.

Table 3 - Quarterly Indicators Outlook: Mozambique

	Q1:17	Q2:17e	Q3:17f	Q4:17f	Q1:18f	Q2:18f	Q3:18f	Q4:18f
GDP (% y/y) pa	2.9	3.0	3.5	5.8	3.6	3.1	3.7	3.8
CPI (% y/y) pa	21.0	19.9	14.4	12.9	12.3	12.6	15.5	13.6
M3 (% y/y) pe	2.4	8.4	7.8	6.8	10.9	14.3	15.2	15.6
CA/GDP (%) pe	-30.6	-25.9	-22.7	-16.2	-14.1	-15.2	-15.9	-18.9
FX reserves (USD bn) pe	2.0	2.4	2.4	2.6	2.8	2.9	2.8	3.0
Import cover (months) pe	3.8	4.7	4.1	4.4	4.2	4.4	4.3	4.6
3-m rate (%) pe	25.5	25.3	24.8	23.1	20.6	19.5	19.0	15.8
USD/MZN pe	67.7	60.5	61.6	60.1	59.8	58.4	59.3	59.4

Source: Banco de Moçambique (2017); Instituto Nacional de Estatística (2017); Standard Bank Research (Byrne, et al.2017)

Notes: pa – period average; pe – period end

MP, SGFP could pick their clients from the more resilient and promising sectors mentioned above. In that way mitigating the risk of pursuing potential unfunded pension schemes.

2.2 Industry Analysis

The Insurance Supervision Institute of Mozambique (ISSM) regulates the sector, and according to the institution's last report, the total AUM for the "complementary system" was MZN3.7 million for the year of 2016, an increase of 12.8% from 2015 (Instituto de Supervisao de Seguros de Mocambique, 2017). Table 4 below illustrates the pension fund's assets composition for 2016.

Table 4 – Industry AUM Composition

	2012	2013	2014	2015	2016	Change %
Public debt securities		99.4	1508.4	1268.3	911.7	-28.1%
Other debt securities		108	153.9	422.7	510.3	20.7%
Term deposits		35.6	998.2	964.8	841.7	-12.8%
Cash		58.7	377.6	557.2	1259.6	126.1%
Debtors				76.4	118.3	54.8%
Accruals and deferrals				7.1	76.2	973.2%
Total	**137.74**	**301.7**	**3038.1**	**3296.5**	**3717.8**	**12.8%**

Source: Adapted from Insurance Activity Annual Reports of 2012 – 2016, values expressed in million MZN

The report recorded an aggregated contribution to funds of MZN320.3 million (see table 5 below), and a combined net income from investment activities of MZN128.9 million for 2016. The former results were due to an increase of an overall number of contributors from 4.123 to 6.706 active members, an increase of 62.6% from previous year. The ISSM acknowledged the existence of only eight (8) licensed pension funds, of which two (2) were open funds, and six (6) closed funds. The data computed did not include the Standard Bank Pension Fund data. Herewith, in Table 5, a summary of the industry income statement figures:

Table 5 – Industry Income Statement

	2012	2013	2014	2015	2016	Change %
		3699	**4682**	**4123**	**6706**	**62.6%**
Total contributions	93.75	168.9	254.4	226.9	320.3	41.2%
Pensions, capital and unpaid premiums		-19.1	-1051.5	209.8	-474.9	126.4%
Net Income from investments			134.3	310.1	112.5	-63.7%
Other income and gains		13.8	865.7	78.9	256.9	225.6%
Other expenses		-7.2	-47.1	-32.2	-84.9	163.7%
Net income for the year	**93.75**	**156.4**	**155.8**	**373.9**	**129.9**	**-65.3%**

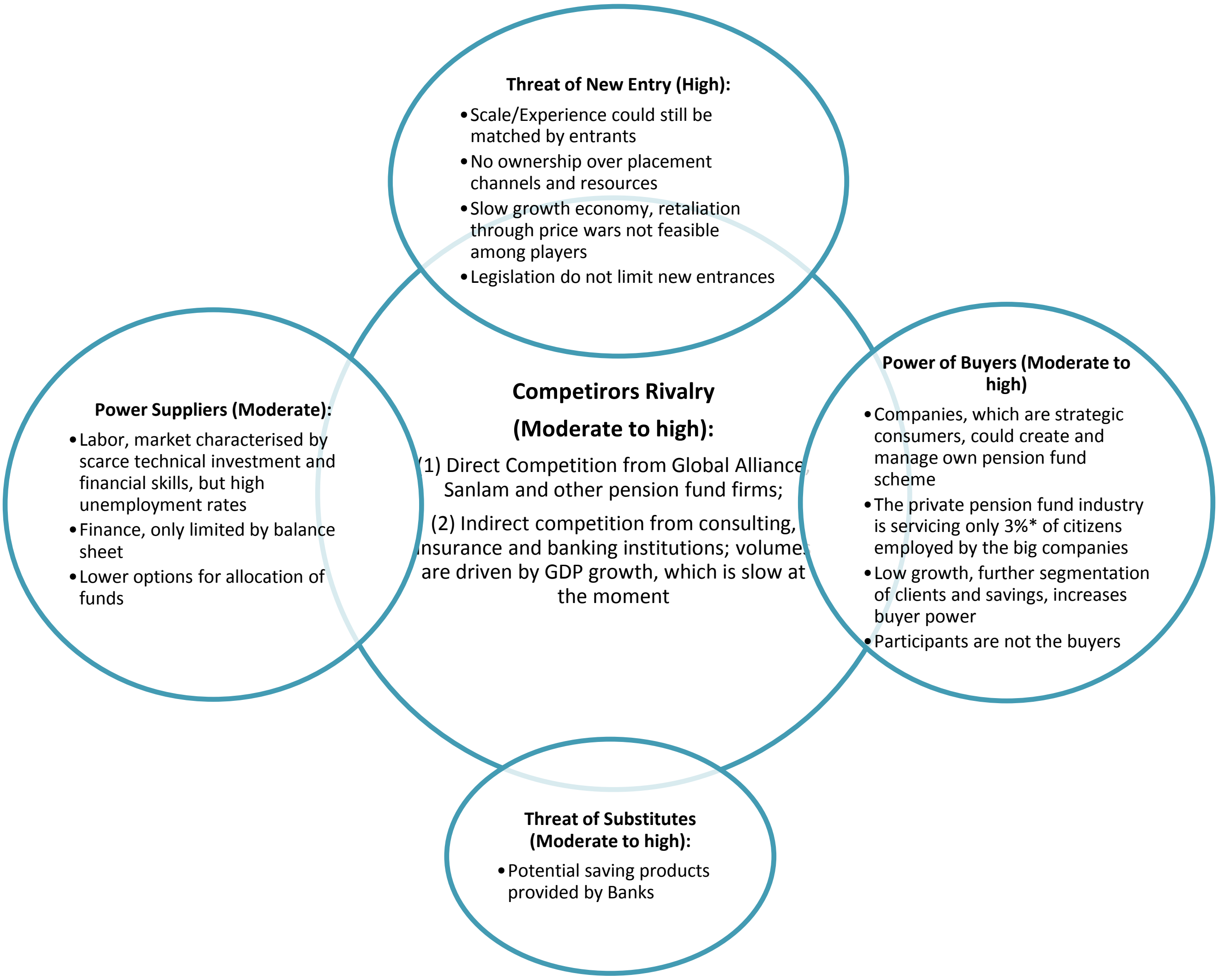
Source: Adapted from Insurance Activity Annual Reports of 2012 – 2016, values expressed in million MZN

The total net income illustrated in the table above is a portion of the total AUM for the year, representing, approximately, an average fund rate of return of 11.34% and 3.49%, for 2015 and 2016, respectively. Note that historical data gathered is not representative of the market, nor comparable year on year (from 2012 to 2015), since for the different years some companies did not submit their fund performance reports. Hence only 2016 average fund rate of return was deemed relevant.

2.2.1 Attractiveness of the Industry

Figure 8 below briefly appraises the attractiveness of the local market for the pension fund business, herein defined as the possibility for reasonable profits. The same figure shows that the pension fund business is not doing well. The chances of higher returns from traditional instruments, were not high and although many citizens still were not enrolled in a pension fund scheme, the same did not save enough, and some companies struggled to survive, increasing the power of suppliers and buyers. There were no impediments to new entrants. The banks and insurance companies could quickly deploy similar products, increasing the threats of new entrants and substitute products.

Figure 8 - Porter’s Five Forces Framework



Source: Adapted from Michael Porter Five Forces Model (Johnson, Whittington, Scholes, Angwin, & Regner, 2014); *own calculations3

The direct competition came from Global Alliance and Sanlam. The Employee Benefits Scheme of Global Alliance operates under the Life Insurance division (Global Alliance,

[3] Derived from the number of contributors recorded at Insurance Activity Annual Report of 2016 (Instituto de Supervisao de Seguros de Mocambique, 2017) of 6706 over the total number employed by the Mozambique ‘Big Enterprises’ of 219.366 as indicated by National Statistics Institute report (INE, 2016) about Enterprises Economic Financial Indicators. Ideally, the figure should be of 2016.

2018), making it easier to maximise existent capabilities. Global Alliance is the leader in the market of Life Insurance products, with 38% of market share (Instituto de Supervisao de Seguros de Mocambique, 2017), followed by SIM and EMOSE, with 21.9% and 22% respectively.

Global Alliance is exploring the synergies arising from the insurance business and its partnership with Barclays Bank. The company managed to correctly display the benefits of their products, by breaking it into different categories and pitching the team members' capabilities, as it is wise for the service industry to showcase the most tangible attributes possible (Peter & Donelly Jr, 2015). Global Alliance also managed to display the benefits to the employer, among these were advantages such as becoming the employer of choice and of enjoying fewer hurdle-moments in case of emergencies as well as stream-lined claim processes.

2.2.2 Limits to Investment and Asset Allocation

The article 3 and 5 of the ministerial decree 261/2009 of the 22nd December 2009 (Ministerio das Financas, 2009) prescribed pension funds' assets and investment limits as shown in table 6 below:

Table 6 - Asset Class Items and Investment Limits

ASSET CLASS ITEMS	LIMIT %
Government Bonds	**100%**
Stock, convertible notes that confer subscription rights to stocks and units on security investment funds whereby investment in equity is predominant***	**40%**
Bonds and other debt securities*	**60%**
Term deposits	**35%**
Buildings, mortgage loans and loans from fund participants, shares in real estate companies and units in property investment funds**	**50%**
Assets denominated in foreign currency	**25%**

*for a) and b) class items, the limits should be of 10% and 20% respectively when securities were not tradable on the stock exchange

** for e) class item, the limit is capped at 40% when the asset is entirely or partially used by associates or entities with considerable influence over the fund

***for d) class item, there is a limit of 20% exposure for each financial institution

According to the the ministerial decree 261/2009 the ceiling of the investment in international assets of 10% is flexible enough to extend it under exceptional circumstances, where there is little or no diversification opportunities in the local market. The former was legally possible, but it could present some practical difficulties.

There was no evidence of investments in limited stocks or real estate, which could make the product more attractive to some institutional clients. Alternative Investments still were a source of scepticism for pension fund managers, allegedly because of an increasing lack of confidence in modern portfolio theory (MPT). The MPT advocates that the more perfectly correlated an asset is to the whole portfolio, the more inefficient it is in diversifying risk; additionally, markets and participants were not that rational after all (Stalebrink, 2016).

2.3 Company SWOT Analysis

Most of MP, SGFP formal strategy was built around a strategic partnership with EMOSE. Potential gains were supposed to stem from an extensive commercial network and its actuarial competencies. The over reliance on this source of strength might as well have been one of the firm's sources of weakness. The SWOT analysis in table 7 below is a summary of the critical points to consider when addressing the company's business strategy:

Table 7- SWOT Analysis

Strengths	**Weaknesses**
• Strong Brand, with local expertise • Agile and flexible structure • Access to top financial and investment consulting competencies through NBC, SA • Access to insurance and actuarial skills, through EMOSE • EMOSE commercial network • IGEPE good relationships with SOEs and access to the extractive sector	• Weak sales competencies • No structured sales strategy • Goals and objectives not clear (not quantified) • Poor geographic cover • Narrow product line • No dealer networks • No commercial department
Opportunities	**Threats**
• Formal labour market expected to grow • Pension funds are yet a new market to explore, in its early stages, growing amid a slow-growing economy • Public social security systems are still not covering a significant part of the active population • Pension funds as an option of funding for country socio-economic development • Fast growing extractive sector	• Small formal labour market • Insignificant capital markets, so there were few options of listed stocks • Non- existing savings culture • Lower domestic savings • A low number of reliable investment opportunities • Weak regulation systems and institutions • Asymmetry of information • Recent political instability • Slow Growing economy • High levels of finance illiteracy • An increase of significant competition

2.4 Conclusion

The situational analysis made possible the identification of external matters that could affect the business in the long term. These issues were identified and compiled in the form of opportunities and threats in the above section. The labour market would most likely continue to grow, notwithstanding the economic crisis and slow growth rates. Moreover, the mandatory and voluntary scheme, offered by the government and private sector, respectively, still do not cover a significant part of the labour market.

Total AUM by the industry is estimated to be close to USD60 million, servicing near 6.7 thousand participants. Contributions grew 242% from 2012 to 2016, and the industry only caters for about 3% of employees from the big companies, which gives MP, SGFP room to grow.

Few skilled professionals characterise the market. Moreover, there were no impediments to new entrants, and low levels of savings put a cap on the market. The slow growth of the economy increases the buyer power. Direct competition is growing and includes pension fund management firms, as well as consulting companies and banks that offer alternative saving products.

Political instability is not so much of a threat today, as is the macroeconomic outlook since it would take time to reverse the current trend completely. The singularities of the weak Mozambican economy were the real threat. The same include weak institutions, a large and increasing informal market, low savings, as well as high levels of finance illiteracy.

Exchange rates have stabilised, and the inflation rate is under control. The forecasts pointed to levels of inflation of 13.5% for 2018, as shown on Table 3, page 27. The Treasury Bills incorporate the country risk, that according to a more pessimistic outlook, is far from dissipating. This climate of uncertainty translates into lower levels of predictability, making it difficult to infer on the suitability of the required rate of return since the cost of capital and risk premium were likely to change over time.

The internal analysis suggested that strategy should be developed, based on the stable brand equity and flexible structure of the company, as well as the positive synergies that could arise from the collaboration with its shareholders. The non-diversification of the company client list is a considerable weakness. MP, SGFP should diversify from SOEs to include other organisations not controlled by the Government. The strategy accounts for sectorial diversification as well. MP, SGFP should prioritise companies operating in the extractive and energy sector, since these are critical for future economic growth. Another resilient sector was the services sector, mainly supported by the financial industry.

The most critical weakness is the sales competencies. There was no structured sales strategy nor a dedicated commercial team. The failings and difficulties mentioned above were intertwined and are discussed in the chapters that follow.

3 COMPANY BUSINESS ANALYSIS

3.1 Addressing Capabilities

The study identified three (3) potential Strategic Business Units (SBUs) (Profit Centres (PC)) in the company. These SBUs were classified according to skills requirements. The previous company's business strategy did not differentiate between PCs, nor did it have specific plans to each of the designated PCs:

- Consulting and Creation of Funds – Actuarial expertise
- Administration of Funds – Systems and processes
- Asset Management – Investment expertise

Structuring the business around SBUs should bring the following immediate advantages:

- Strategies could emerge from the bottom, which could create a sense of ownership and increase commitment levels;
- Distinct units could cater to different needs as they build on experience and tap into the market;
- Costs could be assigned to relevant PCs;
- It smoothens the decision making and budgeting processes; and
- It gets easier to identify the units that are not adding value.

The following actions were central to take advantage of these PCs:

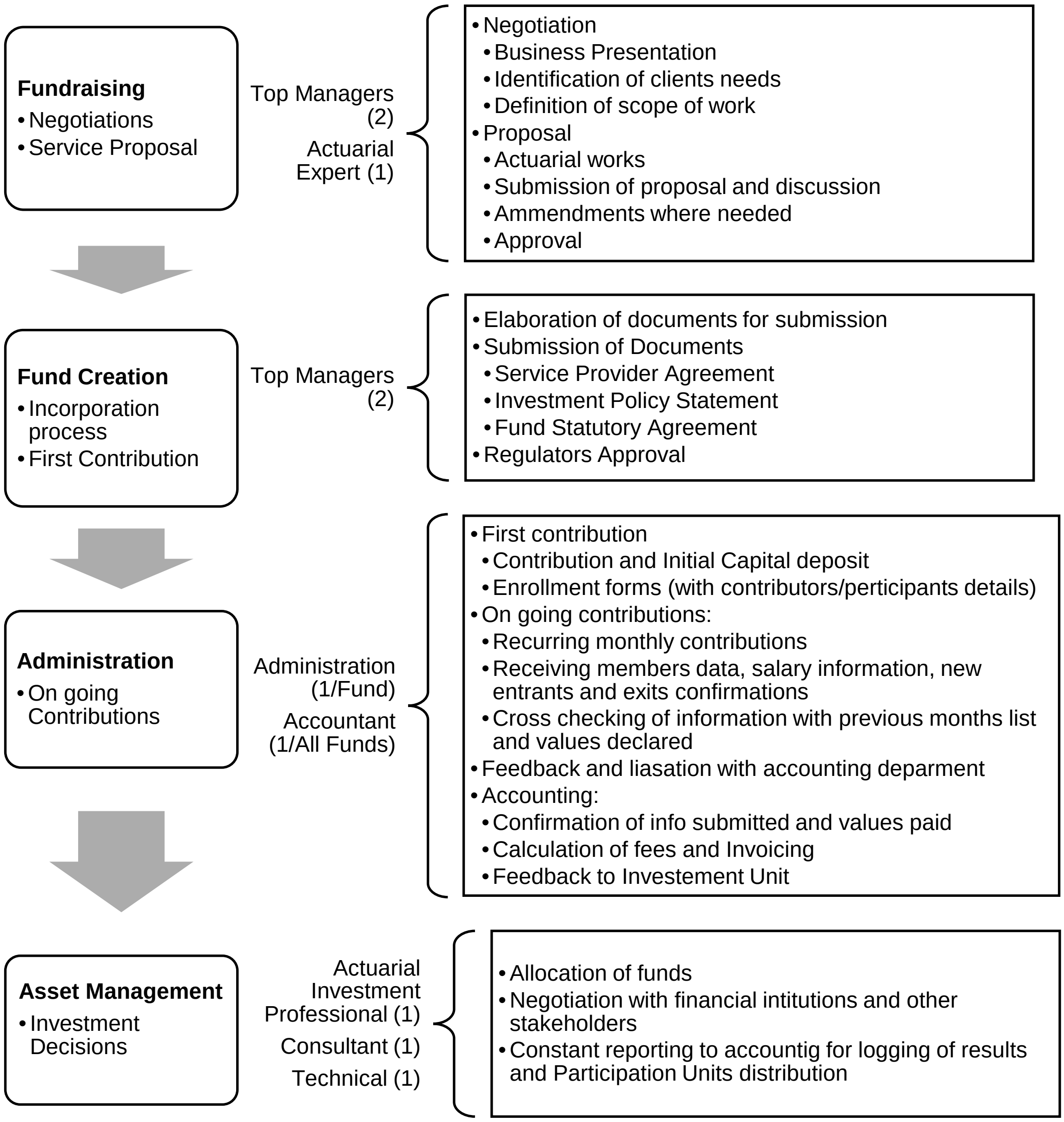
- Train or hire a qualified Business Developer that could aggressively deploy these units' products and translate efforts into cash flows;

- The Business Developer should be responsible for developing and proposing different strategies and goals for the units; and

- The Business Developer should hire and train Sales Representatives for each unit as sales grow.

The existing activities comprehend the following four (4) stages of delivery of services:

Figure 9- MP, SGFP Work Stages



Here we underlined the critical elements limiting performance:

- The top managers referred to herein were the Managing Director and the former Head of Operations department, both were not sales experts and could not alone boost sales;

- The inherent functions and responsibilities of these executives were not compatible with daily commercial activities;

- Total participants were approximately 1320, as well as five (5) Fund Managers; and

- The PHC and Everest were the systems in place and were supposed to ease the accounting works as well as the administration of funds activities. The Everest program allows for a single fund manager to cope with 2500 participants.

The above suggests the following:

- Training of Fund Managers with potential sales skills;

- Other Fund Managers should be further trained to master the Everest program to its full potential; and

- Every employee in a support function role should be trained and able to use Everest to support colleagues in case of absence.

The training of existent employees carries some disadvantages as it takes time to build proper sales and technical competencies. Because the company did not distinguish between business units, it was difficult to distinguish between direct and indirect costs or variable and fixed costs. Under these circumstances the following limitations were present:

- The unclear distinction between types of costs make it difficult to price accordingly, budget, control costs and perform profitability analysis (Noreen, Brewer, & Garrison, 2014);

- Increasing difficulties in detecting which business units were not adding value, since internal management reports were not contribution based

This report recommends the adoption of the contribution format for the income statements. This format would expose the types of costs between variable and fixed costs for each unit, and the margin left to contribute to fixed costs.

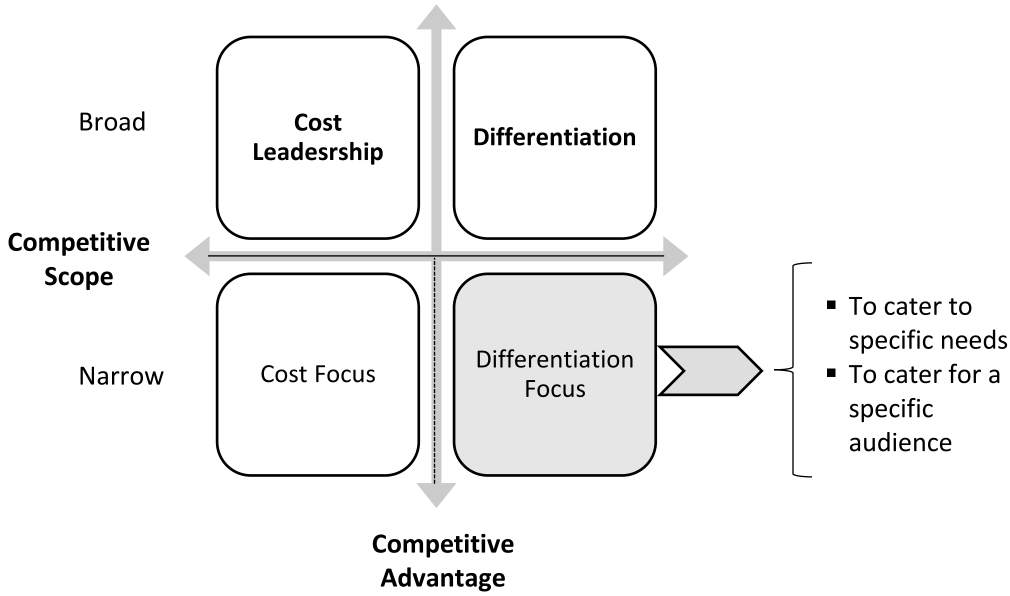
3.2 The Business Strategy

The questionnaire survey indicated the attributes clients value the most. The results could help in the delivering of a superior product, therefore increasing the perceived value of MP, SGFP clients. In summary: the MP, SGFP is to compete, based on *product differentiation.*

A strategy based on pursuing the lowest costs of operations is risky and has the company still learning. The added experience and workload would eventually lead to lower cost of services.

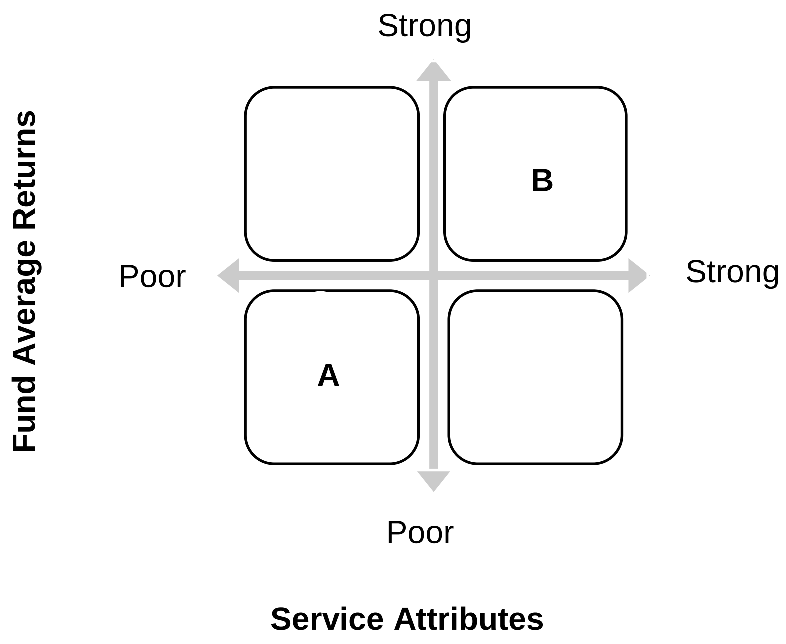
The strategy to adopt should not attempt to be broad, but to cater for purposefully chosen needs, that not only add value to clients but should be more straightforward and “inexpensive” to implement. The company is to narrow its target clients to prioritise enterprises of specific sectors with higher payroll volumes. The Ansoff matrix in Figure 10 below illustrates this strategic choice:

Figure 10- Competitive Strategy



There were three (3) critical elements used to measure quality in the financial industry: Performance, People, and Processes (3Ps). When subscribing to a fund, one is buying the performance of an investment. The client is relying on brand equity, which hails from the quality of professionals. The provision of such services entails long-term positive relationships and an exceptional level of involvement from the client, therefore enabling an environment for a client relationship as opposed to a customer relationship (Peter & Donelly Jr, 2015). Processes become essential as the number of participants increases, making efficient delivery a source of competitive advantage.

Figure 11- Perceptual Mapping



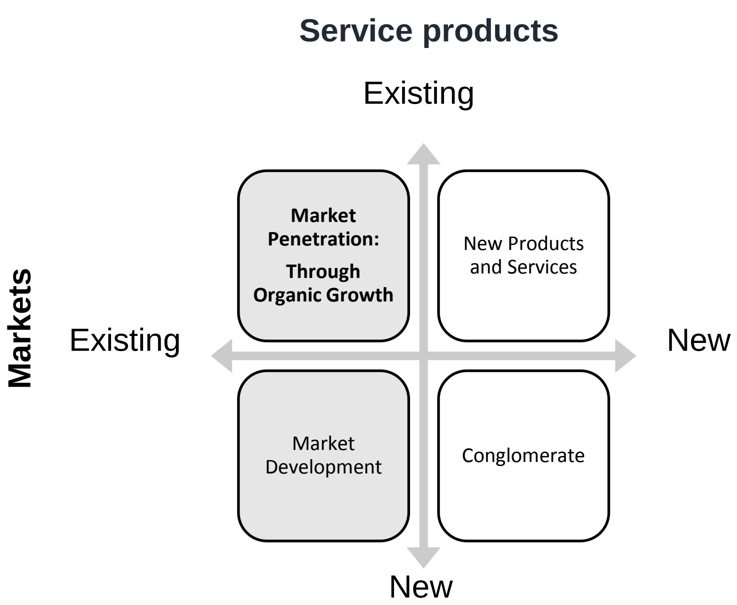
Point A in Figure 11 above is the current position of MP, SGFP. The deficit funds negatively impacted the average performance of all funds, measured here by the average rate of returns of assets. The same could affect the perception clients have of the company. Point B is where the company would like to be.

3.3 Corporate Strategy

This study argued in earlier chapters that despite the current economic downturn there were plenty of clients unserved by a complementary scheme. The high perceived value sought (including moderate prices), should be aligned with a *market penetration* strategy as the company’s primary objective is to increase market share. Market penetration strategies relate to the increase of depth to which the company intends to deploy the same services or products (Johnson et al., 2014).

There is vast untapped potential throughout the country; this observation entails a combination of market penetration and *market development* strategy. The company is to grow organically as there are few or no opportunities to acquire other similar business. The following diagram illustrates the different corporate approaches MP, SGFP could pursue and how the company could navigate through it.

Figure 12- Ansoff Matrix for MP, SGFP



3.4 Marketing Strategy

3.4.1 Objectives

The objectives set were concurrent with the company's vision and realistic. The firm aims to have a turnover that would outperform the inflation levels. Table 3 in Section II indicated levels of inflation of about 13.5% for 2018. The company's objectives are listed hereunder:

- Increased turnover by at least 30% for 2018;

- Increased number of Pension Funds under management by a minimum of three per year;

- Increased portion of clients that are privately controlled, to 2/3 in the following two years;

- Increased number of participants in Open Funds to a minimum of 500 per year;

- Increased number of consulting services by the creation and establishment of a minimum of 10 new funds per year; and

- Growing the number of total participants from its actual 1300 to 6400, in 5 years.

3.4.2 Client Targeting

The current strategy narrowed the search and defined MP, SGFP potential clients as follows:

- For the Closed Funds: The larger Mozambican companies (public and private) acting on growing and resilient sectors; as well as

- For the Open Fund: Stable medium companies, a group of individuals and individuals, not older than 55.

3.4.3 The Marketing Mix

The marketing mix includes the traditional Product, Price, Placement (Channel), and Promotion (4Ps) elements. These elements could help to formulate and recommend strategies to reach the company's market share objectives.

3.4.3.1 Service product

The firm needs to be clear on what need it is addressing. A service product is difficult to conceive and to standardise since it comprises of intangible elements and is inseparable (Peter & Donelly Jr, 2015), one could not appeal to the five (5) senses for demonstration.

Annuity products features were an example of options to enrich the menu as they guarantee an income stream for life, they differ from the traditional plans since they incorporate an insurance component against longevity risk. This is the risk one incurs when outliving assets contributed (OECD Pensions Outlook 2016, 2016). These perpetuity products presented variations and proved to be extremely flexible.

The variations would consider aspects of the timing of payments, as the disbursement of benefits could start immediately or may be deferred. The variation also includes elements of the timing of premiums, allowing a once of payment using savings or contributions overtime with an agreed rate of conversion.

Flexibility aspects would include combinations and degrees of protection against longevity, death, loss of value of assets, decreasing quality of life protection, and the possibility of recouping assets in cases of emergency. The possible combinations of such benefits are endless, guaranteed that the insurance sector is sophisticated enough to complement services.

In this case, the survey results indicated that clients would rather benefit from ensuring income for the rest of life for oneself and the family in case of death or disability. Clients also valued the ability to access funds in case of an emergency. An example would be a pension fund scheme that can allow the clients the possibility to claim money to cover healthcare emergencies.

The width and depth of the product or services mix should not be limited to investment services. As put earlier, attention should be given to the structuring and promotion of a consulting sales unit to cover the following services:

- Design and creation;
- Investment consulting;
- Retirement benefits consulting;
- Actuarial works;
- Retirement benefit accounting;
- Contracts;
- Operational consulting; and
- Investment education.

3.4.3.2 Pricing

Pricing is linked to the need being addressed as this drives the demand for the product. The study mentioned 219.366 employees working for the "Big

Enterprises” as categorised by the INE (2016) in a report titled Enterprises Economic Financial Indicators. Notwithstanding, low savings are capping the size of the market, as it lowers the demand.

Other factors limiting the demand were high financial illiteracy and the dispersion of clients along the country, making it costly to sell. There is not enough data yet to estimate how demand responds to changes in rate.

The study encourages the company to promote a pricing model that is in alignment with a penetration strategy, a going-rate pricing which is the one charged by the industry. A complementary study should cover in-depth price considerations.

<u>Profit Centre 1 - Consulting Services:</u>

There were a lot of concessions to lure clients in but at the expense of potential revenues. Note that clients tend to commit to projects that they have paid. It takes time to secure a pension fund deal and initiate contributions. In theory, it takes 30 days to get approval from the regulator, but in practice could be as time-consuming as three (3) months. With that said, the resulting advise is pertinent:

- Management should obtain financial commitment or signal right on the set of initial services; therefore, every facility should be accounted and charged for; alternatively,

- A discount could be applied where necessary, or either a discount arrangement could be entered for the first years of contributions.

- In cases of concessions of any sort, and advance payment should always be considered.

Profit Centre 2 - Administration of Funds:

The rates charged could be dictated by the market for Corporate Clients from Tier 1 – Tier 5 as classified below, somewhat between **0.75% - 3%** of payroll per month, as these companies could offer volume and a greater market penetration impact. Table 8 below ranked clients according to potential business for the firm:

Table 8- Categorisation of Clients

Number of Participants and Turnover	Client Rankings (MZN Million)
2000+	Tier 1 (≥29.970)
1501 – 2000	Tier 2 (≥29.970)
1001 – 1500	Tier 3 (≥29.970)
500 – 1000	Tier 4 (≥29.970)
100 – 500	Tier 5 (≥ 29.970) ***
50 – 100	Tier 6 (14.700 – 29.970) **
5 – 49	Open Fund (1.200 – 14.700) *
1 – 2500	Open Fund

*Small, **Medium, and ***Large Companies as per the National Criteria for the Classification of Companies according to Decree 44/2011 (KPMG, 2015)

The study used a list of 50 prominent companies (see table 9 below), as published by KPMG (2015), to rank them according to this report's indication. The same should be updated as soon as a recent list is released.

Table 9 - Potential Clients Ranking Per Tier

Company	Sector	Revenues (MZN, 000)	Number of Employees	Turnover P/ Employee	Tier
Mozal, SARL	Indústria	1 011 632.00	1 235	819	3
PETROMOCSA - Petróleos de Moçambique,	Comércio	719 918.00	595	1 210	4
Cervejas de Moçambique, SARL	Indústria	390 283.00	1 173	333	3
Vale Moçambique, SA	Indústria	366 022.00	2 472	148	1
EDM - Electricidade de Moçambique, E.P.	Serviços	335 119.00	3 503	96	1
Hidroeléctrica de Cahora Bassa, SARL	Indústria	318 616.00	714	446	4
CFMde Moçambique,- Portos e CaminhosE.P. de Ferro	Transportes e Armazenagem	311 746.00	5 517	57	1
MOTRACO, SARL	Serviços	311 530.00	7	44 504	Open Fund
MotaÁfrica,- SAEngil Engenharia Construção	Construção	307 635.00	1 442	213	3
Sasol PetroleumTemane, Lda	Indústria	307 478.00	194	1 585	5
BIMSA - Banco Internacional de Moçambique,	Actividades Financeiras e de Seguros	287 395.00	2 367	121	1
Mozambique LeafTobacco, Lda	Indústria	273 150.00	6 601	41	1
Intelec Holdings, SA	Serviços	264 113.00	1 006	263	3
Petrogal Moçambique, Lda	Comércio	243 910.00	112	2 178	5
Banco(BCI), SAComercial e de Investimentos	Actividades Financeiras e de Seguros	217 192.00	2 456	88	1
Total Moçambique, SARL	Comércio	214 420.00	95	2 257	6
BP Moçambique, Lda	Comércio	198 668.00	150	1 324	5
LAM - Linhas Aéreas de Moçambique, SA	Transportes e Armazenagem	183 124.00	84	2 180	6
Standard Bank, SARL	Actividades Financeiras e de Seguros	174 302.00	1 081	161	3
Cimentos de Moçambique, SA	Indústria	159 352.00	467	341	5
Emosede Seguros,- EmpresaSA Moçambicana	Actividades Financeiras e de Seguros	148 452.00	345	430	5
Coca-Cola Sabco Moçambique, SA	Indústria	146 399.00	1 051	139	3
Cornelder de Moçambique, SA	Transportes e Armazenagem	137 571.00	635	217	4
OSEL – Odebrecht Serviços no Exterior, lda Construção		118 107.00	328	360	5
Petromoc e Sasol, SA	Comércio	111 022.00	39	2 847	Open Fund
Manica Freight Services (Moç), SA	Transportes e Armazenagem	110 583.00	255	434	5
Toyota de Moçambique, SA	Comércio	109 436.00	396	276	5
Telecomunicações de Moçambique, SA	Comunicações	106 435.00	1 458	73	3
Global Alliance Seguros, SA	Actividades Financeiras e de Seguros	101 498.00	93	1 091	N/A
Construtora Norberto Odebrecht, SA	Construção	96 948.00	270	359	5
Companhiae Hidrocarbonetos,MoçambicanaSA d	Indústria	93 986.00	25	3 759	Open Fund
C.M.C. Africa Austral, Lda	Construção	92 730.00	2 218	42	1
MPDCdo Porto- Sociedadede Maputo,deSADesenvolvimento	Transportes e Armazenagem	89 232.00	543	164	4
TeixeiraMoçambique,DuarteLdaEngenharia e Construções	Construção	82 030.00	630	130	4
Seguradora(SIM), SA Internacional de Moçambique	Actividades Financeiras e de Seguros	76 683.00	146	525	5
African Petroleum, Lda	Comércio	71 959.00	43	1 673	Open Fund
EntrepostoSARL Comercial de Moçambique,	Comércio	68 395.00	331	207	5
CC(ex.Investimentos,Globe Musica,SALda)	Comércio	67 930.00	6	11 322	Open Fund
CETA - Engenharia e Construções, SA	Construção	66 997.00	2 760	24	1
Construa, Lda	Comércio	60 920.00	518	118	4
Moza Banco, SA	Actividades Financeiras e de Seguros	58 309.00	636	92	4
Barclays Bank Moçambique, SA	Actividades Financeiras e de Seguros	56 129.00	904	62	4
G4S Secure Solutions, Lda	Serviços	55 903.00	13 978	4	1
Grindrod Mozambique, Lda	Serviços	52 901.00	22	2 405	Open Fund
Aeroportos de Moçambique, E.P.	Transportes e Armazenagem	49 697.00	845	59	4
Gespetro, SARL	Comércio	49 564.00	336	148	5
Terminal de Carvão da Matola, Lda	Transportes e Armazenagem	47 788.00	285	168	5
FNB - First National Bank Moçambique, SA		47 589.00	320	149	5
Transportes Lalgy, Lda	Transportes e Armazenagem	47 512.00	503	94	4
Águas da Região de Maputo, SA	Serviços	41 953.00	761	55	4

Source: KPMG (2015)

Profit Centre 3 - Asset Management

The on-going rates could be based on performance or AUM. The latter is less problematic since there is no risk of non-performance, but it is also less appealing to clients. The management fees would be in between the following brackets:

- Performance-based: 5% to 20% of Profits; and

- AUM-based: 0.5% to 2%;

3.4.3.3 Channels

This report concurs with PwC & ESC findings, which prioritised Corporate Clients, that way favouring direct contact with the top tier clients. In fact, research suggests that small companies contributed less to their pension funds (Davis, E. Philip; Haan, Leo De, 2012). The channels to use would include the following:

- Tertiary education institutions and targeted companies in partnership with organisations that promote financial literacy;

- Website interfaces applications that could facilitate the subscription process, consultation and release of relevant information; and

- Brokers, if the company manages to standardise services through a contract, displaying a well-defined product.

These agencies should be submitted to a short induction program about the company, product and industry. The options for incentives include an agreed recurring fee that should be a portion of monthly contributions. The pricing model should incorporate this distribution cost. The once-off fees apply to consulting services and should correspond to a portion of the initial services provided to clients.

The firm should use cost-effective channels to communicate with individuals or groups of individuals, that way, opting to explore the following avenues:

- Social media outreach through Facebook, LinkedIn and Instagram;
- Google and LinkedIn Search Engine Optimisation (SEO) tools; and
- YouTube videos for press releases and educational purposes.

The main advantage of digital media is that it is that is cheaper and more far-reaching when compared to traditional vehicles. Additionally, because of the nature of the service, and the message it conveys, digital advertisements were particularly useful, as they have replay and forward functionality for messaging, without altering the original content. The company could also continue counting on visualisations in real time. Part of the administration services could be done using the website to facilitate the following services:

- Income estimations by putting at public disposal simulation tools.
- Replying to queries using the email, website, and social media platforms.

The office location is not a concern for now but if the number of participants for the Open Fund increases, the company would require more space or at least a different office setup.

3.4.3.4 Promotion

The educational element should be pivotal to the strategy when delivering the messages, which is concurrent to survey results where an understanding of the product is critical to increasing awareness of the product. The latter could be carried out using audio-visual methods to create awareness and to introduce schemes (Saraswathy, 2014). The use of simple names that clients can easily relate to the services product could show to be fruitful. The idea was to convey messages that were clear, explanatory and appealing enough to entice the individual to come to the MP, SGFP offices.

3.5 Clientele Needs Survey Results

The primary objective of the survey was to assess potential client’s preferences and needs regarding the pension fund service products. The population consisted of current employees working for the “Top 100 companies in Mozambique” as ranked by KPMG Mozambique on their last edition of 2015. The survey was conducted using the “Qualtrics” software. The survey recorded 120 respondents, of which only 62 completed the all questionnaire. The survey focused on the following customer choice factors:

- Product attributes – which includes variables that represent the variation and flexibility of the service product.

- Price sensitivity – that shows how the price may impact appetite for the service.

- Channel – measured the accessibility of the services (e.g., public knowledge of location and website as well as access to information for enrolment).

- Promotion – which reveals client’s product knowledge and awareness.

Another related dimension affecting customers choice, and very associated with financial services, is “Quality”, herewith measured by the fund’s financial performance, brand equity, professional-technical competencies, relationships nurtured, the speed of response, reliability, transparency, and constant communication.

3.5.1 Results

3.5.1.1 Respondents profile

Most of the respondents to the surveys belonged to an age group of 26-45, representative of 78.82% of the sample. The same had between three and twenty years of work experience.

Pension fund schemes were perfectly understood by 63 respondents. Forty-eight (48) respondents needed to know what a pension fund scheme was, while 6 respondents recognised their ignorance on the topic.

3.5.1.2 Product attributes

Seventy-four (74) respondents preferred the traditional contribution method; that being frequent monthly contributions over the years. On the other hand, some respondents were unsure about the conventional mode of payment of benefits modality, as only 44 respondents would rather have their benefits paid evenly, over time. The traditional contribution method proved to be strongly linked to another conventional practice of pension funds, the secure payment of benefits upon retirement, as opposed to the option of a once off fee.

There was a full disagreement with the notion that there is no inherent value in a pension fund. There was also a rejection of the view that there is no need for a complementary pension fund. Both seemed to be influencing the preference for a steady stream of income upon retirement as opposed to that of a lump sum..

The number of observations here allowed to infer on the level of dependency of the above variables, through the calculation of chi-square value at a 5% level of significance. So, if the calculated statistics were greater than the critical chi square value, with a certain degree of freedom, it meant that the variables were not independent of each other (Bendixen, 2003). For this case the p-value would often be equal to or less than 0.05. Note that these preferences of traditional contribution and payment are at the core of the formal definition of a pension fund.

Along the multiple benefits of enrolling in a complementary pension fund scheme, 87 respondents ranked the following attributes as being more appealing:

- Ensuring income for the rest of life (36.71%);

- Guaranteeing income for the family in case of death or disability (25.61%); and

- Complementing the INSS system (25%).

The second favourite set of choices included ensuring income for life and for the family in case of an unfortunate event, as well as the ability to access funds in case of an emergency.

3.5.1.3 Price Sensitivity

Regarding sensitivity to price, at least 46 respondents agreed that pension funds schemes were expensive, yet this group would still be willing to contribute to the pension scheme. Even though they perceived the product to be costly, only 9 respondents indicated that they would not subscribe to the pension scheme. Nine other respondents were indifferent.

The same question, phrased differently, revealed that 37 respondents explicitly confirmed that they perceived pension fund schemes to be affordable and displayed some willingness to try it. Additionally, 16 did not offer an explicit opinion about it.

Only 6 respondents indicated that they would not contribute towards an affordable pension fund scheme and 32 strongly disagreed with that possibility.

3.5.1.4 Channels and Reach

The data collected suggests that more than half of the respondents knew where to turn, call or head to if they ever needed to sign-up for a pension fund. Nonetheless, 25 respondents could not indicate if the company's website was helpful enough to provide the information they required to subscribe.

The study found that the knowledge of where to turn, call or obtain information if one required pension fund services were strongly influenced by brand awareness, with a p-value of 0.02.

Social media was by far the preferred medium of communication for most respondents, 40 respondents' preferences reflected this choice. The second-best option for the same respondents was shared by local television channels (18), radio (15) and cable television channels (14).

The Facebook, Instagram, and YouTube were the first options for 35 respondents. The respondents' second-best choices were still the same platforms, with an inclusion of LinkedIn.

3.5.1.5 Promotion

There were 37 respondents that were not completely aware of the product service range offered by MP, SGFP and did not often see the commercial advertisements of the company. Additionally, 30 agreed that they had a vague idea about MP, SGFP product services range offered by MP, SGFP. There was confirmation from 33 of the respondents that they had heard about MP, SGFP services, on the other extreme, at least 17 were sure they had never heard about it, the rest of the respondents did not provide an opinion.

Understanding what a pension fund is demonstrated to be significantly associated with the perception that pension fund services were value for money services, thus the benefits of such services seemed to outweigh the perceived expenses involved. The critical chi-square value, at 5% level of significance and with two degrees of freedom, was less than the calculated statistic. The associated p-value was 0.05. Another variable showing significant statistical dependence with a good understanding of the service was the degree of reach of the channels if one ever wanted to sign up for a pension fund scheme (p-value was 0.01).

3.5.1.6 Quality of Services

Feedback from current clients revealed that 12 respondents had nothing to say about MP, SGFP service quality. The same trend persisted when inquired about company's ability to solve problems as well as the readiness of employees, here too 12 respondents, respectively, were neither satisfied nor dissatisfied with the quality of services.

The survey counted 62 respondents ranking their choices of characteristics affecting brand choice:

- The financial performance of AUM (32.26%);
- Credibility and reputation of the company (24.19%); and
- Transparency and constant communication (14.52%).

The respondents' second-best choices of characteristics that influenced their decisions of a complementary pension fund included the credibility and reputation of the company (27.42%), the financial performance of AUM (22.58%), and experience and the technical skills of company professionals (17.74%).

3.6 Key Performance Indicators

Key Performance Indicators (KPI) should be in place to ensure a pro-active attitude toward sales, and the same should incorporate the following:

- Number of telephone calls made per day;
- Number of emails sent per day;
- Number of physical encounters per week (inside or outside the company);
- The progression of negotiations should be monitored through call reports for every meeting with clients; and
- Continuously updating of customers database, with comprehensive information about the client.

Annual goals were to be spread evenly over the months, and they should be monitored monthly. Thus, the study recommends the track and monitoring of the leading indicators through weekly reports to senior management and monthly reports to the Board. The following indicators were critical to performance:

- Turnover growth;
- Costs evolution per unit and type of costs;

- Number of Funds established;
- Status update of current negotiations;
- New participants; and
- Outstanding fees.

Incentive schemes should accompany the above measures, and the company should reward high performers whenever one exceeds targets. Alternatively, persistent non-performing employees should be invited to exit. The company is to apply stretched, but realistic goals, adjusted yearly and proposed by the same experienced commercial managers.

3.7 Conclusion

The report alluded to the fact that both the complexity and potential of the business required that the firms' business could be structured into strategic business units, according to capability requirements. Structuring the business into business units would allow effective monitoring of the business and maximisation of output. The company could allow the strategy to emerge from the bottom, through its middle managers. The analysis showed the importance of building strong commercial aptitudes to gain market share. The improvement of existent skills is also important if the company is to improve the value proposition, which included quality of professionals, funds' performance and processes.

The report argued that to improve value proposition, the firm would have to deploy a marketable product, a product that spoke to client's needs. The survey indicated that clients are conservative to what regards the variations of the pension fund product (timing of contributions and timing of premiums), but more open to what sees the flexibility of the service product. Respondents demonstrated a preference towards products that could guarantee income for the family in case of death or disability and access to funds in case of an emergency. Respondents also confirmed their preference to firms that exhibited sound financial performance of AUM, with a good reputation and that could be transparent. Along with product differentiation strategy, that is to cater to few chosen needs, and for a specific clientele, the company is to adopt a penetration strategy. The company should look to grow to other areas other than Maputo.

The firm expects to increase turnover by 30%, which should be equivalent to the establishment of at least three closed funds a year and the subscription of 500 individual clients a year. This will be possible if the firm manages to address critical matters of the market mix, by doing the following:

- Precise identification of clients wants and the showcase of benefits through a simple menu;
- Proper ranking of clients, to consider price sensitivities without endangering firms business;
- The building of strong commercial capabilities;
- Use of digital media, website and brokers as channels of communication;
- Use of social media to promote company's services; and
- A promotion approach based on financial literacy.

4 FINANCIAL ANALYSIS

The following chapter examined past performance of the company (2013-2017) with the objective of identifying patterns and project future cash flows. It then follows to extrapolate on the assumptions that would support the financial forecast and estimate the fair value of MP SGFP, SA. The report used the DCF evaluation model which is based on the estimation of the present value of free cash flows. The different scenarios results would then, be compared to the actual cost of investment.

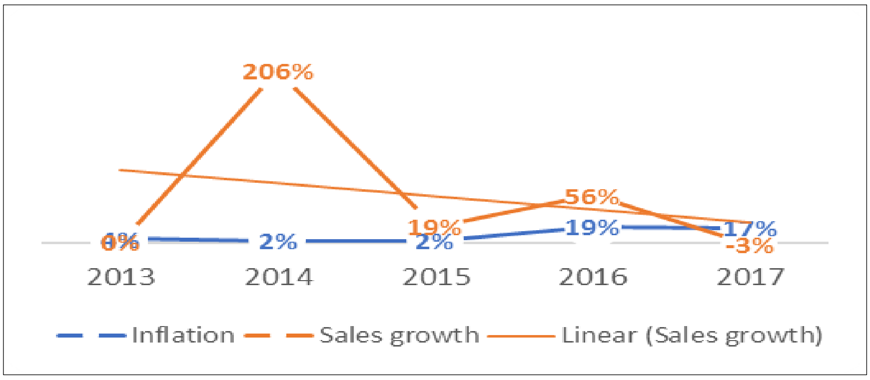
The report also used the CAPM to determine a discount rate that would compensate shareholders for the risk of the asset and time value of money. As reinforced by Firer, Ross, Westerfield, & Jordan (2012) the results should be as good as our ability to forecast cash flows.

4.1 Past Performance (2013-2017)

4.1.1 Company's Turnover

Figure 13 below shows revenues growing by more than inflation rate in the first years of the MP, SGFP incorporation. There was a reversal of the trend after 2016, when the business volume decreased faster than the inflation rate (Statista, 2017) for 2017, meaning that the company began shrinking.

Figure 13- Turnover Vs. Inflation

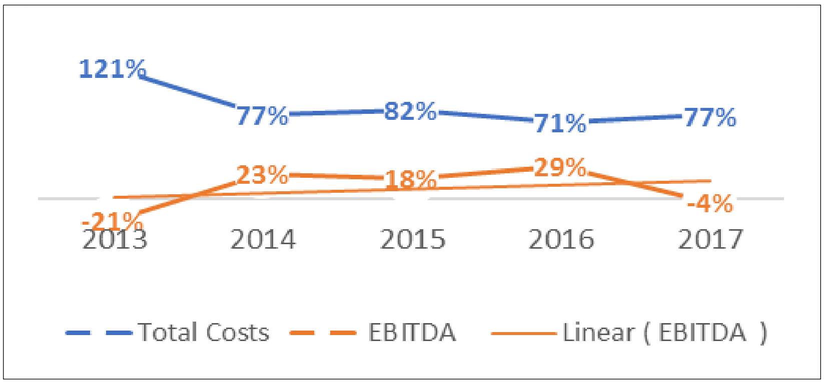


Source: adapted from www.statista.com and company's financial statements 2013-2017

4.1.2 *Gross and Operational Margins*

The company's internal documents and financial reports showed that the company did not distinguish between gross and operating margins. The overall cost, up to December 2016, increased in value, but decreased as a proportion of turnover. The apparent gains of efficiency were not confirmed in 2017. The following table illustrates the 2017 shift of trend:

Figure 14- Total Costs Over Revenue



Source: Adapted from company's Financial Statements 2013-2017

A decline in the proportion of costs over revenues could help compensate cuts or slow growth in business volumes. This compensation was evident when looking at EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) up to 2017, which grew from a negative of MZN2.4 million at the end of 2013 to a positive MZN19.9 million in 2016.

4.1.3 Liquidity

The company's ability to convert profit into available cash, as measured by the *Cash Conversion Rate (CCR)* was not satisfactory. Ideally, it should be higher than one. In fact, debtors account was growing faster than turnover in the last two years of the period, suggesting that sales were made at the expense of cash flows by extending credits to clients. The *CCR* was 0.64 in 2017.

The *Working Capital* was always positive and increased steadily over the period up to 2017. The *Cash Ratio* though, decreased significantly with time, from 2.04 in 2013 to 0.37 in 2016 and 0.86 in 2017.

4.1.4 Capital Expenditure (CAPEX)

MP, SGFP activities were labour intensive, therefore, CAPEX grew slowly. The rate of depletion of fixed assets was around 11% for the period of 2013-2017 and the depreciation average was 21%. The finance charges were due to the multiple transactions and concurrent fees from investing and disinvesting. The finance charges amounted to an average value of MZN0.12 million, in the year from 2013 through 2017. These costs were a function of the potential number of operations done a year.

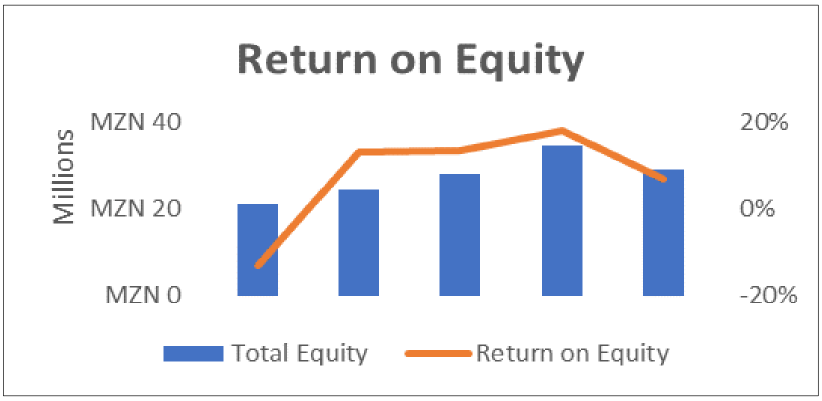
The average tax paid, for the period that the company recorded profits (2014-2016), was 48%, that is greater than the corporate statutory tax rate of 32%. The is due to costs incurred by the company, but not recognised by the local tax authorities.

4.1.5 Return on Equity (ROE)

The total equity of the company grew from MZN24 million to approximately MZN34.5 million in four years. This growth is equivalent to a 44% nominal growth rate. The average ROE for the period was 15% (excluding 2013), which was slightly below the cost of equity for the period. The cost of equity should be higher than the cost of debt for the period (Firer et al., 2012).

The cost of debt and other applicable rates for the market were under control until at least September of 2015, close to 10% as indicated in Figure 7 in section II. It then increased in 2016 to levels above 20%.

Figure 15- Equity Growth (2013 - 2017)



Source: Adapted from company's Financial Statements and Internal Reports

The business was almost entirely financed by equity. Table 10 below provides a summary of the company's performance ratios for the period of 2013-2017:

Table 10-Performance Ratios (2013-2017)

Year	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
Actitity Ratios					
Receivables Turnover		2.61	1.93	1.90	1.66
Average Days Receivables Outstanding		140.08	189.43	192.01	219.25
Working Capital	13 555	14 760	19 942	29 715	29 459
Working Capital Turnover		2.57	2.50	2.73	2.22
Fixed Asset Turnover		6.92	9.66	21.98	34.97
Total Asset Turnover		1.15	1.12	1.31	1.19
Liquidity Ratio					
Current Ratio	3.19	2.28	2.49	2.08	2.95
Cash Ratio	2.04	0.48	0.68	0.37	0.86
Cash Conversion Ratio		0.30	0.01	-0.02	0.64
Long Term Debt and Solvency Ratio					
Debt to Equity	0%	0%	0%	0%	0%
Total Debt Ratio	0%	0%	0%	0%	0%
Equity Multiplier	1.29	1.47	1.48	1.79	1.46
Profitability Ratio					
Gross Profit Margin	24%	65%	62%	72%	73%
Net Profit Margin	-23%	9%	9%	9%	-2%
Return on Assets		10%	10%	12%	-3%
Return on Total Capital	-16%	25%	20%	52%	-12%
Return on Equity	-13%	13%	14%	18%	-4%

Source: Adapted from MP, SGFP Financial Statements (2013-2017), own calculations

4.2 Forecast Key Assumptions

Most of the generated data was based on past performance results. The model assumes that most of the figures were driven by company's turnover, since it largely influenced the amount of resources the company needed to deliver its services. Ideally, most of the forecast ratios would be based on the average result for the five years (2013-17), but the 2017 results were a disruption from the ordinary course. Therefore, management estimations and industry trends also helped in predicting forecast ratios and cash flows.

The forecast ratios were essential to guess future sales and the associated costs for the period of 2018-22. The ratios impacted the statement of comprehensive income, the statement of financial position, the statement of cash flows, and the Net Present Value (NPV) of Free Cash Flows (FCF). The financial figures used for 2017 were not final, since the reports still needed to be audited.

The forecasting consisted in computing the present value of free cash flow estimates and comparing it to the book value of MZN33.12 million in 2017. If the result was negative, it meant that value was being subtracted. If it was positive, it would indicate that one is adding value.

The calculated discount rate was estimated using the CAPM, which considered a risk-free rate of 24.66% (Moodys Analytics, Inc, 2017). The present report considered the risk premium for lending of 6% (Trading Economics, 2017) as a proxy for the risk premium for the insurance and pension fund industry, since there was not sufficient and reliable data to accurately estimate both the market and the particular asset systematic risk. The result was an *expected return* of 30.66%, and that was the discount rate.

The main difficulty was that the market did not offer comparable companies to benchmark against it. Other essential assumptions encompassed the following forecast ratios:

- *Accounts receivable* – this item was adjusted to reflect the possible debt restructuring process, where ADM debt is to be written off by an amount of about MZN21 million. The receivables were presumed to follow a specific debt repayment schedule going forward, making it crucial that the client could pay at least MZN15 million for the first year and a minimum of MZN5 million in subsequent years;

- *Cash and Cash Equivalents* – this account includes the investments in money market securities, which has returned an average of approximately 8% interest between 2013-17;

- *Accounts Payable* – this item was an important source of positive NPVs and crucial for the strategy. As a result, management would have to negotiate betters credit terms with suppliers for following years; and

- *Debt to Equity Ratio* – here, it is assumed that the company has no intention to finance its activities through debt.

4.3 Financials Forecast

The present document identified three scenarios and tested business volume influence over NPV. The current report considered the INE’s outlook for inflation mentioned in earlier chapters, of approximately 13.5%. Note that, the fund's rates of return were already factored in predicted sales growth.

The following scenarios did not report growth rates based on actual turnover values but based on turnover figures after pricing adjustments, as the company is not expecting the same volume base (considering the actual clients). Therefore, the business volume base used in this report is MZN34.4 million and not the actual MZN63.4 million. Herewith a summary of possible scenarios:

- The first scenario (see Scenario I tables in annexures) plotted a turnover growth rate of 30%, which is realistic and concurrent with present strategy since the growth rate takes into consideration a lower base of turnover. The plot also includes the EMOSE pension fund assets.

- The second scenario (see Scenario II tables in annexures) displays a conservative plot of 20% turnover growth, but still growing faster than the expected inflation of 13.5% above mentioned; and

- The third scenario (see corresponding Scenario III tables in annexures) shows a gloomy situation of about 10% growth rate, lower than the expected inflation.

The present report considered a damping factor of about 90% from 2019 onwards to reflect the diminishing marginal growth of additional businesses. All scenarios include an additional MZN2.65 million expenses to accommodate the hiring of a Business Developer.

4.3.1 Scenario I – 30% Turnover Growth Rate, plus the EMOSE Pension Fund

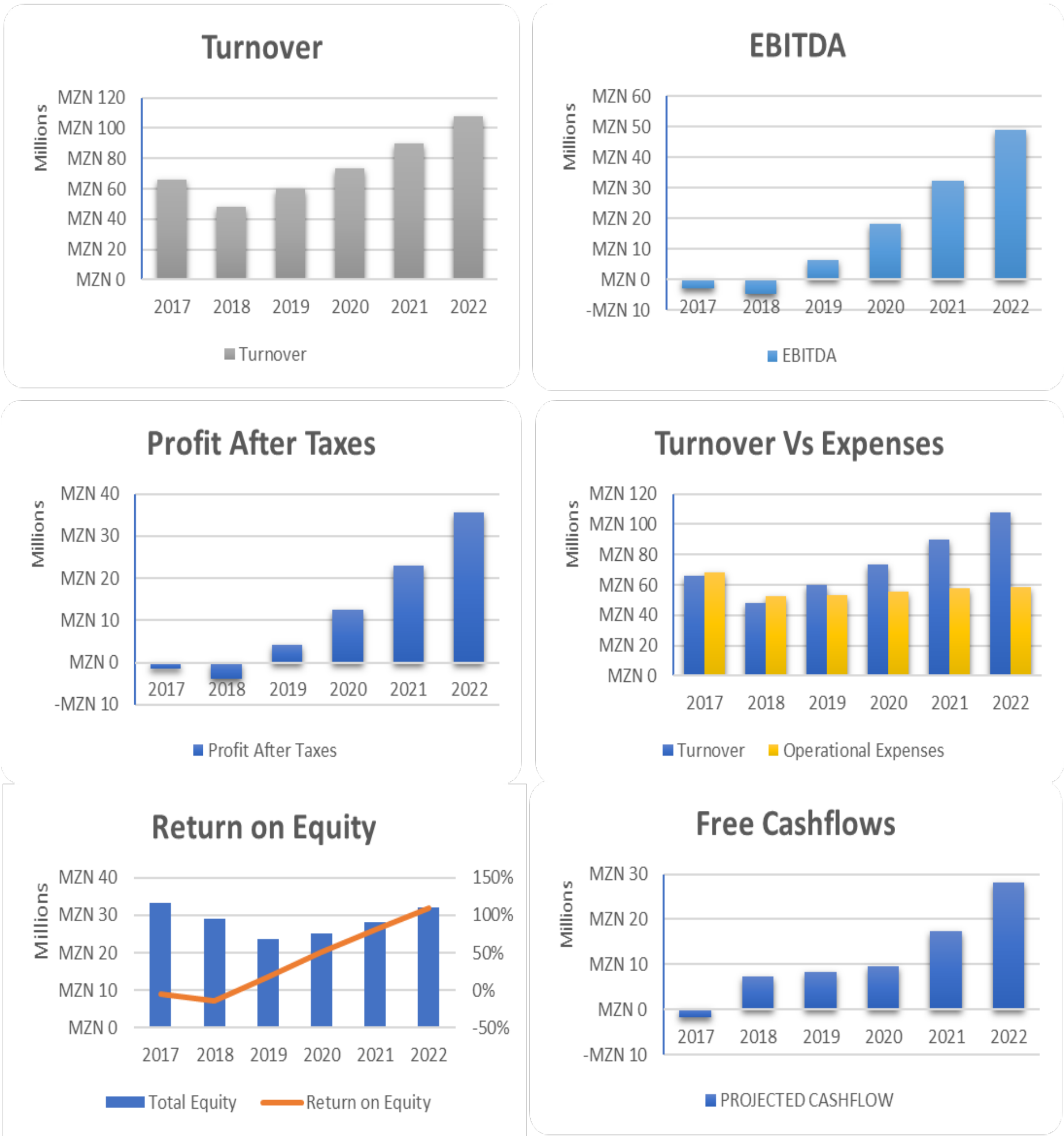
EMOSE is yet to complete the fund's administration handling process for MP, SGFP. The management is confident that it could soon overcome all obstacles and finalise the process. The potential business from EMOSE was estimated to be close to MZN3.1 million yearly. The present scenario would imply a turnover of MZN47.9 million.

The above would be equivalent to a decline of 27% in the turnover when compared to actual turnover, before price corrections. The company could resume its upward trend in the subsequent years. Under this scenario, the company is expected to show positive results and pay dividends earlier in 2019.

No cash flow constraints would be expected for 2018 and subsequent years. The company would finance its assets through negotiation of better credit terms with suppliers, and by excelling in the monitoring of costs to levels indicated on Table 12 in annexures. The access to cash for short-term investment purposes in 2018 would be limited to an amount equivalent to 6% of assets. The nominal value of company's assets is expected to reach MZN77.4 million in 2022, almost 60% higher than the actual total assets.

The present value of free cash flows for the period of 2017-2022 is positive, close to MZN32.2million. If we add the present value of the terminal cash flows, we could estimate a total Enterprise Value of MZN129.4 million. Figure 16 below is illustrating the results under this scenario.

Figure 16-Performance Chart I



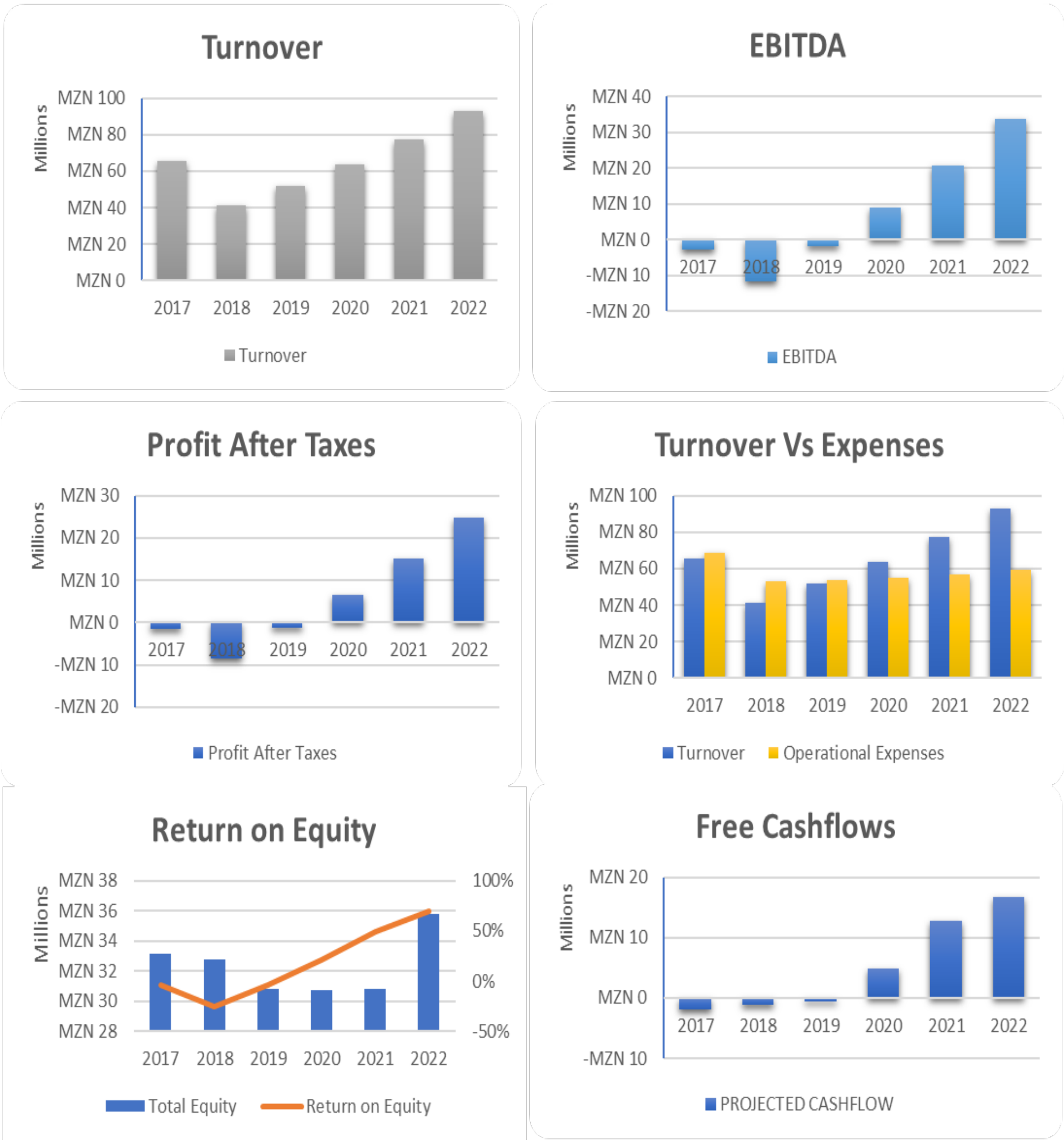
4.3.2 Scenario II – 20% turnover growth

Scenario two is more conservative in its estimations of sales. It considers the possibility of failure to manage the EMOSE pension scheme and the impairment loss for 2017. Under these circumstances, the company is expected to grow at a moderate rate of 20%, with a resulting turnover of MZN41.33 million.

Total costs for the conservative scenario are estimated to be 127.89% of the turnover for 2018, leading to a negative result. The later should persist until the year 2019. The subsequent positive results are to be accompanied by the distribution of dividends, practically starting in 2020. The total assets of the company are expected to grow to MZN71.8 million in 2022.

Cash flows would be negative for 2018 and 2019. The company would require a financial plug of approximately MZN8 million. The present value of FCF for the period of 2017-2022 could be positive, around MZN11.5 million. The total enterprise value for this scenario was MZN69.2 million. See the below charts in Figure 17 illustrating scenario results:

Figure 17-Performance Chart II

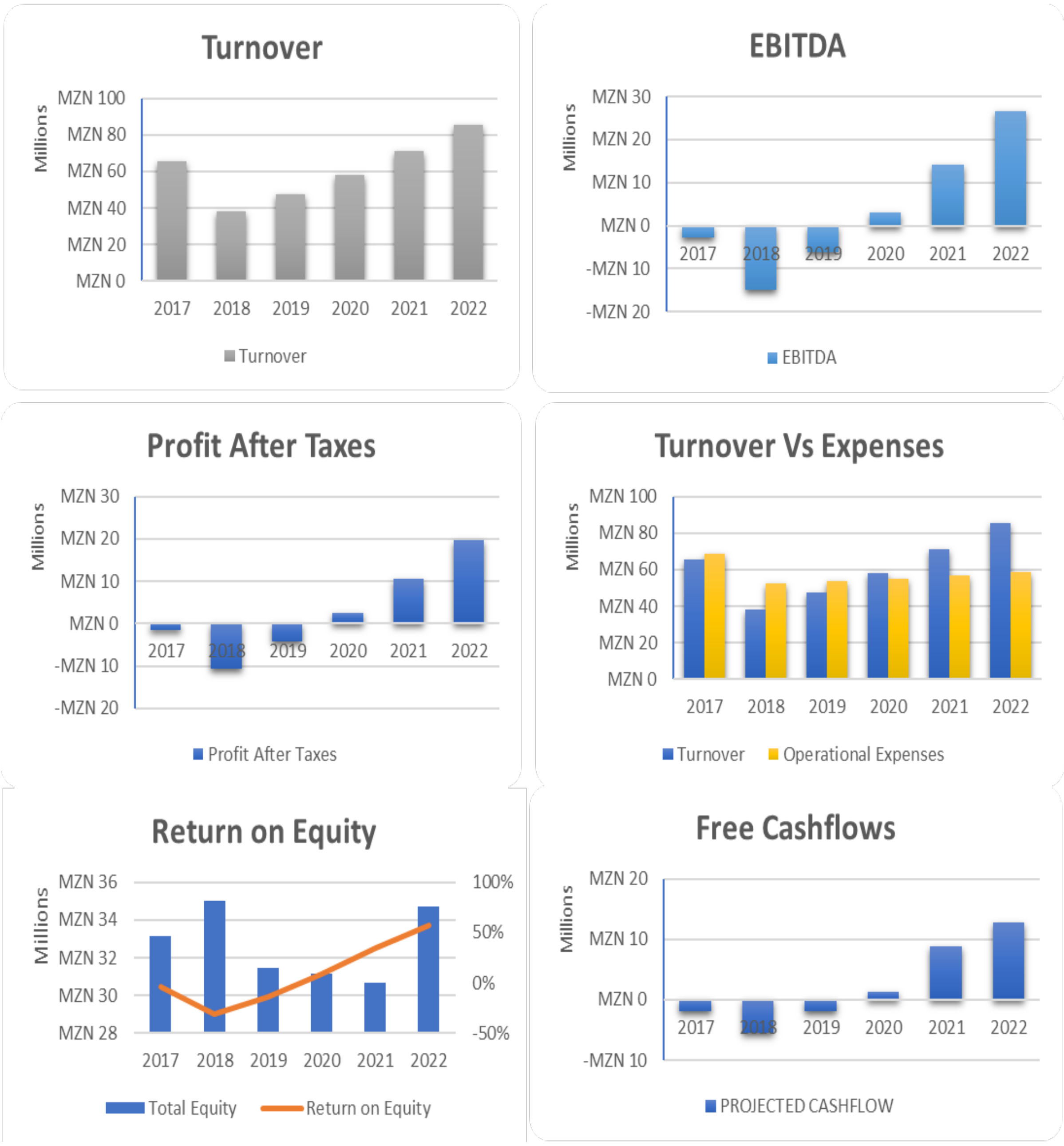


4.3.3 Scenario III – 10% turnover growth

If MP, SGFP volume growth cannot outgrow inflation of 13.5%, the added business would amount to only MZN3.4 million. This business volume would be the equivalent to add a single pension fund like the EMOSE's one. Higher growth expected for subsequent years would help the company to reverse the negative results trend only in 2020.

The present value of FCFs for the period of 2017-2022 would be a modest MZN2.3 million. The core Enterprise Value will be around MZN46.7 million. The following charts in Figure 18 illustrates projected results under the present scenario:

Figure 18-Performance Chart III



4.4 Conclusion

The scenario I is the one that could be aligned to firms' goals. The fair value for the scenario I, which considers a horizon longer than five years and a terminal growth rate of 20% positive, is near MZN133.5 million. The estimated Enterprise Values for all plots were higher than the equity book value of MZN33.12 million recorded in 2017, but the same would put the company into constant financial distresses as in some case the company would require additional funding, thus decreasing value. The terminal growth rate is concurrent with past average turnover growth rates (see Figure 13), a median past growth rate of 38%.

Only the scenario I could project positive cash flows for the current year. The expected average net profit margin and ROE for the scenario I was 15% and 49.2%, respectively. Results are strongly dependent on the boards' members ability to come to terms with ADM.

5 SUMMARY OF ANALYSIS AND RECOMMENDATIONS

It took two years to incorporate and establish the MP, SGFP and the feasibility study was not revisited to accommodate all new ideas, terms and conditions. The document was designed to EMOSE; thus, it was built around its competencies. The study envisioned new shareholders, but with different profiles of those of NBC, IGEPE and GETCOOP. The prior business model did not match the adopted structure. Hence, there was a detour from the initial plan. Not surprisingly, the results also drifted away from the initial idea.

Notwithstanding, some of the critical recommendations of the plan were still applicable and critical to the success of the business. That being the strong attitude towards commercial activities and market opportunities brought up by country's needs (real state, infrastructure and private equity).

The increase in profitability is closely related to a faster increase in income. Unlike the prior study which did not set target numbers for the increase in profitability, this report set target estimates for growth in business volumes. For satisfactory returns, business volumes would have to outgrow inflation in the next five years. The report targeted a growth rate of 30% for 2018, followed by a 25% growth in 2019, which could help mitigate current cash flow constraints. This growth rate is expected to increase volumes from its actual MZN34.4 million (after price corrections) to MZN107.6 million in 2022.

Gains of efficiency can also help in tackling unacceptable levels of returns and cash flow problems. The total operational costs should almost freeze in value terms, to adjust only for inflation on critical expenses if there is room for it. The total costs for 2018 are estimated to be 89.4% of revenues, to steadily decrease up to close to 56.5% in 2022. The firm is expected to recover to its best level of efficiency in 2020/21, where it would optimise costs to a level less than 70% of turnover. The above numbers would guarantee net margins of 33% in 2022 and a ROE of 110%.

To improve both operating and free cash flows concern the firm would have to lower receivables balances. The improvement in receivables would be a combined result of board members ability to renegotiate and restructure ADM debt, as well as management discretion in reviewing current contract fees.

The above would imply a tight debt payment schedule to start immediately. The reimbursement plan should not jeopardise current contributions towards the Fund. One way of doing this is by readjusting actual fees for the above client first and revise other clients' contract fees gradually, as fees for certain contracts were overpriced.

The liquidity problems were linked to a challenging macroeconomic environment where SOEs were struggling to survive as they were exposed to increasing country risk and poor management practices. This report recommends the immediate diversification of the clientele base to include healthier and privately controlled companies. This strategy would increase the chances to eradicate the deficit funds and increase overall fund's returns. The firm should add at least two, out of three, corporate clients a year up to 2022. The diversification also includes the addition of 500 individual clients per year.

To cope with difficult times and create a buffer against downturn market risks; the report identified resilient sectors, to which the firm should redirect its commercial efforts. These sectors were the financial, extractive, and energy sector.

The improvement in value proposition was at the core of the strategy. This document included a survey report that could point the attributes clients value the most so that the firm could match clients' expectations and deploy strategies based on product differentiation. The respondents did show a preference towards a more flexible product, one that could guarantee income for the family in case of death or disability and that could allow the access to funds in case of emergency. The survey also demonstrated the importance of the knowledge about the pension fund service, which should be central to the service promotion.

The efficient use of the available systems and further training of employers could help save time and resources. Different profit centres could also assist in identifying units deducting value out of the company. The firm needs the best actuarial and investment professionals it could get. The latter could be made available through parent companies while building internal skills. The latter is essential for the improvement of services quality, which forms part of the value proposition in an industry.

The increase in market share requires commercial aptitude at its core. Therefore, it is essential to the success of this strategy the immediate hiring of a business developer, with a proven track record of achievements, to implement and incrementally improve the commercial plan. This business developer would work transversally with all business units. The company is to follow a penetration strategy that should be measured by tracking the net number of corporate and individual clients added throughout the year.

Key Activities:

To successfully execute the ideas in this document the company would have to implement the activities in Table 11 below. Some of the activities have just started because of continuous work with management:

Table 11 - Key Activities

Activities	**Due Date**	**Who's Responsible**	**Details**
Increase critical areas budget	31st January 2018	Finance Department	The distribution of costs has been at the expense of critical areas. Consider increase budget for marketing and sales related activities and lowering other costs.
List the difficulties in using PHC and Everest	31st January 2018	Administration	The list should be sent to the service provider so to evaluate how to overcome it.
Updated list of 100 potential clients	31st January 2018	Administration	The clients should be listed by tier, sector and turnover. When possible, include information about payroll volumes.
Assessment of Existent Skills	31st January 2018	Human Resources	Should point which skills employees currently possesses and if these are well employed to designated SBUs. Consider also which employees should be subject to further training, given timing and background.
Terms of Reference of Business Developer Executive	31st January 2018	Human Resources	Should include a recommendation to hire or to train an existent employee.
Terms of Reference of an Investment Professional	31st January 2018	Human Resources	Should include a recommendation to hire or to train an existent employee.
List best brokers	31st January 2018	Administration	To identify and initiate negotiations for selling and promotion of services.
Solutions to overcome possible technical issues regarding PHC and Everest	31st January 2018	IT Department	Possible issues: differences in account statements formats from banks and those accepted by the software; linkage of different systems (PHC and Everest); connectivity; etc.

Activities	**Due Date**	**Who's Responsible**	**Details**
Submission of a Training Program	31st January 2018	Human Resources	Includes the budget for the year, and respective calendar of deployment of courses.
Prioritise clients by Tier and Schedule visit to Corporate Clients	31st January 2018	Managing Director	This is a sales activity; the Business Developer should continue with it as soon as he/her is on board
Results of the survey	28th February 2018	External Consultant	To aid in the design of a new "menu" and "fact-sheet" about the service products.
Re-organisation into Profit Centres	28th February 2018	Human Resources and Finance Department	HR to allocate employees to respective business units and differentiated reporting tables. Finance department to assign cost and revenues to respective SBUs, and report accordingly.
Adopt Contribution Format for Income Statement	Continuing activity	Finance Department	For immediate execution.
Prepare weekly sales material for client's visits	Continuing activity	Managing Director/Business Developer	
Training - Everest and PHC	Continuing activity	Human Resources	Submit a schedule and cost of training activities.
Name and draft a "fact-sheet" for every product service	30th March 2018	To be assigned	Managing Director to coordinate this activity in the absence of a Business Developer.
List of Benefits for Every Product	30th March 2018	To be assigned	This activity entails the listing of a brief but extremely appealing list of benefits of each product. It should match client's needs, as per the results of the survey.

Activities	Due Date	Who's Responsible	Details
Improve website content and display	30th March 2018	IT and Marketing	It should emphasise professional skills, show the fact-sheet, display benefits for each product, display enrolment solutions, provide simulation tools, chat systems, FAQ, show awards, IPS, average returns, etc.
Propose strategies for different profit centres	30th March 2018	Business Developer	Sales execution plan and detailed budget. Budget to be limited to a percentage of potential sales.
Set meetings with brokers	30th March 2018	Administration/General Manager	To introduce the standardised products, negotiate and assess skills.
Schedule product knowledge sessions with agencies	30th March 2018	Human Resources	It is important to submit an annual plan. There should be an indication of dates and costs.
Elaboration and submission of material for digital marketing	30th March 2018	Business Developer	Material includes not only pictures but videos, according to guidelines set for promotion purposes. The educational component and benefits should be central. Content should be localised whenever possible.
Point someone or a company to feed the digital platforms	30th March 2018	Business Developer	To establish strong presence in the social media platforms and website.
Establish a presence on LinkedIn, Facebook and Google search engines	30th March 2018	Business Developers	The content for digital marketing and website should be adapted to fit into these platforms.
Form Partnerships w/ Institutions promoting financial education	30th March 2018	Business Developer	That includes tertiary schools, professional institutions, the Government institutions, NGOs and clients.

Activities	Due Date	Who's Responsible	Details
Evaluation of the need for Sales Representatives	30^{th} April 2018	Business Developer	Should be first submitted to the Managing Director, to be included in the quarterly report. The need should be well justified with realistic potential increase in sales.
Identify areas not adding value	21^{st} December 2018	General Manager	The quarterly report should identify units not adding value, subject to out-source or complete restructuring. To include other business issues.

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