

# Transforming CGE&Y

Paris, June 27, 2002



# Agenda

- 1. Where we are: progress but not enough**
- 2. A new market, a new team**
- 3. Where we want to go**
- 4. How we get there – The LEAP ! program**

# Where we are

Progress but not enough



# 2002 Working Assumptions and Realities

## Assumptions

Expected markets rebound in 2002 supported by four key factors

Customers resume spending

New technology and network economy still there

Growing segments: CRM, Supply Chain, etc.

Clarification with audit is an opportunity

## Year-to-date reality

Prolonged recovery – analysts' forecasts significantly reduced

Emphasis is on cost reduction and leveraging existing infrastructure (CIO agenda)

Modest growth but not enough to offset overall decline

Enron fallout «clouding» opportunity

# Adjusting to reality

## We have made progress on ...

- The Go-to-market model
  - Redefinition of national targeted accounts
  - Rebuild transaction sales channel
- Our mix:
  - More outsourcing
  - Sectorial
  - Alliances focus
- Restoring orderbook
- Capacity adjustment and cost reduction
  
- Launch of Sogeti

## Year-to-date progress

- Tighter focus on specific GSU accounts
- Transaction sales now at 50% of mix
  
- 3 points increase in Outsourcing
- Expansion in Public Sector
  
- Book-to-bill of 1.2 for P&C
- Additional headcount reduction YTD of 1,000
- Reduction in support costs: 75 M€ every half year
- Professional Services business now at 5,400 people

# Impact of the market evolution on H1 trends

## Sales

- Pipeline improvement, bookings growing

## Revenue

- Stabilizing

## Cash position

- Positive

## Utilization rate

- Below target – currently at 70%

# A new market, a new team



# The market:

IT Services and Consulting market has changed in both volume and nature

## Yesterday

## Today

### Volume

**High:**

**Low:**

Everyone wins

Growth through marketshare increase

### Nature

«e» everything

Outsourcing

Back office integration

Architecture

Front office automation

Enterprise integration

Bundled solutions

Choice of bundled/unbundled

Blended pricing

Skills based/design to cost

### Client priorities

**Faster / better / cheaper**

**Cheaper / better / faster**



# An organization addressing the new market conditions and designed to be permanently adaptive must...

Allow for dynamic portfolio management

Maximize number of people on the market

Simplify decision making

Reinforce globality and local empowerment

Foster innovation

Support staff development and deployment

Emphasize delivery excellence

# Empowering a new team in a simplified organization

- Favoring the emergence of new leaders
  - 4 new Region Heads appointed on January 1<sup>st</sup>
  - 3 new major appointments on July 1<sup>st</sup>:
    - Northern America : **Mark Hauser**
    - UK : **Paul Spence**
    - Asia-Pacific : **Paul Thorley**
- Consolidation of operations into 4 entities



- **A tighter governance**
  - An Executive Committee: 5 members; weekly meeting
  - A Management Committee: 5 operations, 4 corporate functions, 2 innovation and alliances, 1 Transformation Project; monthly meeting

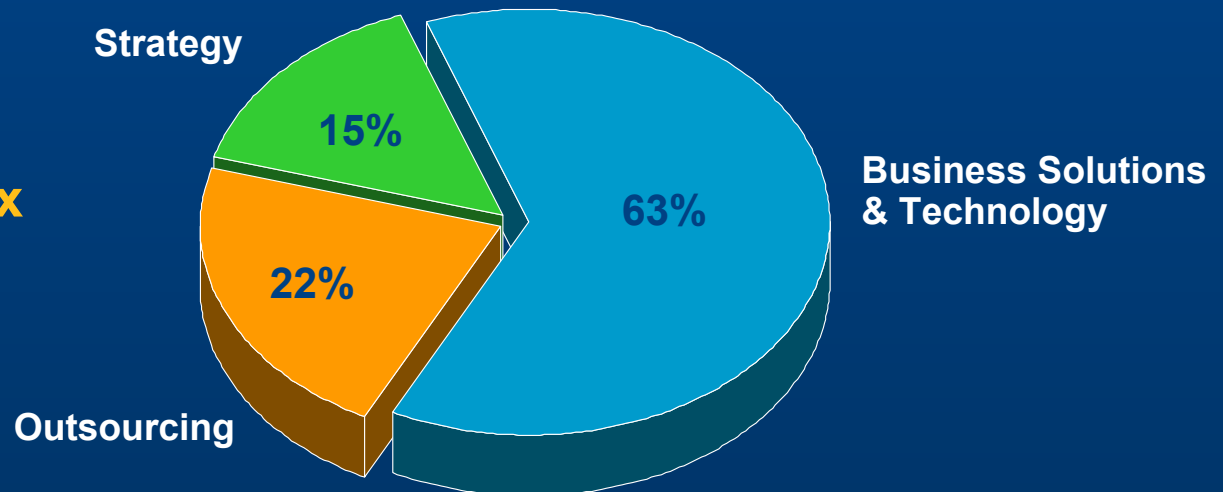
# Where we want to go



# Business description: what we do

- CGE&Y is a leading global provider of transformation services, combining business issues expertise with leading edge technology skills to deliver real value to our clients and their markets
- We deliver this value by:
  - Optimizing core business processes
  - Variabilizing cost structures
  - Transforming the technology environment

## Current business mix

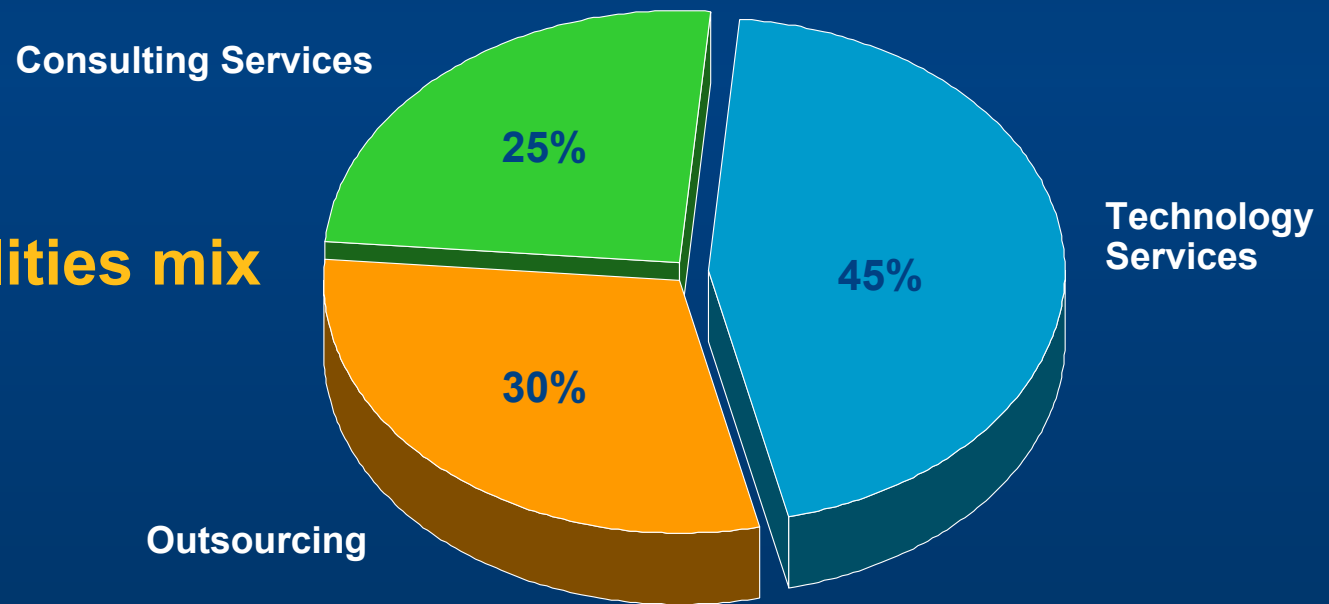


# Vision: where we want to be

- **Our ambition:**

Leverage technology and business insights to unleash the power of our client's organization to adapt to volatility and deliver superior value to their markets.

## Targeted capabilities mix



# Our strategies

## We will continue...

- Our emphasis on sectorial go-to-market
- Our drive for productivity by mandating use of centers
- Our push in technology by launching a direct channel
- To maintain delivery excellence (OTACE)
- Our leadership position in AM

## We will stop...

- Efforts to build a corporate strategy practice
- Attempting to coordinate a costly 4 dimension matrix
- Relying on E&Y for infrastructure and support
- Expecting a market recovery

## We will build...

- An operating and pricing model by competency
- An adaptive portfolio of offerings and sectorial mix
- Decision making process to be more responsive to the market (e.g, empowered sales executives)
- New offers, and alliances via an Innovation Center
- A leading Transformation outsourcing capability

# How we get there

## The LEAP ! program



# Transformation: launching the **LEAP** ! program

**L**eadership

**E**xpansion

**A**lignment

**P**ortfolio and Productivity management



# The Transformation Program – Key Objectives

- Unleash the power of the organization to increase go to market capability and coverage through focused business models

**«Firms offering business services will need deep understanding of specific industries and will sell to business unit managers such as CEOs. Firms offerings IT-centric expertise will need mastery of best of breed technologies and will sell to CIOs. Firms that attempt to do both will need two unique organizations or they will end up not meeting either needs very well.»**

*Source: IDC - WW IT Services Industry Forecast and Analysis 2001- 2006 (© 2002)*

- The bundling of technology with consulting will be achieved within our sector organization
- These operating models will be globally consistent

# The Transformation Program – Key Objectives (cont'd)

- Reinvigorate our technology services to address the CIO agenda
  - Launch of Technology Direct
    - Architecture Services
    - Network optimization
    - Systems Integration
- Rebuild trust and morale and market orientation of staff
  - New Management Teams
  - Leadership Development Program
  - Increased Number of Market Facing Staff

# The **LEAP !** agenda

The **LEAP !** agenda will focus on actions which will deliver improvements in short and long term financial performance

## Key Actions

- Switch to Competency based operating model
  - Technology Services
  - Consulting Services
  - Outsourcing Services
- Shift the mix
  - Services
  - Products
- Simplify structure and processes
- Standardize methods and use of Centers
- Launch additional Sales Channels



## Type of Financial Benefits

Rate / Margin – optimization

Sustained revenue flow

Lower operating cost

Leverage / pricing

Increased sales volume

# Our game plan

## Focus

Retention and Management  
Development

**Reinvigorate  
Leadership and Culture**

Growth and  
margin

**Manage  
the  
Portfolio**

**Expand  
Market  
Facing  
Capabilities**

**Align  
Operating  
Models/  
Policies**

Price and  
Cost  
competitiveness

**Drive Productivity and Efficiency**

# A preliminary business case shows the potential margin improvement

Operating Income  
increase in 2004  
% of revenue

4.4 / 5.5

2.4 / 2.4

Positive  
impacts

1.9 / 2.5

1.8 / 2.8

1.3 / 1.8

Negative  
impacts

-2 / -2

-1 / -2

Major drivers

Staff redirected to fees  
generation

Costs reduction

Industrialisation /  
delivery optimisation

Sales efficiency

Price pressure

Staff measures

# Program Phasing



# In summary...

- The market is the market – we have made progress but more is needed
- We have a new direction led by a new management team
- Our new operating structure will deliver better flexibility and results
- The **LEAP** ! program will restore profitable growth to our business and revitalize the Group



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