

INNOVATION NATION

The Quiet Evolution of
**Finance and Accounting
Services**



Contract wins

NBCUniversal
Stora Enso
Honeywell
Danfoss

Blogs from our BPO Experts

Capgemini's new
BPO General Rocks Up

Center Spotlight Bangalore

Interview with Chris Piazza of
Warner Bros.

World-class Outcomes



People matter, results count.

A message from the **CEO**

Christopher Stancombe



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Teaching the world to expect more from BPO

I always find it easy to get excited about our work, but this issue of *Innovation Nation* is especially full of examples of how our passion, dedication and expertise is delivering world-class business outcomes.

At Capgemini, I believe we all have a crucial role in changing perceptions of our industry. Today, we are doing more than ever to show BPO's strength as a driver of business transformation. This capability is squarely built on our Global Enterprise Model (GEM) and its framework of repeatable process excellence, and scalable skills and technology. It's a robust foundation and we know how to use it well. As BPO evolves, I'm convinced our deep understanding of the infrastructure and technology components that underpin our services will help us lead the way.

While we all agree that people should expect more from BPO, we do need to make sure this message is delivered loud and clear. There is no better way of doing this than through our work.

Let's take the example of one of our oldest clients.

We work with Bombardier to create and manage the technical documentation for over 30 aircraft variants – that would add up to tonnes of paper if you were to print it all. It also added up to a lot of cost and complexity for Bombardier, who wanted to focus their energy on building a new generation of passenger jets.

We've been able to transform and simplify these highly specialized processes, reducing costs, preventing delays that can affect time-to-market, and achieving measurable improvements in user satisfaction. After seven years, we're still innovating to improve these processes – and the enterprise data beneath them.

Meanwhile it's great to see our relationship evolving with Stora Enso, the Finnish pulp and paper manufacturer. There, we're applying GEM to enable greater cost & talent flexibility and further improve their end-to-end finance activities.

We're also embarking on an exciting new relationship with NBCUniversal International, one of the world's leading media and entertainment providers. We'll be helping them standardize and streamline their finance processes around the world, and ensure they get better customer and partner insights that can add value to the business.

All this hard work is being recognized where it counts. We have once again been positioned as a Leader in Gartner's Finance and Accounting (F&A) BPO Magic Quadrant, this time at the front of the pack for 'completeness of vision' – a huge achievement considering we are only 10 years old. Meanwhile, Forrester have recently rated Capgemini as a 'Strong Performer' for eProcurement, based on the usability and supplier enablement features of our IBX solution.

That said, I genuinely believe that many business leaders, even many advisors and analysts are yet to fully understand what BPO can deliver - it is up to all of us to teach the world to expect more. So enjoy this issue of *Innovation Nation* and get inspired!

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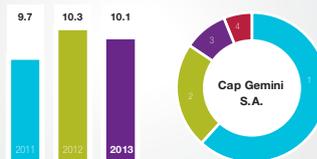


Capgemini's new BPO General Rocks Up

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€10.1 billion



Capgemini 2013 Results

Centers of **Excellence:**

A look at some of our centers' **innovations** and **achievements**

STOCKHOLM

The Municipality of Trondheim achieved benefits including over 91% contract compliance, millions of Euros in savings annually, 80% mobile user adoption and a cost reduction of 10% with the analyst-recognized IBX Purchase-to-Pay solution.



Global Enterprise

GUATEMALA CITY

A global telecommunications giant benefited from GEM-based Supply Chain best practices leading to the reduction of monthly warehousing costs by over €65K and the reduction of the Billing Due list by €14.7 million in Latin America.

KRAKOW

Swedish engineering group SKF recognized Capgemini's Polish team with the 2013 Supplier Excellence Award for helping to reduce costs by approximately €9 million.

NANHAI

China's recent six-year renewal with a leading pan-Asian retailer takes the overall total contract duration to more than 20 years, making it one of the longest BPO relationships in the market.



Enterprise Model

CHENNAI

New integrated, state-of-the-art office space will provide advantages of scalability and accessibility. The new office is set to become India's second showcase facility after Bangalore.

Center Spotlight: **Bangalore**



Fast Facts:

Established: 2006

FTEs: Over 4300

Languages: English, French, German, Hindi, Spanish and Portuguese

Clients served: 26

Services:

- F&A
- Analytics
- Procurement Operations
- Technical Publications (Engineering Services)

Bangalore serves as the main hub for:

- GRC
- Analytics
- Technical Publications
- Master Data Management
- F&A operations

Why Bangalore?

Multi-ethnic, highly educated and diverse workforce

- Cosmopolitan population of 8.5 million, with over 50% from other Indian states or countries
- High availability of educated talent – around 20 universities and over a 1000 degree colleges around the city

The top BPO destination in the world

- The 4th largest technology cluster in the world after Silicon Valley, Boston and London
- The most rapidly expanding BPO destination for the last 20 years
- Capgemini's largest BPO office in India

Political and economic stability

- 'Silicon Valley of India'
- 33 of 58 - or 53% - CMM Level 5 companies in India are established in Bangalore
- Bangalore contributes about 34% of India's total outsourcing revenue of \$47.3 billion
- Housed in ITPL – an industrial park set up by the state in collaboration with the Singapore Government. Home to over 120 IT/BPO companies including Capgemini

Certifications

- SEI-CMMi Level 5, ISO 9001:2000, ISO 27001 and SAS 70 certified to ensure consistently high standards
- First major BPO center to achieve elite ISO 22301:2012 Certification for business continuity readiness

Interview with Chris Piazza of Warner Bros. Entertainment

“

I've worked closely with Chris Piazza of Warner Bros. Entertainment for several years and was thrilled to see him win Shared Services and Outsourcing Network's 2014 Thought Leader of the Year award. We recently spoke about his achievement and the work he did to land this recognition.”

by **Marty Borcharding**



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MB: Chris – first of all, I'd like to congratulate you on your recent award as the 2014 'Thought Leader of the Year' by SSON. What an honor, particularly by such an important industry organization.

CP: Thanks, Marty. It is quite an honor not only to be recognized by SSON but also to be voted in by my peers. I'm very proud and also humbled to receive such an award.

MB: It's very well-deserved. I've seen what you've accomplished since Capgemini started working with you and the Warner Bros. team back in 2008 on your global finance transformation program.

CP: It has been an amazing journey and a great partnership. We started at a time when the media and entertainment industry was undergoing a tremendous amount of change. And the speed of change has only increased and with it our need to adapt and drive value for Warner Bros.

MB: Unlike some of your competitors who outsourced pieces of their F&A process, you decided to go much larger and do it on a global scale. Looking back, would you have made the same decision?

CP: Absolutely. I believe it was the right way to go. Taking a global approach allows us to drive transformation and a return on a scale we could not have achieved otherwise. The standardization and automation of our Record to Report, Invoice to Cash, Accounts Payable and Procurement processes enabled us to achieve major cost savings along with better insight and control over our operations. Just as important, we have built the framework and structure needed to enable future transformations. We believe this is imperative for us to become even more flexible, agile and efficient in order to stay ahead of the fast moving changes in the market.

MB: What do you consider the greatest achievement of our partnership?

CP: Well it's difficult to point to one outcome but I can tell you that I do not believe it is possible to achieve what we have by doing this alone. Capgemini brings the people, resources, methods and technologies to make this all happen. Having a

collaborative partner was critical in our success. We started this journey six years ago with aggressive targets for cost savings and improvements across many operational metrics. I'm pleased to say we have achieved our goals and continue to look for more. This has been a great ride and I look forward to what is still to come.

MB: Chris, it is such a pleasure working with you and I look forward to an even brighter future ahead.



Chris Piazza

Senior Vice President, Enterprise Financial Services
Warner Bros. Entertainment

The Quiet Evolution of **Finance and Accounting Services**

by **Andrzej Hutniczak**

What ten years ago was largely a tactical solution to immediate needs in finance and accounting is now a strategic business model achieving world-class outcomes.

In the early sixth century BC the city of Athens was beset by difficulties. Rivalries grew between the aristocracy and the people, and also between individual clans. These rivalries were economic, ideological and regional, and sometimes they were a mixture of some or all of these. In short, it was a mess.

The net result of all this was first, that the state didn't function adequately and second, that it spent its time focused inwards, on its own problems, rather than outwards, on its place in a turbulent world.

A solution was needed – and found. A new system of government was established.

It evolved to accommodate differences and facilitate decision-making, enabling the city-state to organize itself to a degree it had never achieved before. The model was new not only to Athens; it was unique in the known world.

Similarly, some while ago many businesses taking stock of their finance and administration functions realized they too needed a solution. The circumstances they faced were nowhere near as serious as those in Athens, but there were issues that nonetheless created commercial burdens and put pressure on costs.



Benefits then and now

The model to which they turned was BPO. The benefits were significant: outsourcing back-office functions like finance and accounting and aggregating the way in which people were employed meant organizations could streamline their approach and reduce costs. It also meant they could quantify the areas of their business that hitherto had often been less well defined – and when you can't define things well, you can't measure them, making it harder to improve them.

However, the benefits of that 'lift and shift' model, as it's sometimes called, were largely tactical and short-term. A new way of thinking was needed. In Athens, what started as a new decision-making structure to address immediate and often-local rivalries was amended, developed and extended until it became a set of principles that are now globally recognized, and the same has happened with Finance and Accounting Outsourcing (FAO). The Athenian experiment ultimately resulted in what we now call democracy – and over the last ten years, BPO has evolved to give organizations world-class finance outcomes.

At Capgemini, we're proud to have played a significant part in that evolution. Ten years ago, in the days of 'lift and shift,' we often found ourselves being asked to undertake the transfer of work without any change in prevailing processes. Sometimes those processes had been consistently applied right across the client organization – but sometimes, they hadn't. Instead, they had been allowed to develop in different ways at different locations, and with different degrees of success.

This is why we started to ask ourselves and our clients what would be the optimal approach. Of course, we wanted to continue to achieve tactical cost advantages – but how, we asked, could we go further, exploiting available assets to the full, making the most of people's skills, moulding everything to achieve the best possible fit with the client's needs and with the market conditions in which the client operated?

What emerged from these questions was our Global Enterprise Model (GEM) – an ultimate best-practice approach that enabled us to define, manage, measure and deliver enterprise processes to achieve the world-class outcomes we sought for our clients.

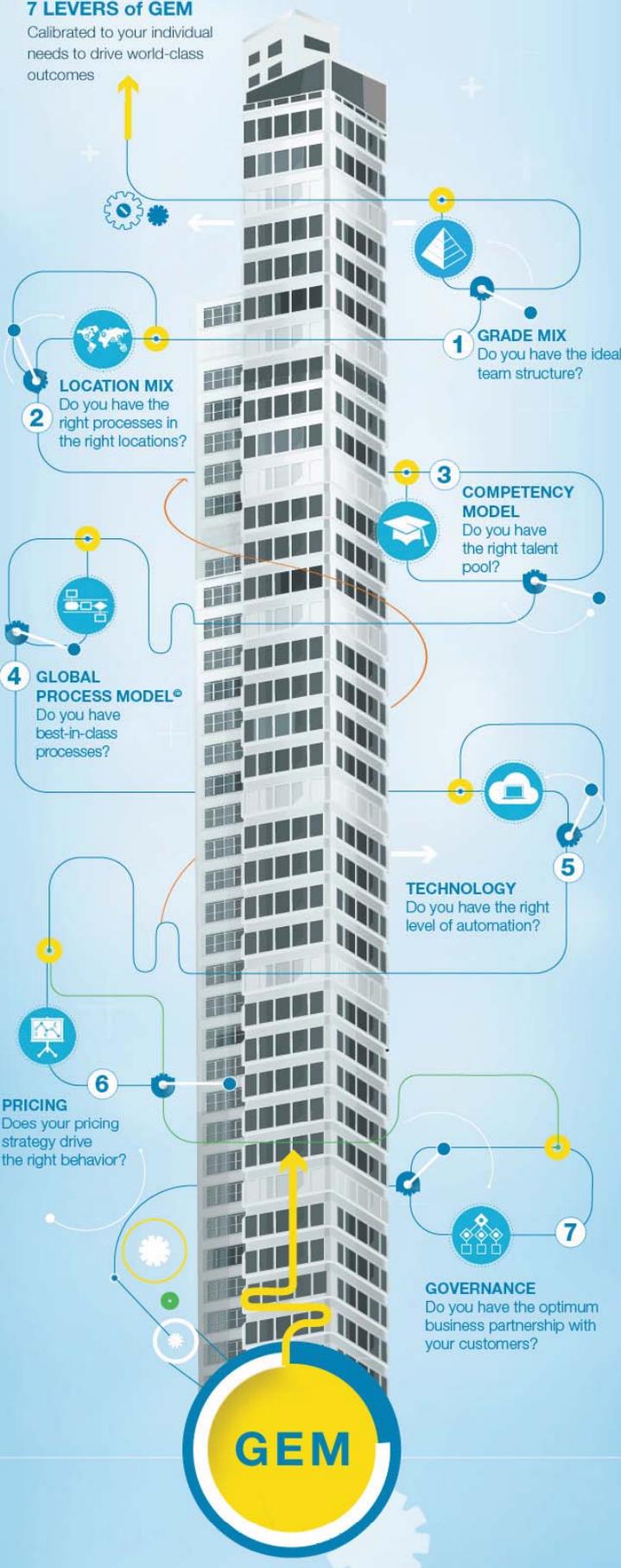
Global Enterprise Model (GEM)

A secure approach to business transformation



7 LEVERS of GEM

Calibrated to your individual needs to drive world-class outcomes



1 GRADE MIX
Do you have the ideal team structure?

2 LOCATION MIX
Do you have the right processes in the right locations?

3 COMPETENCY MODEL
Do you have the right talent pool?

4 GLOBAL PROCESS MODEL®
Do you have best-in-class processes?

5 TECHNOLOGY
Do you have the right level of automation?

6 PRICING
Does your pricing strategy drive the right behavior?

7 GOVERNANCE
Do you have the optimum business partnership with your customers?

GEM

Continuous improvement

GEM blazed a trail for the rest of the market to follow, but we weren't content to leave it at that. We felt our ultimate model needed to be able to adapt to individual circumstances and to make room for continuous improvement. We looked at the technology on which our services and processes were based, and optimized them to make them faster, more cost-effective, better overall. Our FAO-as-a-stack concept developed from this – an integrated, modular and layered set of components that can be tailored to match the outcomes required by any individual client organization at any time and under any conditions.

Capgemini's approach to FAO delivers world-class outcomes at the macro level because it drills down to – and up from – the all-important granularity of finance. It covers everything from basic functions to strategic analysis, planning and execution. For instance, in cash management the timeliness of data is paramount, ensuring a clean and up-to-date ledger in real time. Actionable insights that are built upon accurate data thanks to analytics help improve collection strategies, debtor handling, order fulfilment and much more besides – and when these areas are being handled well, top-line growth and working capital improvements can be achieved across the business. It's a comprehensive, top-to-bottom model designed to make a significant impact from Day One on the speed and efficiency of all aspects of the enterprise.

In one case, we were able to help a global operation transform itself, moving all F&A processes across the enterprise to a single framework within just 12 months. In another, the model we created for a global business addressed specific regional issues of compliance in emerging markets – for instance, Brazil has a complicated tax regime for which we had to optimize – and yet still brought consistency across processes, service delivery, pricing and more, thereby giving the organization the speed and flexibility it needed in the restructuring and acquisitions that formed the basis of its growth program.

Of course, in the early days of our evolution we were asking our clients to make a big leap of faith. As with ancient Athens, they were seeking a means of addressing immediate issues, and we were suggesting something that not only delivered tactical outcomes but that radically restructured the way forward, creating a new model for world-class business practice. It was, and is, almost a new ideology. We were delighted they trusted us, because ultimately they saw that what we were suggesting was safer, more robust, more consistent, more scalable and more able to accommodate future strategic needs.

World-class outcomes now and in the future

In a world that is moving faster, where cycles are shorter, where more is always being expected of the CFO, Capgemini's FAO approach accommodates individual particularities but brings order and structure. It lowers costs of service; it simplifies and streamlines tax structures; and it makes reporting both accurate and timely. By generating better visibility of the granularity of the balance sheet it reduces risk and delivers better and more effective governance.

The net result is better cost control, improved working capital across the organization, and greater efficiency and agility to deliver significant improvements both to the top line and the bottom.

Nothing is ever the last word. Developments in democracy started over 2,500 years ago, and even today we see interpretations of the structure adapting to new cases and circumstances. So it is too with FAO. Our evolution has not reached its end point; but we've brought our clients a very long way over the last ten years, and it's refreshing to hear how excited they are to be part of the journey. With Capgemini, they know they have an experienced partner with a stable and proven model that delivers transparency, flexibility, reliability – and performance outcomes that are truly world-class.

Examples of world-class outcomes achieved by Capgemini clients using GEM



All you need is GEM

Meet the **Expert**



Andrzej Hutniczak

Title: Senior Vice President, Capgemini BPO

Location: Krakow, Poland

Area of Expertise: Finance and Accounting

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What do you see as some of the most significant changes in the BPO market in the last 10 years?

It has been an exciting journey! I have the privilege of being one of the first members of the Capgemini BPO team when the business unit was launched 10 years ago. It has been a great opportunity to help shape our position as a leading BPO provider and also influence the evolution of the market.

I have seen a number of significant changes in the last 10 years. First of all, our clients' expectations have changed significantly. They no longer look for "bodies" to fulfil a limited set of activities. They look for the delivery of outcomes and solutions to their business issues.

Many clients realize that BPO combined with a Global Business Services approach can serve as an effective strategic function to support their enterprise's long term objectives. For more and more clients, BPO is no longer a matter of buying a service based on a series of tactical activities, but rather an integral part of their own strategic thinking: an essential tool for achieving a competitive advantage.

Another change I have seen is the shift in the role of the BPO vendor - from a provider following the client's instructions to a thoughtful business partner, capable of challenging the status quo, demonstrating vision and being in the driver's seat, leading the business through a transformation journey

A bit about me:

I am a highlander from the Polish mountains! I love skiing, both Alpine and Nordic and I am a fan of mountain biking. I also love the seaside where I enjoy surfing.

Achievements:

I have a strong track record of managing the delivery of complex end-to-end business processes for clients across a range of industries.

I have successfully cultivated the relationship of Capgemini BPO's longest running engagement, contributing to the growth of the client's business as well as our BPO business unit.

I have contributed to the creation of our Global Enterprise Model through which we help clients transform their finance and accounting business processes to achieve world-class outcomes.

Awards/recognitions:

A happy client is the most precious recognition for me. The continuation of a successful relationship is my biggest award. I am proud that the outstanding work of my teams has contributed to the success of our clients.

Outlook:

I believe companies will continue to leverage BPO as a strategic function. The shift will continue into multi-tower contracts. Medium and smaller organizations will adopt a BPO strategy.

'BPO as a Stack' will be the mantra of the future. Technology, aligned to best-in-class processes will support optimized service delivery. Cloud adoption and mobility will continue to change buying behaviors. BPO will be the integrator across all these layers of the stack.

Clients will buy outcomes. The focus will continue to change from operational outcomes, which will become the threshold capability, towards the creation of business value.

Supply Chain Management



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An integrated approach to optimizing working capital

by **Kavitha Krishnarao**

Supply chain leaders are under constant pressure to optimize working capital and this is further compounded in an economic environment underpinned by uncertainty. In fact, according to the “*Supply Chain Impact Survey*” commissioned by Capgemini and conducted online in October 2013 by KRC Research, 87% of global supply chain managers reported top-down pressure to continually reduce costs and optimize working capital in the supply chain.

Cash is king and in many organizations, there is significant untapped opportunity to optimize working capital and improve cash flows. In order to optimize working capital throughout the supply chain, companies must address the following issues:

- **Inventory management:** Reducing inventory turns working capital into cash. Companies need to strike a fine balance between finished goods inventory and customer service levels. A key enabler in achieving this is improved forecast accuracy coupled with a tightly managed product range. With globalization, most companies operate in a multi-echelon supply chain network and the ability to use advanced algorithms to account for volatility in demand and supply and accounting for risk pooling can help shave a couple of days from inventory. It is interesting to note that despite several analytical models being available in this space, a lot of them have not found their way from research papers to practical applications in real life!
- **Cash conversion cycle:** In order to shorten the cash conversion cycle, companies need to be focused on both their receivables as well as payables processes. Improved credit management and collection processes backed by analytics can help weed out customers with poor credit history and also focus on the right customer segment for collections. Negotiating innovative payment terms with suppliers can further help.

It is interesting to note that many organizations do not have an integrated approach across business, finance and supply chain to optimize working capital. While inventory is a critical element to achieving optimal working capital performance, it is important to note that accounts payable and accounts receivables have a significant role to play as well. How often do companies look at integrated approach to determining payment and credit terms and also days of inventory?

Optimizing working capital in the supply chain requires the right balance of process, technology and people enablers:

- **Process:** A level of process maturity which is foundational to drive best in class demand planning, product range and inventory optimization processes
- **Technology:** This is not just about the right technology application in supply chain planning but also in the finance function to leverage payment and receipt technologies
- **People:** A dedicated supply chain planning team is just one key element. An organization structure that supports common metrics across the business, finance and supply chain functions to measure performance on working capital is more critical.

Optimizing working capital in supply chain management can only be effective if the supply chain itself is adaptable and flexible, and companies are able to leverage real-time data and analytical models to react quickly to global market demands and changing consumer sentiment. Often with the right service provider partnership, companies can leverage a roadmap that blends supply chain management and financial management strategies in order to optimize working capital.

Creating a culture of **collaboration**



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It's time to rethink how we work together and overcome the governance challenge

by **Carina Smith**

Much to our detriment, lack of governance is systemic in our industry, and both parties – outsourcing providers and the buyers of these outsourcing services – are equally guilty of not following best practices. Too often, while in the buying and selling phase when we are busy establishing the initial relationship, both provider and customer bring in their most senior people and devote a large amount of time and money to governance when, in fact, we all know that the most difficult and important time to making good governance a reality is when we partner together to effectuate real change.

Historically, this is when the providers and client delegate work to those who are not as highly skilled or have the authority to make decisions. And while experience has taught us that governance cannot be delegated, many from executive leadership teams forget this time and time again, and as a result, we fall back into old habits. I have seen this happen repeatedly. People are difficult to change, processes remain as they are, decisions get delayed and the situation reverts to “business as usual” resulting in a situation where everyone loses – the intended goals and benefits are not achieved as sustained changed cannot be realized.

Looking ahead, industry trends point to little change and the continuation of business as usual as we approach another cycle of large, complicated deals. If we want to truly make an effectual change with long-term benefits for both parties, now is the time we must avail ourselves of strong governance. The relationship between provider and customer needs to go deeper than simple labor arbitrage or even process improvement. Those who don't start fundamentally shifting how they think and work will find themselves at a real competitive disadvantage — processes will remain

suboptimal, inefficiencies will creep back in, and overall costs will start to escalate. If history has taught us anything, it's that a good governance structure should never be underestimated. And with proper planning and collaboration, there is hope.

The first step to getting “there” is to start rethinking how we – outsourcing providers and service buyers – work together in order to create a sustainable culture of collaboration and overcome the governance challenge. This sounds easy enough to achieve, but in fact, can be a long, difficult road of culture change. For example, planning and execution must be holistic and aligned for both parties – is there a culture and chemistry fit, are the right people involved, is there executive commitment and oversight? If either party answers “no” then the relationship and processes must be re-evaluated as both the provider and client must assess the larger need for change.

In my experience at Capgemini, we aren't looking at just the numbers. Rather, we evaluate the entire organization, from culture to business processes, and believe that both parties - the client and us - want to work with a strategic partner. As strategic partners, together, we not only resolve conflicts and implement processes, but also, introduce a cultural shift so that cost and service expectations are met, processes are optimized, business performance is bolstered, and new sources of value are realized.

As many of us have experienced, outsourcing is a long journey, and when done properly, can bring double the benefit for everyone. But in order to make it work and effectuate real change, let's first collaborate properly so that we can overcome the governance challenge.

**Follow Carina's blog posts on Capgemini
new blog 'BPO Thought Process'**

Contract Lifecycle **Management**



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Don't get stuck in a dead end

by Craig Conte

Despite the impressive amount of literature on the topic and ubiquitous flashy graphics (*just Google "Contract Lifecycle Management" under "images" to see what I mean*), many companies get locked into a linear attack plan when it comes to Contract and Commercial management and forget the "cycle" part of the lifecycle. Even with the best templates, workflow and control points in the vendor selection or client acquisition processes, many companies end up creating smarter individuals with great lessons learned, but not a smarter organization and process.

The reason for this is that the process of winning and negotiating a contract naturally drives teams to a myopic focus on achieving the singular goal of closing the deal. Although this is admirable and necessary for a company to survive, it does lend itself to recreating the wheel. Furthermore, procurement, commercial and legal teams are thinly staffed, with limited bandwidth to allow for this full lifecycle management.

Here are some practical actions we provide to our customers to get the most "life" out of the "cycle" and avoid dead ends:

Template Refresh

A template or standard is only good for six months. In today's market, positions and standards are flexible and without a refresh a template goes stale quickly. In order to make the template a living document, our team can capture all of the metadata and track trends. As new commercial terms emerge, data can confirm if this is a trend or an aberration such that informed decision making can be used on templates on a regular basis.

Clause libraries

What happens if a brilliant piece of drafting falls in the woods and no one hears it? The person who created it may remember it forever, but an organization is not an individual. Our team will capture the clause and make it available for the whole company so that everyone can learn the lesson.

Reporting and Analytics

It is one thing to look at a portfolio and see which terms are in the deals. It is a second level of reporting to see which terms are being accepted and when. This allows management to either adjust to what is a market trend or decide to fight against a lack of discipline. Without proper tagging and reporting, the information is lost.

These tips are simple but need people and processes that enable their execution. Many companies have very intelligent resources, but to optimize it, the company needs discipline and process.

From recession to recovery,
finance and accounting BPO is a
key lever to **driving enterprise
wide value**

by **Robert Sherman**



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Recently a number of analyst reports have pointed to a shift within the BPO landscape. As our economy goes through tumultuous times, companies employ various strategies as it relates to workforce, automation / technology investment, and placing the high-yielding bets necessary to go from good to great. While most reduce spend and seek shelter from the storm, a few others invest and prepare for the passing of these challenging times. Pragmatically speaking, leveraging BPO offers the opportunity to create a flexible load balanced model across various towers as a mitigation of risk. So think about your approach during the past years and the few who are peaking at these times of recovery.

It's important to look at the cyclical nature and investment model to know when such strategy bets are placed. As we have seen the economy in the US improve, some are caught off guard by the requirements for new resources, improvements in productivity and the enabling technologies, which balance supply and demand. Companies that have BPO relationships have a partner that can balance these attributes while others kick in to either in-house or captive hiring or investment mode rather than pull the other levers to utilize what is already available through BPO engagements: infrastructure, talent, technology, and the global processes to generate transformation with lower risk during these cyclical times. So what is the DNA of a great BPO relationship, which delivers through both stable and turbulent times?

In our current landscape of outsourcing, it is critical to engage in business relationships that assure successful partnerships. The practice of outsourcing business processes is mature, and we are now able to better assess those factors that have led to successful or failed outsource relationships. High on the list of factors that result in successful BPO relationships is choosing the right partner to support an organization's strategic vision, industry, and unique requirements for a target-operating model – specifically, a partner who values these qualities and consistently walks with you to push innovation through the endeavor. The ability to provide outcome-based solutions that encompass helping BPO buyers achieve innovation has quickly become a crucial differentiator.

Allow for maturity – Good outsourcing relationships, even among the most committed parties, require time to mature. Companies with more experience handle outsourcing better than companies with less experience. This may seem terribly obvious, but it points to the fairly common tendency for companies to second-guess their outsourcing decisions when experiencing early rough patches in the relationship. Amending a contract doesn't mean that the decision was bad; it just means it's time to reassess the initial thought processes that went into developing the relationship.

Back-loaded benefits – Having often been driven to consider outsourcing by demanding financial circumstances, clients often press their selected vendor to deliver attractive benefits right away. The vendor, being naturally anxious to please and keep the business, agrees to do so. This is a mistake all around. Practice makes perfect. Good outsourcing relationships are built on the expectation of steady improvement year over year, not on one quick hit followed by a flat line.

Broad outcomes – It's fine to target cost reduction as one of your immediate outsourcing goals, but once the easy dollars have been saved, what will you offer shareholders as an encore? The biggest benefits in staffing outsourcing are not on the cost side; they're on the income side – growth, cycle times, competitive advantage, revenues, and so forth. Those benefits start to accrue when you and your staff are freed up from manual processes, allowing the BPO provider to come in, transform, automate the processes and handle the transactions, etc.

Improvement is continuous – Continuous improvement over time requires investment, in new technology and training, for example. These investments, when made by the outsourcing partner, represent business risks. Experienced outsourcing managers have found that risk/reward incentives are good tools to use in driving performance. If you ask partners to invest, the rewards need to accrue to you both.

Active governance – Good partnerships are not hands-off, they're especially hands-on. When problems arise, as they will constantly, they are best dealt with quickly, not at the next quarterly performance review. Best practice in outsourcing requires heavy, if not full-time, oversight by the best project managers available who report to engaged executives and managers on both sides.

Innovation: the driving force – With both BPO buyers and service providers collectively achieving measurable business outcomes as part of organized and collaborative long-term partnerships, innovation becomes the glue that holds it all together. More often than not, enterprise buyers of BPO services enter into a service provider relationship polarized on the initial cost take-out from the 'lift and shift'. Future initiatives need to be considered as collectively you find additional value through better processes, talent and technology. Transform your business rather than seek low cost staffing models. This is the fabric of driving short, mid, and long-term value with retained end customer loyalties.

Industry Insights:

Consumer Packaged Goods



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CPG's love affair with Big Data Analytics

by Sinan Gurman

In order to drive business value from Big Data, Consumer Products Goods (CPG) companies need to be able to get access and then manage multiple streams of structured and un-structured personal and transactional data. However, just chasing data without clear business intent can result in very low or negative ROI from these investments. Then, they need to use cross-functional teams across business and IT with deep business process understanding and ability to utilize advanced analytics and information technologies to set direction and drive business insights. Finally, they need to build decision making and insights generation processes in an effectively designed, collaborative organizational structure that is motivated to change. There's so much hype and excitement about how Big Data can help provide greater insights for CPG companies, but the key is being able to execute on those insights to drive action and outcomes.

The way we define Big Data at Capgemini BPO for CPG is through the vision of a truly Demand Driven Enterprise. Unfortunately, organizational barriers, data accessibility and technological integration challenges continue to make it very difficult for large global CPG companies to operate in a truly "Demand Driven" fashion. We do however see major initiatives to overcome the hurdles across different sizes and maturity levels of CPG companies. It is important to define what we really mean by Big Data for CPG since it has become a term that is used widely, and often very loosely. Some of the key buckets of Big Data for CPG companies to better understand, plan for and respond to changes in "demand" include:

- **Consumer Identifiable Data.** This includes Loyalty and/or Credit Card transaction data as well as internet and Social Media. As a rule, internet and Social Media data are unstructured, and often difficult to link conclusively to cause and effect. As such, it can be difficult to drive confident conclusions from it. There is a lot of buzz in the market about how Social Media Insights are being utilized today.

However, there are significant initiatives underway to better leverage these data, including:

- *Influencing shopper* behavior by engaging in conversations about brands, products, customers and brand advocates.
 - Linking Social Media information to loyalty databases for more *precise and contextual targeting*.
 - Leveraging the sizeable amount of data from loyalty card programs which can provide very high value insights when linked to collaborative *in-market planning* between CPGs and Retailers.
- **Channel and Account Sales Data.** To a significant level, these structured data help understand consumer purchase behavior across various modern and traditional trade channels. Improved processing power, combined with years of time and industry tested algorithms have passed a threshold of effective operation for structured sales data and this is becoming more and more visible in the way today's leading CPG companies operate.

For example, with one Global CPG client, we worked on improving the assortment recommendations, reminders for regaining dropped regular items and use of promotional schemes by their distributors. In this approach, we first cluster each retail outlet based on their historical sales patterns and then provide the most valuable local assortment recommendations for that specific store based on a PIN Code (similar to ZIP codes in USA) localization approach. Our initial results suggested the potential for a growth of 4.9% to 8% in the top line as we scale this initiative nation-wide. While the quality of our differentiating analytics and insights has played a key role in the success of this program, the most critical success factor has been the direct engagement with the Distributor Sales Representatives and outlet buyers in-market to drive action and outcomes.

Closed Loop Distributive Trade Management

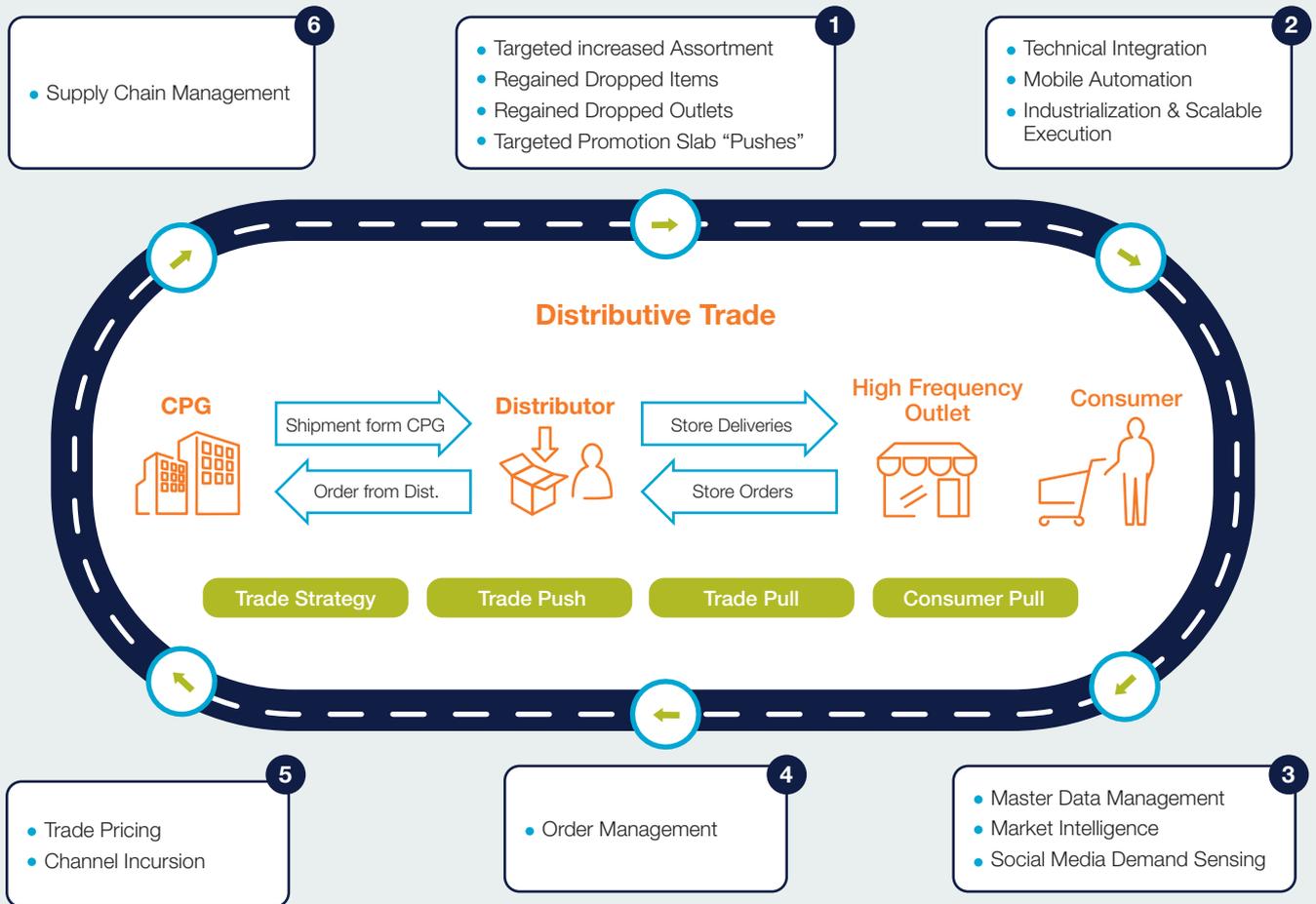


Figure 1: Demand Driven Distributive Trade Management & Optimization Roadmap

- Internal Data.** This covers all internal costs including Cost of Goods (COGS), distribution and promotion costs and multiple other transactional details. Integrating internal data to all external pieces mentioned above is a significant challenge that has to be treated with care and patience, especially in the initial stages of Big Data Analytics initiatives. When harmonized with Point of Sale (PoS) data that is modeled for "true incrementality" (considering cannibalization and time shifting effects), it is the only way to enable promotional profit optimization for CPGs.

One of the critical initiatives that we have been working on with another Global CPG Major is to measure the true incrementality and real financial returns on trade funds invested. True incrementality can be measured in terms of revenues or even better, in terms of profitability if the internal cost data is available. The output of this is to create actionable insights to drive more effective promotion plans. Today, with pressures from Retail partners, most CPG companies spend tremendous

Recommendations:

- **Engage cross-functional teams** to set the initial direction and drive large transformational Big Data & Analytics initiatives.
- **Secure executive alignment** and support along with effective governance and control mechanisms.
- **Start with a persona based approach** and identify and prioritize specific business questions to be answered and decisions to be made.
- **Focus on the culture of business value**, action and outcomes not just deliverables.
- **Structure large Big Data and Analytics initiatives to deliver value in short term increments** to help reduce long term risk while increasing the momentum of success and organizational adoption of the deliverables.
- **Support long-term Business Intelligence initiatives** with an “agile reporting service” approach to reduce time to market, increase adoption, reduce risk and generate business value for all stakeholders.
- **Don't re-invent the wheel** or lose money by using outdated analytics methodologies. Ensure industry best practice analytics are built into business process and delivered with the optimal grade, location and skill mix required.
- **Start small, think big and move fast!**

amounts on reduced price promotions, but they unfortunately measure and report significantly inflated ROI's. With the incorrect understanding of post-event results, planning for optimal allocations of forward-looking trade funds becomes impossible. **One must account for CPG companies' internal cannibalization from their other products, as well as category cannibalization to provide Retailers' financial view to improve collaboration.** It is also critical to quantify the financial impact of post and pre-promotion consumer behavior shifts due to expected timing and/or high frequency promotions that drive aggressive pantry loading. The benefits are tangible and typically drive 6 to 10% increase in Trade ROI.

Another relevant case is a Global Beverage conglomerate that started using Neural Network based Demand Forecasting capabilities. One critical challenge that CPG companies face during demand planning is **the ability to account for the demand shift between different retailers in the same geography.** Given the confidentiality issues even across different account teams of the same CPG Company, most CPG companies are not able to account for in-market cannibalization and therefore inaccurately forecast demand. Imagine a centralized platform, where different local retailer account teams can plan for their promotions. They do not necessarily see exactly what other accounts teams are planning in the same market area but the system on the backend can account for the impact of these plans on each other. This market leading CPG is not only able to achieve 90%+ demand forecast accuracy at the store/ UPC and week level but also reduce the costs for manufacturing, logistics and in-store merchandising scheduling by 3-5% as a result.

By using store level daily sales data, another CPG client was able to collaborate with its global retailer partner in multiple European markets and **reduce Out-of-Shelf (OOSh) instances** from 13.8% to 5.3% annually. Another 4.7% net revenue growth was achieved by identifying and eliminating non-performing, volume transferable SKUs with no shopper rationale and low competitive price resilience and then reallocating the shelf space to high performing SKUs that had lower OOSh instances.

In CPG's love affair with Big Data, Retail collaboration plays one of the biggest roles in moving from concepts to actual strategic in-market actions and results. The more insights and value CPG can drive for the retailer partner, the more granular and precise data they receive and the more business value they can continue to drive in an ever-improving and collaborative business process.

Capgemini's new BPO General rocks up

One of the main features of the BPO industry since the Great Recession has been the emergence of several providers with a progressive outlook, which are now driving the market. One of those has been Capgemini, which has captured third spot in market share and made the Winner's Circle for finance and accounting (F&A) BPO.

In addition, the BPO service line has been promoted to a tier one delivery unit for the global Capgemini organization, giving the division added strategic focus and resources. Great credit has to be given to Hubert Giraud who has overseen the growth of the BPO business and has now been moved upstairs to lead HR and transformation of the whole Capgemini company – clearly great recognition of his success leading and growing the most people-centric business unit for the firm.

Filling his shoes has been one of the mainstays of the BPO business, quietly asserting his practical style and approach to operations and global services. Since joining Capgemini in 2005, Christopher Stancombe has overseen the expansion, growth and maturity of the Capgemini F&A BPO business, before advancing to the COO role for the whole BPO division last year and then taking on the full CEO role from Hubert this year.

For those of you who don't know Chris so well, he actually started his professional life as a geophysicist and even ran an African engineering business before venturing into the world global service provision. He's a straight-talking, pragmatic chap who likes to get to the point... so without further ado...

by **Phil Fersht**

Founder and CEO, HfS Research



Phil Fersht, CEO, HfS Research: Good afternoon, Chris, and welcome back to HfS. I think it's been three years since we last had you on here (see interview). So I imagine quite a lot has changed. Can you just tell me what you've been up to? How have the last three years fared?

Chris Stancombe, CEO, BPO Division, Capgemini: Thanks Phil, it's a pleasure to speak with you again. This year we are celebrating our ten year anniversary of BPO at Capgemini and I've been here for nine of those now. So it has been a good time for reflection. People always say it, but the pace of change is incredible. Over the last three years I've been very focused on the delivery side as head of global operations, running all of our centres as well as all of our client engagements across the world.

We've worked pretty hard, as I'm sure you're aware, on our Global Enterprise Model—I've been driving that to ensure we have a standard approach across the globe to deliver transformation for our clients. We also reorganized last year to shift from a service-based structure to an industry-focused organization. I'm a great believer in being more and more client-focused, and our industry-focused organization really helps with that.

Phil: And again congratulations are in order, (or commiserations) now you've been promoted to the CEO of the BPO Division. So what can we expect from your leadership? Are you going to be doing anything different?

Chris: Hubert and I have worked very closely together over the last two or three years. As you know, I used to run our Finance and Accounting service line, which is a big part of what we were about as an organization. I think what you will see from me as CEO is that same energy and enthusiasm across all of our service offerings.

For example, we're increasingly strong in the supply chain area, including our procurement offering, and we've been building more and more capability in our analytics offering. In addition to that, using those capabilities, we continue to build vertical offerings such as the demand-driven supply chain for consumer goods and retail clients, insurance claims for financial services and participations in the media and entertainment sector.

We're also introducing BPO as a stack, where we're looking across traditional boundaries between the service, process, application and infrastructure layers. We're bringing all of

those together to reduce the total cost of service for our clients and also improve quality and timeliness. Overall, we will continue to drive the transformation agenda: delivering strong outcomes for our clients built around the Global Enterprise Model as a framework and leveraging more technology.



Phil: So, in our latest research into the future of BPO (see here), we spoke to a couple hundred experienced enterprises with BPO deals that are in varying stages of maturity. And when it comes to the technology enablement of BPO services, the desire to move down this path from clients is actually quite startling; 50% of buyers expressed that they expect to move into a transformational environment enabled by technology within a two-year timeframe. Now, providers said they're even more confident that their clients will do this. Do you think this is realistic, or are you skeptical that this industry is trying to move too quickly for itself?

Chris: I think the half-life of technology is getting shorter and shorter. Cloud is enabling rapid deployment, and the speed at which you can now move from innovation to implementation is quite remarkable. Last year there was a need in one of our clients involving a particular activity that was a subset of one of our service lines. Within six months we had designed, built, piloted and gone into full live, global rollout of the solution on a platform base.

Client expectations are – rightly – increasing all the time. People are used to using their tablet to look up an app, and that app does something for them – they expect that same sort of response from their service provider now. Is the industry ready to handle a full-scale ERP replacement at this kind of pace? I think that's a little way away yet. But certainly, using tools around the outside to facilitate some of the smaller activities, I think is absolutely here with us today.

Phil: So what, in your opinion, needs to change in this industry for buyers to move beyond legacy, lift-and-shift type engagements? Do you think some providers would prefer to stay with the status quo where they can just keep charging clients for hurling more labor at them? Do you think there's going to be conflicting goals amongst providers as we look ahead?

Chris: I think you have different providers offering different things. So if you just want to buy trained labor and it's to supplement what you retain, then I think there are people who will fulfill that need. But increasingly, and we've talked about it for years, clients are focusing on their core businesses. With the maturity of organizations such as Capgemini BPO and others, we now understand that our core business is BPO.

Just take F&A as an example: we employ so many qualified accountants because that is our core business. So why would a client not accept leadership from us related to what it looks like as opposed to trying to maintain and do it themselves? Therefore our clients, are saying, "Great, that's what you're good at. We're good at something else. Let's work together."

And we are genuinely seeing some strong partnerships now whereby the market is segmenting. It's being more driven by clients than providers because providers meet a need, don't they? But the maturity of the providers is creating a market for clients where they can buy both process expertise and application expertise and implement all of that through cloud deployment. It's really, really fascinating.

Phil: Yes it is, isn't it. Because of many of these higher level incremental improvements, and innovations that clients want, we're hearing a lot of noises now that a lot of the consulting firms are in direct competition with many of the service providers as BPO, as the game becomes much more progressive and transformative. Do you see this intensifying as clients mature and the demand moves to more strategic and complex areas? Do you think we're going to get to this rather gray issue of co-opetition emerging?

Chris: Yes, I think so. Within Capgemini BPO, we've created our own team of consultants—we call it business transformation services. As you say, there's almost been slight competition with our Capgemini Consulting colleagues but we've learned how to work together—to the benefit of both parties and the clients. I think that's one of Capgemini's strengths, that sense of collaboration for the benefit of both, of

working in mixed environments with different delivery partners. We're really quite strong at that. I think we will see more and more transformation being driven by the BPO providers but I do think there is also a place for consultants.

Many of our team in the BTS organization have strong delivery, transition and change management expertise. Some of that experience and knowledge is invaluable, as you're aware. They run engagements, they've worked across global organizations, they know how to deliver service from multiple centers, and they're used to working in a wide variety of different cultures.

Phil: So as you look at your own business and how that's built up over the years, where do you see the main areas of growth coming from as you look out two or three years? Is it just more bread and butter F&A or are you seeing more deal opportunities open up in other areas such as verticals like insurance or analytics? Where are you seeing the big growth opportunities for Capgemini?

Chris: It's very interesting. I think there are big growth opportunities in expanding from our core services. A lot of the analytics solutions that we've developed have really grown out of supply chain or F&A. We're providing business advice to our clients and really building strong partnerships with them and meeting their demands. Obviously our knowledge and experience, our access to data globally, the fact that we benchmark all of those things, has really helped us provide strong analytics. Another example is looking at controls. We've built a controls business, a Governance, Risk and Compliance (GRC) offering that has been a development of the core services. So I think there is a lot of growth around the edges of more and more value-added services.

The renewals market is also quite interesting. So yes, there are more and more people coming to the market but there are a lot of clients coming back to the market as well. We're seeing quite a strong pipeline in that area because a lot of those clients have gone through a first phase and their lift and shift hasn't really put them where they thought they were going to be. So now they're more prepared to go for transformation.

Phil: That's a very good point, Chris. And what is your growth pipeline telling you?

Chris: So I think that we're seeing quite strong growth in the pipeline of the secondary market because it didn't really

exist before. Then you're right, the third area really is in those vertical specifics, using our existing capabilities and building out into areas where there are strong capabilities and strong trust levels, for example with participations in media and entertainment.

I hate to say it, but it's similar to accounts payable – it has a lot of the characteristics of accounts payable. Clearly, it's very specific to that industry and it has a lot of nuances that you need to understand, but at its core you are ultimately making payments to people. So it's not entirely dissimilar from accounts payable and we can build on the strengths and capabilities that we already have.

Media and entertainment is a good industry for us, as you know; we do F&A for four of the top five companies in that sector so we're particularly strong. Those are the areas where I think you can really go and build new "appliances". I don't really like that word, but I think in some ways it's a good description. You go in and build those appliances and do that up the platform – running and approving the processes that are all designed around delivering world class outcomes.

So I think it's a matter now of choosing which opportunities are right for us. There's a lot of opportunity in the BPO world. For those of us in it, it's probably as exciting as it's ever been and therefore it's like being in a sweet shop, isn't it? It's about choosing your favorites, because you'd be sick if you tried to eat them all.

Phil: So that leads me to a great final question. So if you were appointed as the Lord of BPO for one week by some higher power, some spiritual power, what three changes would you make to this industry?

Chris: I know the first one is I would create a training course for all analysts and advisors to understand the art of the possible. I think some of the providers have fantastic capabilities – I look at what we do and I look at some of our competition. Some of what can be done for clients is outstanding, really.

People like yourself who're very interested and excited and passionate about it, you know what's out there. But there are still a lot of people that don't and I think if there was some way that we could make that information more available and make people more interested in learning, then that would be the first

thing I would do. I do think there are a lot of clients out there that are missing out because they're not necessarily being made aware of the benefits that they could be getting.

For the second thing, I still think that some of the commercial relationships that are being put in place don't necessarily reflect the spirit of the partnership or the transformation. Some commercial arrangements are much more suitable for the old-style lift and shift, as you put it. You've got to make sure that the contract is more reflective of the desired transformation. Are you driving the right pricing and if the provider is taking a risk are you enabling them to take a share in it?

I think providers should say, "look, if you want lift-and-shift, here's the standard contract, if you want transformation here are some of the changes to the standard contract or here's a different way of thinking that you should be applying."

And for the third area I would change, it would be nice if there was more celebration of what has been achieved in the BPO industry. I think we tend to shy away from the limelight. A lot has been achieved in a record amount of time, not just by Capgemini but by the whole industry: analysts, advisors, clients, suppliers. It's a fantastic success story but sometimes people think about lift and shift and labor arbitrage as if that's all it really is, just taking jobs from high cost areas and moving them offshore. It's so much more than that.

So, I think we should change the image of the industry – there are fantastic opportunities for people who want to get involved and we should do a better job of attracting talent. People sort of stumble into it to some extent and many don't realize what a promising career path BPO can offer. For those of us inside it, it's a fantastic place to be and really exciting and full of potential – we really need to change our image to reflect this.

Phil: Good, three very good answers, Chris! I am sure our readers will enjoy reading your views.



Capgemini positioned in ‘Leaders’ Quadrant in Gartner’s Magic Quadrant For **Finance and Accounting BPO**

Capgemini has been positioned as a leader by Gartner, Inc in the latest “Magic Quadrant for Finance and Accounting BPO” *.

Christopher Stancombe, CEO for Business Process Outsourcing at Capgemini, said: *“We are pleased to once again be recognized by Gartner as a leader positioned the furthest for completeness of vision. We believe it is an important testament to the talent we have across our wide global delivery network, our deep industry knowledge, and the confidence of our clients in us to deliver world-class outcomes. Our ability to bring both innovation and excellence in execution to our clients is paramount for us. This year sees the launch of new offerings such as our enhanced Global Enterprise Model 5.0 to accelerate and de-risk business process transformation. We are confident that this clear vision and continued investment will help maintain our position in a market where clients rightly demand more from BPO.”*

Gartner defines comprehensive F&A processes as the outsourcing of three or more finance processes to a single

provider. This report analyzes leading providers of F&A BPO that have met the criteria of \$40 million or more in F&A BPO revenue. The market is differentiated by the scale of delivery that F&A BPO vendors have experience with; for example, several providers support complex, global deals, while others focus on supporting midsize corporations, or just one industry, or just one country, such as the U.K.

About the Magic Quadrant

Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings. Gartner research publications consist of the opinions of Gartner’s research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

* Gartner Inc.: “Magic Quadrant for Finance and Accounting BPO,” Cathy Tornbohm, 28 May 2014

Capgemini Selected by Honeywell as BPO Provider for **Finance and Accounting Processes**

Capgemini has been selected by Honeywell, a Fortune 100 diversified technology and manufacturing leader, as its finance transformation partner and delivery provider to handle selected finance processes.

Honeywell serves customers worldwide with aerospace products and services; control technologies; turbochargers; and performance materials. As part of the 5-year contract, Capgemini will deliver General Accounting and Procure-to-Pay services from its Center of Excellence for Business Process & Outsourcing (BPO) in Bangalore, India. Leveraging its Global Enterprise Model¹, Capgemini will work to streamline processes and improve the performance of end-to-end finance procedures.

“Capgemini’s strategic approach to further enhancing our finance processes was instrumental in selecting them as our BPO partner,” said John Koller, Vice President, Finance

Operations, Honeywell. “Honeywell serves a wide variety of industries through different business models, which creates some challenging finance support requirements. After a rigorous evaluation process, we determined Capgemini was best positioned to support Honeywell’s business requirements and accelerate our finance transformation strategy.”

“I am proud to have Honeywell select Capgemini as its BPO provider and finance transformation partner of choice. Honeywell has an aggressive and innovative finance transformation plan, and we look forward to a successful relationship,” said Christopher Stancombe, CEO of Capgemini BPO.

Capgemini to Deliver Finance and Accounting Services to **NBCUniversal International**

Capgemini has been selected by NBCUniversal International (NBCUI), the international arm of one of the world's leading media and entertainment companies, to deliver business process outsourcing (BPO) services to help standardize and optimize its finance and accounting operations. With this newly signed contract, Capgemini now provides BPO services to four of the top five companies in the media and entertainment industry.

As part of the project, Capgemini will provide NBCUni with services in general accounting, accounts payable and accounts receivable via Capgemini Global Delivery Centers, while partnering with NBCUni's finance team across its international divisions. Using Capgemini's Global Enterprise Model, NBCUni will benefit from the accelerated adoption of global finance standards, streamlined processes and the enhanced performance of its transactional finance activities, driving working capital improvements and better customer and partner insights.

"Capgemini has a strong track record of working with many of the world's largest media and entertainment companies, and we're excited to support an integral part of NBCUni's key operations," said Brenda Heath, Head of Capgemini BPO's Media and Entertainment business unit. "The combination of our people, integrated solutions and Global Enterprise Model approach will help drive best-in-class operating performance for NBCUni's finance and accounting functions."

Key finance and accounting services that Capgemini will provide to NBCUni include Procure-to-Pay (P2P), Order-to-Cash (O2C) and Record-to-Analyze (R2A). In addition, the implementation of new command center capabilities will help provide NBCUni with clear insights into its finance and accounting activities.



Capgemini Boosts Stora Enso BPO Delivery with Extended **F&A Transformation Contract**

Capgemini has extended its BPO delivery for Stora Enso, the Finnish pulp and paper manufacturer, with a further transformation program across its finance and accounting (F&A) functions. The new contract has a duration of up to five years.

The partnership will leverage GEM to drive transformation to enable cost and talent flexibility, increased quality and also partnership governance, helping Stora Enso to adjust to changes in major market volumes and emerging market growth. It will also allow Stora Enso to remain focused on its core business areas, while enabling it to move its finance function to a model that offers a range of lower variable costs.

The program will streamline finance activities and transactions, improving the performance of end-to-end finance processes across the manufacturer's entire European portfolio.

Devesh Nayel, Head of Manufacturing for Capgemini BPO comments, "Following a long and successful transformation partnership initiated seven years ago, we are very pleased to be extending our relationship with Stora Enso. This new contract will see another major transformational push to drive even further process enhancements and efficiencies, alongside a step change in processing quality."



Danfoss Extends Capgemini F&A Contract for a Further Seven Years

Capgemini has signed a new seven year contract worth €26 million with Danfoss, a leading manufacturer based in Denmark. The contract will extend the partnership between Capgemini and Danfoss to continue driving transformation across its key finance functions globally.

Building on the existing relationship between Capgemini and Danfoss which dates back to 2005, the new contract incorporates a wider scope of services. Under the contract extension Capgemini aims at providing Danfoss with complete F&A services including Procure-to-Pay (P2P), Order-to-Cash (O2C) and Record-to-Analyze (R2A).

Commenting on the contract extension, Henrik Paulsen of Danfoss, said: "In recent years, Capgemini has built a track record showing continued improvement on shared initiatives and service delivery. Capgemini has worked with us as a trusted transformational partner and our common key initiatives have delivered clear results. We are now looking forward to expanding this partnership so that Capgemini can help us to transform and standardize our finance functions worldwide."

Capgemini implemented its innovative Global Enterprise Model* approach, as the baseline for the whole transformation process at Danfoss, which resulted in a number of business benefits including significant process efficiencies, highly standardized and well controlled end to end finance processes, as well as new sets of tools to enable efficient and smooth operations. This new contract intends to build on that same model and will be managed from Capgemini's global delivery centers in Poland and India.

"We are very proud of the confidence Danfoss has shown in Capgemini with this new global contract extension. We have taken a true partnership approach to our work at Danfoss and this commitment has generated clear results over the years. We are now looking forward to building on that track record, by expanding and designing new F&A processes to support the business as it continues to expand globally." said Devesh Nayel, Head of Manufacturing and Financial Services for BPO, at Capgemini.

The new contract commenced on the January 1, 2014 and is due to run until the December 31, 2020.

Capgemini Wins “Next Generation” Process Excellence Award for its **Business Process Outsourcing Services**

Capgemini announced that its ‘Creating Change Friendly Environment: Lean Model Office’ approach has been awarded the “Next Generation” Process Excellence Project Award by The Process Excellence Network (PEXN). This award, presented to Capgemini’s BPO team in Poland, recognizes projects that have demonstrated significant business impact in new, cutting edge areas of process excellence.

Capgemini’s BPO team in Poland received this industry accolade for its work in developing and implementing the ‘Lean Model Office’, an approach based on the elimination of replicated or wasted processes (such as reworks, waiting times, too many unnecessary or repetitive actions), to enable improved levels of customer service while decreasing costs to the business. The award winning implementation, for a major client in the insurance industry, demonstrated clear business benefits including:

- **Process cost reduction** through simplification and standardization which resulted in shortened process duration, reduction in overtime, increases in efficiency
- Through efficiencies, **available time was gained to handle additional processes**, avoiding the costs for hiring extra staff
- A **significant increase in the quality of output** from the teams through enabling the sharing of best practice and a more open communication environment
- **Enhanced customer satisfaction and loyalty.**

‘The Lean Model Office’ approach is an integral part of Capgemini’s Global Enterprise Model^[1].

Rafal Szmajser, Head of Delivery Excellence for Europe at Capgemini said: “Our Lean Model Office approach was developed to enable a corporate culture of continuous improvement and efficiency gains, that result in better customer service and direct cost savings. We are very proud that this prestigious global award for process excellence acknowledges that our Lean Model Office approach is a best-in-class methodology.”

“The Process Excellence Awards recognise real innovation and new approaches to solving typical finance and accounting problems,” comments Robert L Hemrick, Process Excellence Network Judge and Director DTE Energy USA. “During the judging process we were not only looking for evidence of tangible business impact and outstanding execution, but also signs of value created for clients above and beyond pure financial results. These were the key elements that made Capgemini’s Lean Model Office implementation stand out as a winner.”

The Process Excellence Network is a global community for process professionals, business leaders and executives who want to improve their businesses through process and operational excellence. The Process Excellence Awards celebrate achievement in business process improvement. They are judged by a panel of experienced process professionals working in the industry.

[1] Capgemini’s Global Enterprise Model (GEM) is a transformation methodology comprised of seven levers including grade, location and competency mix, Global Process Model, technology, pricing and governance, all of which are calibrated according to each client’s specific needs.

Capgemini

2013 Results



« While 2012 was marked by an end-of-year slowdown, 2013 has seen a gradual return to growth in turnover, in accordance with our expectations and commitments. Capgemini has once again demonstrated its ability to improve profitability and maintain free cash flow in a generally sluggish economic environment. »

Aiman Ezzat, Chief Financial Officer and Group Management Board member

REVENUES

in billions of euros

€10.1 billion



The Group exceeded €10 billion in revenues (€10,092 million), an increase of 0.9% at constant scope and exchange rates compared to 2012. At current scope and exchange rates, revenues fell 1.7% compared to 2012 due to the depreciation of certain currencies, namely the US dollar, pound sterling and Brazilian real.

OPERATING MARGIN*

in millions of euros and percentage of revenues



€857 million

The operating margin reached €857 million, or 8.5% of consolidated revenues in 2013, an increase of 0.4 points compared to 2012, slightly above the objective set at the start of 2013. Most of the Group's regions saw their profitability rise year on year.

NET RESULT

in millions of euros

€442 million

Net result (Group share) in 2013 was €442 million, a 25% increase year on year. Earnings per share were €2.76.



* The operating margin, one of the main indicators of the Group's performance, represents the difference between revenues and operating expenses. The latter are equal to the cost of services rendered (expenditure required to deliver a project) plus sales, general and administrative costs.

FREE CASH FLOW in millions of euros

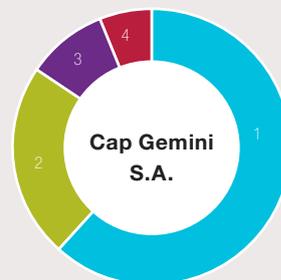
 €455 million

The Group generated €455 million in organic free cash flow before the one-off contribution of €235 million to a UK pension fund. Organic free cash flow reached €951 million for 2012 and 2013, well above the Group's initial objective of €750-800 million.



BREAKDOWN OF CAP GEMINI S.A.

registered shares as of December 31, 2013 (based on a shareholder survey)



- 1 - Non-French institutional investors **61.8%**
- 2 - French institutional investors **22.8%**
- 3 - Group directors and employees **9.4%**
- 4 - Individual shareholders **6.0%**

NET CASH in millions of euros

 €678 million

Net cash and cash equivalents at December 31, 2013 amounted to €678 million.



SHAREHOLDER INFORMATION

For current information about the Group, shareholders can consult a French voice service (freephone: 0800 20 30 40) and a dedicated website (capgemini.com/investors), available in French and English on the Capgemini website. In addition, shareholders who are known to Capgemini receive an annual newsletter. The next issue, to be published in June, will report on the Annual General Meeting of May 7, 2014.

The PDF of the Registration document is available for download from capgemini.com/investor/2013-financial-report

DIVIDEND PER SHARE in euros

2011 1.0 2012 1.0 2013* 1.1

* Subject to shareholder approval at the Annual General Meeting on Wednesday May 7, 2014

CAP GEMINI SHARE PRICE

in euros, compared to the CAC 40 index, from December 31, 2011 to March 31, 2014



BREAKDOWN OF REVENUES



1 - Technology Services	40.6%
2 - Outsourcing Services	40.1%
3 - Local Professional Services (Sogeti)	14.8%
4 - Consulting Services (Capgemini Consulting)	4.5%



1 - Public Sector	22.1%
2 - Financial Services	21.5%
3 - Manufacturing, Automotive & Life Sciences	17.1%
4 - Consumer Products, Retail, Distribution & Transportation	14.1%
5 - Energy, Utilities & Chemicals	11.8%
6 - Telecom, Media & Entertainment	8.4%
7 - Other	5%



1 - France	21.7%
2 - North America	20.5%
3 - UK	19.9%
4 - Rest of Europe	18.2%
5 - Benelux	10.7%
6 - Asia-Pacific & Latin America	9%

TOTAL VALUE OF ORDERS

2013
€9.7 billion

The book to bill ratio is 1.05 for the year and reached 1.13 in the fourth quarter for Systems Integration, Technology Services and Local Professional Services (Sogeti) and Consulting Services, confirming the dynamism of these activities.



GLOBAL STRATEGIC SOLUTIONS
 order book in millions of euros

2013
€3.2 billion

Capgemini provides global strategic solutions such as Analytics, Big Data, Cloud Computing, Mobility, Testing and sector-specific solutions. Together, they represented over 32% of all orders.



(1) or 27.5% of the Group's total order book
 (2) or 32.8% of the Group's total order book

ASIA-PACIFIC/LATIN AMERICA
 turnover in millions of euros

In 2013, growth in turnover at constant scope and exchange rates was 12% in these regions, thanks in particular to the health of activities in Brazil (+16%), Australia (+15%) and India (+21%).



Our people

CHANGE IN HEADCOUNT

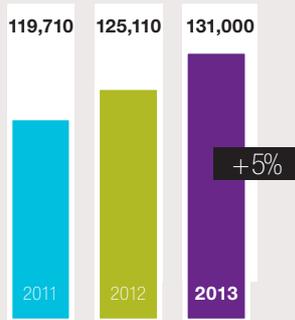
2011-2013 (number of employees as of December 31, 2013)

131,000

5% increase in headcount in 2013

32,350 new hires

44% of new recruits were college hires



119,500

employees trained (+10% on 2012)

4.7 million training hours

1.9 million hours of e-learning

GEOGRAPHICAL BREAKDOWN as of December 31, 2013

NORTH AMERICA

9,700

Canada
United States

EUROPE

60,300

Austria
Belgium
Czech Republic
Denmark
Finland
France
Germany
Hungary
Ireland
Italy
Luxembourg
Netherlands
Norway
Poland
Portugal
Romania
Slovakia
Spain
Sweden
Switzerland
United Kingdom

LATIN AMERICA

9,500

Argentina
Brazil
Chile
Colombia
Guatemala
Mexico

MIDDLE EAST & AFRICA

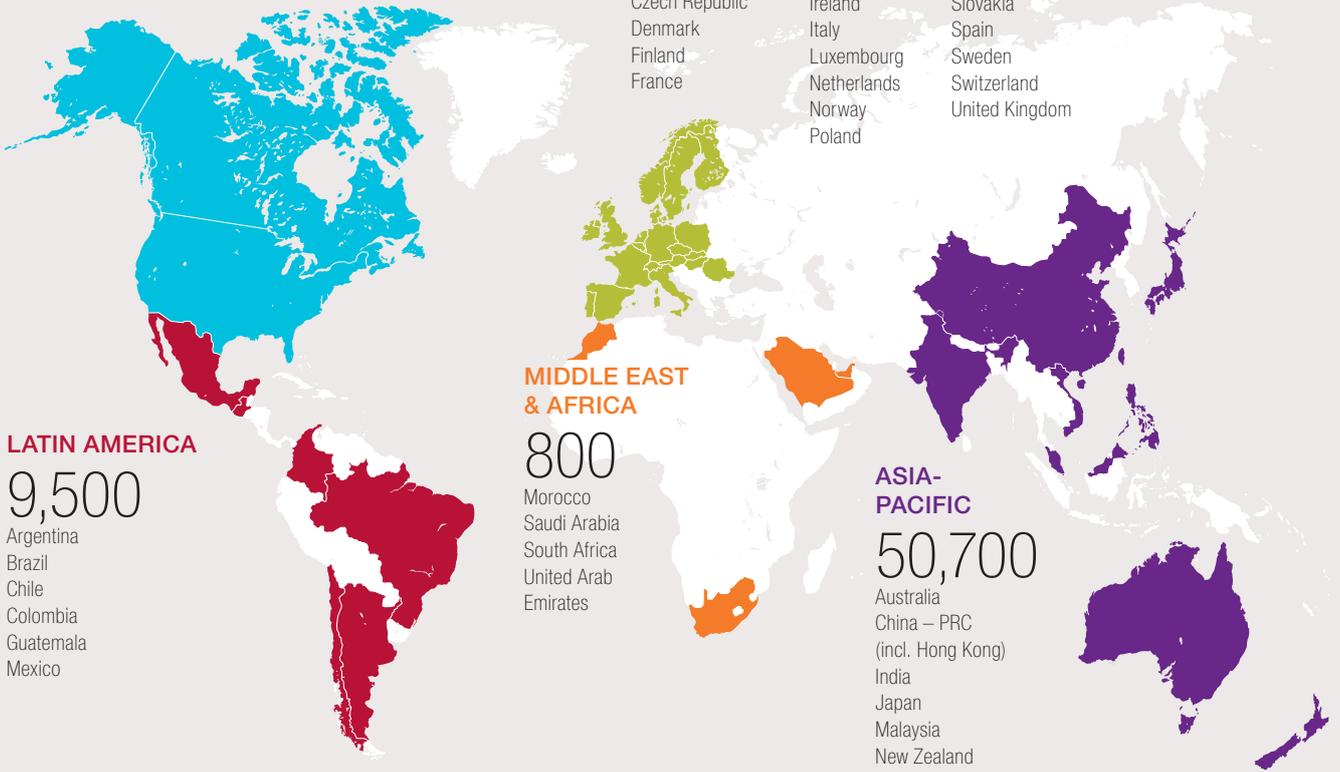
800

Morocco
Saudi Arabia
South Africa
United Arab Emirates

ASIA-PACIFIC

50,700

Australia
China – PRC (incl. Hong Kong)
India
Japan
Malaysia
New Zealand
Philippines
Singapore
Taiwan
Vietnam



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About Capgemini

With more than 130,000 people in over 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2013 global revenues of EUR 10.1 billion.

Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want.

A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Learn more about us at
www.capgemini.com



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