Annual Report 1996

CAP GEMINI

LETTER FROM THE EXECUTIVE CHAIRMAN

Thirty years! Between the little company founded on October 1, 1967 in Grenoble and the multinational group which this year will generate FF 18 billion in revenue, thirty years have passed.

Thirty years filled with so many adventures of all sorts that I would be hard pressed here and now to choose the ones which had had the most profound effect on the history of the group. Perhaps the 4% net income recorded for the first fiscal year (I had sworn not to lose money that first year and, despite the events which paralyzed France during May and June of 1968, and their disastrous consequences on such a young company, I didn't). Or the creation of one of the group's first subsidiaries, in Geneva in September, 1968, followed by the opening of branches in Lyon, then Paris, Zürich, Marseille and Bordeaux; or the founding and start-up in 1970 of Eurinfor, a facilities management company sold five years later to CISI; or the first agreement signed with Bossard in November, 1970. How about the Djerba (Tunisia) Rencontres of June, 1973 (with a guest list that included the whole upper crust of the French computer industry). Or the merger with CAP in 1974, and the acquisition of Gemini Computer Systems from John Diebold which led, on January 1, 1975, to the creation of the new Cap Gemini Sogeti Group. What about the surprise vote (on August 29, 1975) by the employees of CAP Netherlands in favor of the French taking control of CAP Europe. Then, on October 28, 1977, the refusal by the French government to accept CISI's request – with which we were in agreement – to sell its 34% stake in Cap Gemini Sogeti to EDS. Or 1982 (the year the group earned its first billion French francs in revenue), when C.G.I.P. became a shareholder of Cap Gemini Sogeti; or June 12, 1985, the date the group was first quoted on the French stock exchange (La Bourse), with a demand for more than 10 million shares for the 326,250 on offer (and we've seen even better since). In January, 1986, came the acquisition of CGA in the U.S., and of Sesa in France in July, 1987. The Marrakesh Rencontres in June, 1990 (just a few weeks before the outbreak of war in the Gulf) represented a real strategic turning point for the group, as did the creation of Gemini Consulting, and the renewal of our outsourcing business with the acquisition of Hoskyns. Daimler-Benz became a shareholder in July, 1991. The Genesis program – aimed at a complete transformation of Cap Gemini as a company – was launched at the Prague Rencontres of June, 1992. Then came the year (1993) that we would probably all like to forget, followed by the Convergence initiative, a strategy designed to link our consulting and computer services businesses. Next, a collective demonstration of our ability to "pull ourselves up by our bootstraps," leading to the General Shareholders Meeting of May 24, 1996, and the voluntary release of the legal locks by means of which I had controlled the group since the day of its creation...

This control of the group by its founding member has been an irritant to more than a few, and has sometimes, it is true, through a lack of resources, limited the ambitions of the enterprise. Nevertheless, such control during this period has served as a guarantee of total **independence** from all outside powers – political, financial and industrial – as it has safeguarded the respect of certain **values** which I hold dear (honesty, for example: for any victory or contract won by devious means is hardly an occasion for self-congratulation). And these are values to which I know the group will remain faithful, because they are now deeply ingrained in its culture, its traditions and its image.

Speaking of independence reminds me of the day in June, 1970, when a learned Polytechnician, (*) who had signed an employment contract with Sogeti just a few weeks earlier, explained that he had decided not to join the group because, as he put it, "I calculated that you would be bought out in less than four years." Something in the "calculations" of this brilliant mathematician must have been amiss, because he was off by at least 23 years. Probably a simple error in working out the parameters.

(*) a graduate of France's prestigious Ecole Polytechnique.

And even three years before that, when I announced to a few friends my decision to create a computer software and services company – a decision I made on the shores of the Adriatic in July of '67 – they didn't hold out much chance of success. "Too late," they told me. "The places are all taken." And it's true that in 1967 many service companies already existed: more than a hundred in France alone (with national leaders called Sema or CAP), but also more than a thousand in the U.S., where a company like Computer Sciences Corporation (CSC), for example, created in 1959, was already reporting revenue of about $200 million in current dollars. At that time we spoke of Arthur Andersen only as an accounting firm, and IBM, which was earning 90%-95% of its revenue in hardware manufacturing, was **anything but a competitor**: a client, a supplier, a partner, a model of discipline, a protector of industry rates, a source of business thanks to the seal of approval it royally (and locally) bestowed on a few service companies. IBM is far and away number one in IT services ($23 billion in 1996, of which, it's true, $7 billion derives from computer maintenance); hardware sales, meanwhile, account for less than 48% of its total business ($36 out of $76 billion).When I left Bull thirty years ago, I would have laid long odds – and many others with me – against a manufacturer ever being able to become a services company. IBM is in the process of proving me wrong, and other manufacturers along with it, now generating 20%, 30% or 40% of their total revenues (including computer maintenance or not) in IT services.

Over time, this band of leading manufacturers has changed drastically. Thirty years ago, the eight largest of them shared more than 90% of the worldwide market. To suggest the enormous distance between the leader (IBM) and its seven key competitors, one journalist of the day jokingly referred to them as "Snow White and the Seven Dwarfs." The seven dwarfs at that time were: Univac (which was still called Sperry Rand), Honeywell, Control Data, NCR, Burroughs, General Electric and RCA. Thirty years on Snow White is still there, solidly at the head of the pack, but **all the seven dwarfs from 1967 are gone!** Hewlett-Packard is now in second place, followed by three Japanese firms (Fujitsu, NEC and Hitachi), then three American manufacturers (Compaq, Digital Equipment and AT&T). And the change in volume is even more impressive: in 1967, the seven behind IBM earned only one-third of its revenue ($1.8 billion compared to $5.3 billion). In 1996, their revenues are twice that of IBM's ($150 billion compared to $76 billion!).

It may also be noted – at the risk of giving a major competitor a little extra publicity – that in 1996, and for the first time in the history of information technology, a services company has insinuated itself into the pack of "big league IT players," just ahead of AT&T.(*) Of course, its $14.4 billion in revenue is still less than 20% of IBM's total, but this entry of a services firm into the who's who of IT celebrities should get the full credit it deserves.

This is merely an illustration of the fantastic changes that have taken place in information technology over the past thirty years. It would be foolish to attempt an inventory, still less an analysis, with the means and in the space at my disposal. However, I can risk citing two or three examples:

- One is **compatibility**. In the '60s it was the conscious policy of the hardware manufacturers to build incompatible computers in order to discourage customers from switching suppliers. And this incompatibility, for technical or economic reasons, sometimes existed even within a range of products built by the same manufacturer. Service companies therefore devoted a considerable share of their talents to helping clients change hardware or vendors and migrating their applications from one machine to another. The grand entrance of microcomputers has totally altered the balance of power. New manufacturers arrived on the scene, concerned not with protecting a client base but with conquering one. The buyers were no longer companies but the users themselves. Some in the business (Bill Gates, in particular) understood very early on the value of selling cheap, but selling to everyone and in large quantities, the basic software needed to operate these new machines. The idea of compatibility was imposed on everybody because users always end up favoring the systems which leave them the freedom to choose their own supplier.

- Another of these changes is illustrated by the extraordinary industrial adventure of the **miniaturization** of chips and the resulting increase in computer performance. One of Intel's competitors just announced the upcoming release of a microprocessor

(*) Among the top 50 IT firms worldwide, 36 are American, 10 Japanese... and 4 European (Siemens, Bull, Olivetti and Cap Gemini).

containing 7.5 million transistors linked by 18 million connections on one silicon chip whose surface has barely changed in twenty years. And there is talk that microcomputers containing 100 million transistors, able to process 2 billion instructions per second, are not that far in the future. That reminds me that in 1966, for my then-employer, Bull General Electric, I sold a supercomputer which weighed several tons, cost the equivalent of 100 million French francs today and, had it been delivered to the client, would have processed a few thousand instructions per second. The A4-formated portable currently sitting on the corner of my desk cost me 5,000 times less, weighs less than 3 kilograms and has no need of an air-conditioned cocoon to carry out its 100 million instructions per second without spluttering.

- One final example is the growing interconnection of information technology, telecommunications and television – technologies and professions which, thirty years ago, no one imagined would one day converge to such an extent. It is now possible to express and process any "signal" that the human brain is capable of interpreting itself (text, image, sound, movement) **in digital form**. And we know that it won't be long before there is no distinction between the TV set and the PC. The Internet is convincing even the most recalcitrant that the knowledge of the world is at everyone's fingertips; that computer power is virtually free of charge; that communications will also be in a few years and that, even now, there are no barriers between people other than the ones they put up themselves to protect their freedom, their worldly goods or their culture. In the footsteps of machines and systems, even people have become "compatible."

There are further examples of the profound changes to the environment in which Cap Gemini operates: deregulation, globalization, the extraordinary shifts in thinking and behavior over thirty years, the continual increase in the propensity to outsource ("each to his own business"), and so on. We might also point out that many of these upheavals were predictable, and some even prepared for over time, including the most recent technological developments. An example? It was in 1964, if I'm not mistaken, that a plan was presented to the ACM (Association for Computing Machinery, a name evocative of the 1960s), which anticipated the development of a packet-switching network enabling two large American computer centers to "talk" to each other, even though their computers were of different makes. The technological challenge was awesome. Two years later, however (and that was 30 years ago!), the Department of Defense – the famous DOD – gave the green light for the development of the ARPAnet network, which is none other than the granddaddy of the Internet...

In this turbulent world, the IT services market has experienced very strong growth, to the point where, today, it represents $250 billion (including computer maintenance), close to 40% of the worldwide revenue for the whole IT industry.(*) Service companies have actually been a powerful motor for the deployment and expansion of the new possibilities offered by the technology. The productivity of programmers and designers has not increased as rapidly as the capacity of the machines, but their "tool kit" is much richer than it was thirty years ago, and their knowledge of business, with all its capabilities and constraints, is now probably equal to their mastery of the most advanced techniques. The stakes have changed. The speed of development of new applications has become fundamental and the competition is much tougher. Today, information technology is measured exclusively in terms of the services rendered to users. But the range of these services has expanded enormously and, in a market which doubles in volume every five or six years, the opportunities are still as great as they ever were for those who know how to seize them.

Having started out a few years later than our chief American rivals, in a smaller country where information technology has never enjoyed either the position or the role it has always occupied in the U.S., I think we have held our own as **first among the "Europeans."**

Looking back, I have the slight impression that we have spent our time dancing with the elephants, on several occasions just barely avoiding being crushed under their feet; happy to beat them now and then at their own game – I mean with strength not with tricks – grateful to them for having kept us on our toes for thirty years and not resting on our laurels.

(*) $630 billion in 1996, about 32% of which is for hardware sales, 18% for software and 11% for peripherals.

But if they have kept us on our toes, and sometimes even set an example, it isn't our competitors who have made us who we are. It's our clients, those from the good years, those from the bad years. Those from 1967-68 who had faith in a few fellows without a lot of resources, and those from 1993 and '94 who helped us through the storm. It's our successive shareholders, each of whom has accompanied us on part of our journey and supported our endeavors. And, of course, it's our employees. Of the seven people employed in October, 1967, only two are left – my secretary and I. But today we are joined by more than 26,000 others and, together, they are taking part in the history of a group sure of its abilities, confident of its future; a group that can assure them, as it always has, of the personal fulfillment to which they aspire and the collective success which gives the company its legitimacy.

Oh, yes, these last thirty years have been a passionate adventure – and it was only natural that I should use the occasion of this anniversary to reminisce with you a little. At the same time, I have no doubt whatsoever that the years ahead will be every bit as exciting.

Serge Kampf

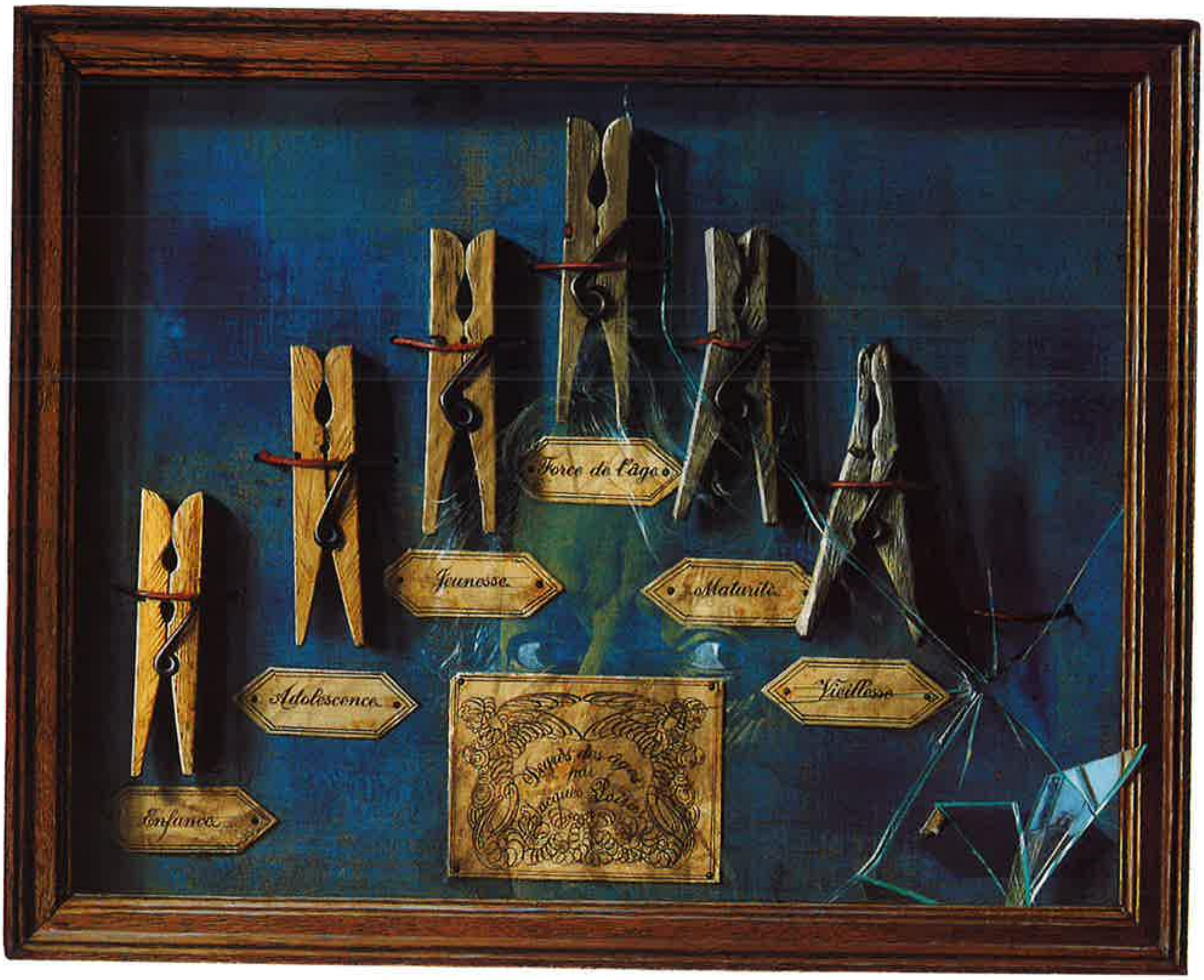
Grenoble, April 12, 1997

P.S.: History is certainly more than just figures, but figures often serve as useful historical landmarks. For the "oldtimers," the table below may bring back some fond memories.

FINANCIAL RECAP 1967-1996

Year	Revenue (in MFF)	Average work force	Per capita revenue (in KFF)	Operating revenue		Net income, exclusive of minority interests		Number of shares at Dec. 31	Par value (in French francs)	Net income per share (in French francs)	Stock exchange capitalization at Dec. 31 (in MFF)
				total (in MFF)	%	total (in MFF)	%				
67/68 (1)	1.5	22	68	0.13	8.3%	0,06	4.2%	2 000	100	31.7	-
1969	4.2	49	86	0.44	10.5%	0,20	4.8%	10 000	100	22.3	-
1970	6.8	65	105	0.73	10.7%	0,34	4.9%	50 000	100	6.8	-
1971 (2)	26.2	391	67	2.65	10.1%	1,19	4.5%	50 000	100	23.7	-
1972	39.4	502	78	4.25	10.8%	1,90	4.8%	50 000	100	38.0	-
1973	52.1	647	81	5.84	11.2%	2,56	4.9%	120 000	100	21.3	-
1974 (3)	145.9	1 514	96	10.2	7.0%	5,25	3.6%	135 000	100	38.9	-
1975	226	1 893	119	14.1	6.2%	8,2	3.6%	135 000	100	60.5	-
1976	250	2 033	123	11.5	4.6%	9,4	3.8%	135 170	100	69.6	-
1977	293	2 138	137	15.4	5.3%	10,8	3.7%	340 000	100	31.8 (4)	-
1978	370	2 256	164	32.5	8.8%	15,2	4.1%	340 000	100	44.8	-
1979	455	2 543	179	51.8	11.4%	21,9	4.8%	340 000	100	64.4	-
1980	580	2 753	211	69.8	12.0%	29,5	5.1%	340 000	100	86.7	-
1981	823	3 368	244	86.2	10.5%	43,0	5.2%	442 000	100	97.2	-
1982	1 027	3 514	292	118.6	11.5%	51,5	5.0%	442 000	100	116.5	-
1983	1 404	3 776	371	140.6	10.0%	72,3	5.1%	540 000	100	133.9	-
1984	1 803	4 238	425	215	12.0%	95,8	5.3%	540 000	100	181.6	-
1985 (6)	2 222	4 910	452	265	12.1%	133	6.0%	3 262 500	20	40.7	4 528
1986	2 907	6 564	443	365	12.5%	193	6.6%	3 534 375	20	54.6	7 634
1987 (7)	4 175	8 908	469	563	13.5%	280	6.7%	3 891 890	20	72.0	5 274
1988	5 816	11 438	508	763	13.1%	402	6.9%	4 570 463	20	88.1	11 266
1989	7 055	12 974	544	783	11.1%	525	7.4%	25 251 046	40	20.8 (8)	12 853
1990 (9)	9 172	16 489	556	1 021	11.1%	623	6.8%	27 939 313	40	22.3	9 639
1991	10 028	17 971	558	724	7.2%	560	5.6%	37 472 775	40	14.9	10 867
1992 (10)	11 884	21 675	548	339	2.9%	(72)	-	41 964 338	40	(1.7)	6 924
1993	11 028	20 900	528	201	1.8%	(429)	-	42 431 755	40	(10.1)	7 417
1994 (11)	10 176	19 001	536	526	5.2%	(94)	-	53 068 478	40	(1.8)	9 022
1995	11 329	20 477	553	678	6.0%	52	0.5%	53 073 228	40	1.0	7 324
1996 (12)	14 820	23 934	619	1 042	7.0%	282	1.9%	60 356 666	40	4.7	15 143

(1) 15-month fiscal period (Oct 1, 1967 - Dec 31, 1968)
(2) creation of Eurinfor (processing and facilities management)
(3) merger with CAP.
(4) doubling of the registered capital by incorporation of premiums and reserves
(5) following sale of "data collection" activity (365 people) on Dec. 31, 1982
(6) introduction on French Stock Exchange (La Bourse) with 10% of capital (326,250 shares)
(7) following 5 months' integration of Sesa
(8) number of shares multiplied by 5.5 and par value raised to 40 francs
(9) following 9 months' integration of Hoskyns
(10) following 12 months' integration of Volmac and 8 months of Programator
(11) following deconsolidation of German subsidiary Cap debis (FF 1.1 billion in 1993)
(12) following integration of 7 months of Gemini Consulting



Jacques Poirier – The ages of man (1993)

A CHANGING WORLD

In the face of a constantly changing universe, companies find they have no alternative to the "dominate or die" principle. New rules of the game are being forged in a world which favors knowledge-based industries and justifies the emergence of powerful groups specializing in management consulting and information technology.

I. Priority to business revitalization

The era of "reengineering" is being succeeded by that of business revitalization. In the context of a "fresh deal of the cards," of deregulation, in which the public sector's share is being whittled down in favor of private enterprise, businesses can no longer be content with a defensive posture. They must go back on the offensive and prove that they can stay on top of the changes taking place.

The premises of this observation may be found in:

• the globalization of markets, sustained by forces that outnumber those which might hold it back, and particularly greater openness of national borders, greater

economic and financial interdependence, the prevalence of market forces in the new rules of the commercial game, and the instantaneous deployment of images and ideas as new modes of consumption;
• the continuation – and acceleration – of technological advances whose application satisfies an immense desire for communication by individuals and disseminates their positive effects within a growing number of activity sectors;
• the decline of restructuring policies which, aimed at recentering on the customer and improved quality of service, on decentralization of responsibilities, on rationalization of tasks and structures, have contributed to a very substantial improvement in productivity and a clear recovery of businesses' financial performance. Cost reduction is not enough, however, and primary attention must be paid to the sales curve, the only indicator whose rise offers a lasting guarantee of a business' performance.

Of course, these factors must be supplemented by considerations of a more macro-economic character, such as: 1) the emergence of new markets (e.g., Asia, Latin America), where conditions for high levels of consumption are met, thanks primarily to the demand for capital assets; 2) the buoyant effect of the U.S. economy, which – a fact unprecedented since 1945 – showed its seventh consecutive year of growth in 1996, an effect with favorable ramifications for all European economies (although not always uniformly spread, alas, as witnessed by the contrasting sluggishness of the French economy); and 3) the formidable economic and commercial potential created by the convergence of the information industries (telecommunications, multimedia and information technology), the rise of mobile telephony and the success of the Internet phenomenon.

From this point onward, growth is the only ambition capable of pushing business leaders to wage war on two fronts: on the one hand, **increase added value** to meet growing pressure from customers, employees and shareholders; on the other, win the job-creation battle, where victory is anxiously awaited by governments and public opinion alike.

Managers wishing to catch the tide of growth are placing priority attention on the development of existing markets and the winning of new ones, either by geographic expansion or by broadening their spectrum of activity, by the launching of new products and services or, finally, through diversification (i.e., using new products to penetrate fresh markets). Obviously, there is no single or standard model to go by. Managers must choose between this range of solutions with an eye on the condition of the market, with its amalgam of risks and opportunities, and allocate resources as appropriate. This exercise stands at the heart of business strategies and – as we shall see further on – is one of the most frequently encountered reasons for turning to the expertise of management consultants.

The amazing flight of the microprocessor

The first microprocessor, the Intel 4004, appeared in 1971, and contained the equivalent of 2,300 transistors. Its present-day successor is 2,400 times more densely packed and runs 3,000 times faster.

"The old world is at an end, a new one is beginning."

Chateaubriand

Maurice Laroche – The incredible voyage (1992)

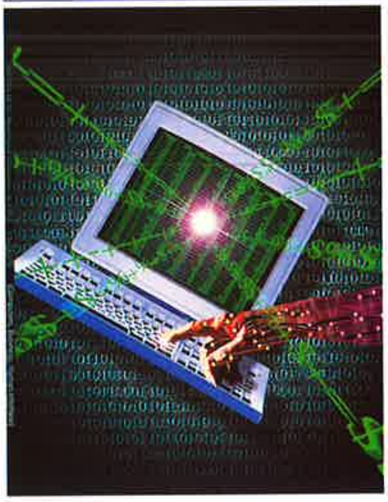
II. New rules of the game

Innovation and quick reflexes

Today, innovation allied with speed of response is a competitive weapon. A well-known survey by McKinsey has shown that, when a new product arrives on the market six months behind time, it has already lost 36% of potential profit generated over its entire life cycle. On the other hand, if it is delivered on time but at a development cost 50% over initial projections, total profit is reduced by only 3.5%. 3M Corporation recently raised the bar by pledging to achieve 30% of sales with products developed during the past four years. Thus affirmed, the economic value of the time factor can be seen from two standpoints: develop products or services which give the customer a time advantage, and shorten deadlines for the performance of all tasks. The race against the clock is an obsession shared by all segments of a business: production, billing, collection, inventory management, transport and logistics. The ability to react instantaneously to an expressed need today counts as much as the race for productivity or the search for optimal quality.

If innovation is to sustain genuine progress, it must itself be continuous and progressive. This situation arises from a number of factors: the growth of consumer demand, the fact that consumers are clamoring for flexibility, service and made-to-order products, attempts at imitation by competitors, the shortening of products' life cycles. On the other hand, it is well known that speed of action and reaction is incompatible with the traditional, sequential organization of tasks. Indeed, a quick response requires multidisciplinary teams working from a common base to act coherently and simultaneously in widely-varying functional domains.

Information technology, in turn, may prove to be a muscular ally in achieving this sort of coordinated advance, if three conditions are fulfilled: it must fit into general management's global vision, it must participate in a process of change to train the organization's men and women in a new way of fighting and, finally, it must not hesitate to question past achievements, whether administrative or technical.



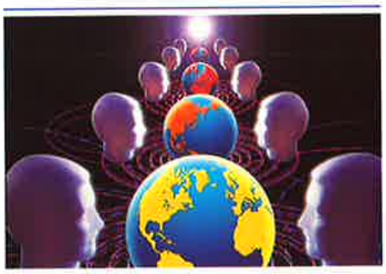
Some staggering figures

- *Today, only 15% of information useful to the average business is digitized...*
- *...and 80% of data useful to decision-making is situated outside of its production system.*

Information, a key resource

The main resource in the trial of speed now under way is information. It is the indispensable asset for improved customer service. On the one hand, it enables the manager to delineate a precise, pertinent segmentation of markets, to detect their specific needs, and to fabricate customized products and services which are a source of customer loyalty. On the other, it is the guarantor of improved effectiveness on the part of all concerned, both within the corporation and in management of the relations uniting the company with its suppliers. Finally, information is playing an increasingly greater role of differentiation. In a highly competitive economy, where all products and services look alike, the critical difference often arises from the creative idea, the positioning of the product offering, the resulting perception which gives this offering an edge on its competitors.

With its globe-spanning network, its universality and simplicity of use, the Internet has arrived just in time to meet this need for more readily accessible information. It provides further impetus to an existing process through the deployment of group working tools and e-mail systems. Thanks to technology, the extended enterprise is embodied on a worldwide scale. Industrial production is placed nose-to-nose with genuine demand and is freed from the constraints of stockpiling and storage. The boundary between industrial and services activities is being blurred. Electronic shopping presents merchandise in display windows open to the entire world. Money for transactions is circulating in a secure digital form. Banks and insurance companies are opening their counters in their customers' living rooms. And the planet's inhabitants now have an easy means of accessing their peers in order to exchange, share and cooperate on the local, national and worldwide levels.



Internet access

- *In 1990, there were 11.5 million telephone subscribers worldwide; nearly 250 million are forecast for the year 2000, for an annual growth rate of 35.9% (source: Idate).*

- *In North America, over 40 million people are currently logging onto the Internet. There, they can browse through the 16,000 pages of General Motors' Web site, choose the car model they want and work out financing terms. Or they can shop from the 24,000 different products on sale at Telemarket. In 1997, 40% of U.S. banks will be offering on-line service.*

CapWeb in action

Health care officials throughout Europe can now track the development of infectious diseases in real time across the continent by exchanging and storing information, and then synchronizing their actions. How? By using an intranet system and European Commission Web servers, easily accessible from all countries and by all concerned government agencies. (EC-IDACare)

Capitalization of knowledge: the core of competitiveness

Above all, a business is "redynamized" through improved use of its know-how. The instructions are clear: identify, collect, cultivate and capitalize the most innovative ideas and the highest performance practices. According to a study conducted by *Fortune* magazine of the 500 leading U.S. corporations, 70% of new ideas are simply a response to an existing initiative. A company's primary asset is now intangible: it consists of information, of knowledge and of know-how. Proper management of this asset has become a major challenge. By giving its members access to the best available practices, a business improves the speed and effectiveness of their performance. It creates an environment favorable to innovation and excellence in all fields of activity.

The same questions are being raised everywhere: How do we capitalize on the knowledge held by members of our organization? How do we facilitate transfers of know-how between individuals and groups? How do we transform individual processes for acquisition of skills into a true organization-wide learning experience? In the absence of a single answer, two paths are being mapped: on the one hand, the formation of **networks for the "circulation" of knowledge**, which allow experts to meet, ideas to be disseminated and innovative practices to be propagated; on the other, the installation of an enterprise's **"collective memory,"** designed to accumulate the know-how contained in the heads of individual members.
This effort to objectify knowledge would be impossible without the intensive use of information technologies. E-mail and forums are a stimulus to brainstorming. With a single message, a researcher can consult fifty colleagues scattered throughout the world. Spreadsheets, graphic tools and decision-making tools, geo-marketing and data-mining software increase a professional's efficiency many times over. Heretofore the private preserve of initiated users, the most powerful tools in the areas of linguistics, document management and data analysis are now within the grasp of all. Using the Internet, all potentially available data becomes accessible in a matter of seconds. Inspired by this architecture, companies have been attracted to a new technique: the intranet, which offers untapped possibilities for the circulation of information and the management of knowledge.

Decompartmentalized and updated, delivered at the user's own pace and at his own workplace, information and knowledge are engendering new types of industry: the "knowledge industries," whose raw materials – as Lester Thurow of M.I.T. stresses in his latest book, *The Future of Capitalism* – are intelligence, technique and know-how. Consequently, just about everywhere, and in every area of activity, businesses are scrambling to set up high-performance management systems for their internal knowledge. And this offers an excellent opportunity for the Cap Gemini Group, which has mobilized its managerial, organizational and IT skills to create a service offering, **Applied Knowledge Management** (AKM), designed to facilitate the implementation of such systems.

People at the heart of change

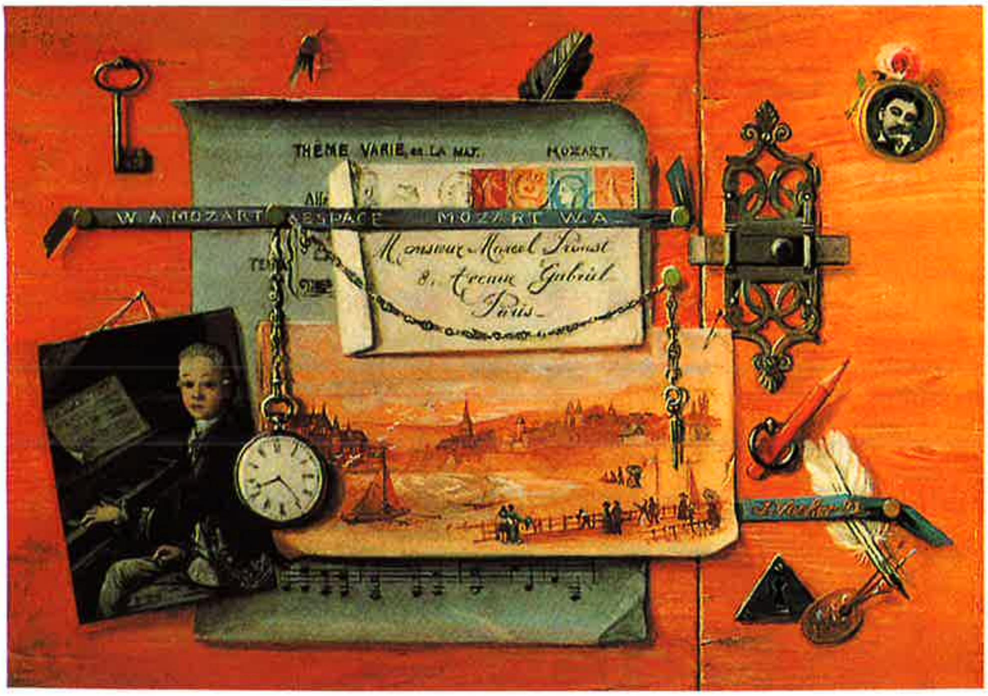
Today's transformations are not without consequence on professions and the people who exercise them. In the U.S., over 60% of all new jobs have been created by the IT sector. Even in booming professions such as consulting and technology, professionals have to continue learning new skills. They have to keep up with the latest technological developments, and they must acquire a thorough understanding of the business activities of their clients, because this is the dimension that will determine their ability to come up with appropriate solutions to given problems. New attitudes are emerging everywhere to overturn established relationships between businesses and their employees. Not to mention the fact that the boundary between "in-house" and "external" is no longer as clear today as it once was. Today there are many "outsiders" who play key roles in a business' operations: consutants, service providers, even former employees who have become suppliers and partners within the context of outsourcing contracts.

The disappearance of salaried employment as the sole mode of contractual relations between the company and the individual is part of these new rules of the game. Rules of a more demanding nature, in fact, as the activities of the outside professional – whether freelancer or company employee – are generally specified by an assignment order, with clear limits (time, budget, resources) which must be stipulated in advance.

Everything is not quite that simple, however. Worries are being expressed with regard to changes whose meaning is not always obvious and whose consequences are sometimes cruel. The advent of new concepts, transformation of working methods, acquisition of new behavior and changes in thinking patterns cannot be brought about by fiat. Resistance to change is bound up with the corporation's human dimension. Habits contribute to the comfort of *Homo societatis*. They are abandoned only at a cost to the intellect, emotions and motivation of the individual. Few are those who find this an acceptable price. Awareness of the human dimension of change, of the importance of motivating people to achieve it successfully, are key factors in ensuring that initiated transformations do not create a fault zone within the enterprise. Information and explanation campaigns, training activities and mobilization programs are required to instill a spirit of mobility and initiative without which no durable revitalization is possible.

Outside support is extremely valuable during these phases. An unjaundiced eye can more easily detect – and thus correct – logjams and sources of inertia. Proof of this: the increasingly frequent recourse to **specialists in business transformation**, who combine diagnostic capabilities, methods of intervention and acknowledged expertise in the field of personnel motivation.

Charles Perron – Tax form (1974)



Jacqueline Vacher – Homage to Mozart and Proust (1992)

III. Toward a knowledge industry

Experts in change and technology

Make no mistake about it: no single member of this knowledge industry can claim a grasp of all available knowledge or possession of all required skills. Extreme specialization of skills alone yields a response capable of meeting the challenges of complexity. Each expert nourishes his individual knowledge through exchanges with other experts in related fields. At the same time, "chronocompetitiveness" is urging business to become "polychronous," that is, to perform tasks concurrently rather than sequentially. In short, the relay race must be replaced by the rugby game, in which the ball advances only if the entire team moves forward together.

To this end, businesses are being encouraged to make in-house skills work in concert with outside know-how. In terms of efficiency and flexibility, they are better served by turning to the market for the skills they lack, rather than pay the high price of developing them on their own. A recent Coopers & Lybrand survey shows that 80% of the most dynamic U.S. companies make use of **outsourcing**, and that their outsourcing expenditures have risen by nearly 40% over the past three years. Whenever asked, the same reason is always cited: they want to benefit from the expertise, methods and know-how of service providers specializing in fields outside of the company's core activity.

It would also be mistaken to underestimate the effect of past restructurings which have consolidated top management functions into a limited number of key skills. In many large groups, the prospect of tackling a significant transformation is now inconceivable without the assistance of guides having a broader vision, operating in a multidisciplinary, transnational context. These management consultants help their clients establish pertinent diagnostics, draw from the experience accumulated by similar businesses, define their horizon, formalize stages of transformation and set up guideposts on the path ahead. They then support their clients in the implementation of change.

A powerful lever of revitalization, the potential of technology is also contributing to the perplexity of decision-makers: Internet or intranet; electronic shopping; telecommuting; knowledge management; maintenance of disparate, distributed systems...not to mention more pressing concerns, such as reprogramming for the year 2000 or the single European currency, where many managers tend to see costs rather than benefits. Innumerable projects are being launched, all of them requiring skills that are rarely available within the ordinary business, whether from the technical standpoint or in terms of implementation capability.

Assimilation of the advances offered by technology almost always leads to a profound recasting of operating structures, of mentalities and behavior. The installation of an integrated software solution (such as SAP/R3 or BAAN) thus leads to close collaboration between consultants, organizational specialists and computer experts. It requires the interaction and symbiosis of multiple skills at all levels of the organization.

Toward the formation of global, multidisciplinary groups

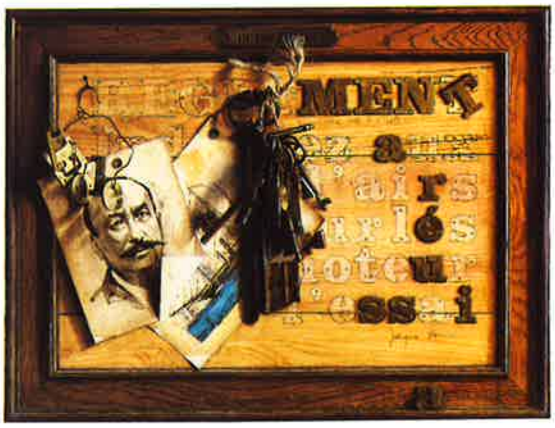
A survey of British companies by the *Financial Times* at the beginning of 1997 explained that the increased use of consulting services (up 80% in three years) arose from competitive pressures bound up with the globalization of markets. In a changing, competitive environment, it is necessary to anticipate, to decide and act quickly, to aim squarely and to be in a position to adjust to fluctuations in business activity. These trends are favoring the growth of management consulting activities and IT-related services. Forecasts indicating that current transformations would – once the economic crisis had passed – tend to strengthen these professions and favor the development of large, global, multidisciplinary service groups are now being confirmed. What is more surprising in all this is how rapidly the gap is closing between two worlds long at opposite poles: **management consulting and IT services**. The reason for this, however, is simple. When it is a matter of combining the launch of new business lines, the adoption of new working methods and the application of new technologies, companies will turn to partners who have mastered all of these disciplines, who are capable of mobilizing and harnessing experts boasting such varied skills and backgrounds wherever they are needed.

Here, too, rapid action is required. Only those consulting and service groups which are able to anticipate the needs of the market, react speedily, exploit their experience and pool their know-how will be in a position to satisfy these requirements. The effect, obviously, will be to accelerate the process of globalization and concentration in this industry, and to favor the players – few in number – capable of stepping in authoritatively in each of these fields and able, when required, to combine all of their skills into a single overall response. The challenge for these groups is to make the most of a close combination of the consultant's art and the IT professional's expertise, to use technology to straddle all boundaries, whether geographic, cultural or organizational.

*

* *

Convinced that a company's *raison d'être* is to satisfy its customers' needs, the **Cap Gemini Group** has long since begun its march in the direction outlined above. The advances made during 1996 attest to this, as the following pages will show.


Jacques Poirier – Ader (1990)

Jacques Poirier – Pyramid no. 5 (1994)

1996 IN RETROSPECT

JANUARY

Twelve million account holders in the Netherlands get electronic purse

In 1996, the Dutch banks jointly introduced the electronic purse known as the Chipknip. In addition to pure payment, the Chipknip can be used for identification, customer loyalty schemes, ticketing and transport. The Chipknip is now being rolled out at a speed of 1 million cards a month to 12 million private account holders in the Netherlands. The multifunctionality of the Chipknip means that it can play a key role in a wide range of business applications (e.g., in public transport). Cap Gemini Nederland is responsible for the design of the functional, technical and legal elements of the applications and is supporting the banks in the nationwide roll out.
In addition to the development and implementation of the Chipknip, Cap Gemini is establishing a new company on behalf of the banks called "Easychip," which will not only maintain and control the multifunctional standards, but will also be responsible for assuring their acceptance. Several Dutch banks are involved in Easychip: Rabobank, ABN Amro, VSB Bank, SNS Bank, Generale Bank, Friesland Bank, F. van Lanschot Bankiers, Staal Bankiers, MeesPierson, Bank Nederlandse Gemeenten and GWK Bank.

OPENVIA, direct banking on Internet

In June, 1995, Open Bank, a subsidiary of Santander, one of Spain's premier financial groups, launched an offering with one goal in mind: to provide the most profitable, high-quality products and rapid service, available 24 hours a day. What sets this bank apart? It has no branches. It can be accessed only by telephone and Internet.
Cap Gemini España participated in the development of two direct Internet banking services: one available to the general public and free of charge called "The world in your hands," the other, private and reserved for the bank's clients called Openvia. On their computer screens, Openvia users can carry out a variety of transactions such as deposits and withdrawals, payments, account consultation, investments, loans, credits, etc.
The key element of this service – for clients and for the bank – is security. The system is protected against invasion by a set of automatic identification and control measures in operation 24 hours a day. In addition to cost reductions, Open Bank is also benefiting from a new image: a reputation for remote service recognized all over Spain.

Insurance company overhaul

Finland's leading insurance company, Sampo, will invest 300 million Finnish marks over five years to revamp its technical infrastructure and products. Cap Gemini is the company's principal partner on this project, known as Sampo 2000. Under the terms of the agreement, Sampo's IT systems will be migrated from a mainframe to a PC environment, with the aim of providing better service and products to its customers.

FEBRUARY

Huge British Steel contract reflects continuing outsourcing trend

An £80 million 5-year contract from British Steel, one of the world's largest steelmakers, was won by Cap Gemini in 1996, reflecting the growing trend toward outsourcing in increasingly larger organizations.
British Steel said that Cap Gemini was chosen because it is a world-class company, with the business skills, the people skills and the technical skills to meet its needs in full.
Cap Gemini's global span was also important, since British Steel has major operations in North America and Continental Europe, and customers all around the world.

Customer management for Aerial Communications

Aerial Communications (formerly American Portable Telecom) is a subsidiary of Telephone and Data Systems, a company specializing in personal communications services (PCS). Cap Gemini has integrated an LHS customer care and billing package for this client to prepare it for the first quarter 1997 launch of its PCS offering.

Having completed the design phase, Cap Gemini is currently working on the implementation of LHS' Business Support and Control System. With this product, Aerial will be able to offer its customers premium service featuring immediate activation of phone service and state-of-the art billing and operation support. It will also be possible to collect vital data for business decisions.

MARCH

Gemini's Fortune *ad earns highest readership percentage*

The results of a *Fortune* survey of its magazine advertisements indicated that a Gemini Consulting ad had the highest readership percentage of any one-page, four-color ad in the magazine. *Fortune*, with a worldwide subscriber base of 860,000, has the highest executive readership of any general business magazine. Gemini came in first among the 56 similar ads in the issue. Where the average readership of these ads is 24%, Gemini's was 37%. Gemini's name recognition among *Fortune* readers surveyed has risen to 48%, from 11% before the campaign began.

Volvo chooses Cap Gemini for new sales network system

Volvo awarded Cap Gemini a contract to develop a new information system for its Swedish dealership network. A team of more than fifty professionals from Cap Gemini at two sites, one in Holland and one in Sweden, worked on the project to replace the former system, which dates back to the 1970s. The first fruit of their labor, a system baptized Tacdis (Truck and Car Dealer Information System), is an Alpha pilot launched to pilot dealers in February, 1997. The development project will continue until the autumn of 1998.

The system had to be made flexible enough to correspond to the needs of every dealership, whether it employs fifteen people or several hundred. Cap Gemini used the IAD (Iterative Application Development) technique, a development method for prototyping and modeling now widely used in the Cap Gemini Group.

FIRST mobile robot lends a helping hand

FIRST is an autonomous mobile robotics system designed to transport bedding, meal trays, medicines and waste products in a hospital environment. It consists of a fleet of mobile robots run from a central command post, with individual terminals situated throughout the hospital.

Moving from department to department among hospital staff, patients and visitors, the robots circulate automatically and safely.

This new, computer-aided robot does away with the need for hidden cables, uses the hospital's own IT network for connecting command stations, avoids obstacles, is able to alter routes in real time and is remarkably flexible. By lightening and reallocating tasks, the system enables hospital personnel to concentrate on their main mission: caring for patients.

Developed as part of the European EUREKA program (EU474), with the support of the Ministry of Industry and the IT, Robotics and Micro-electronic Laboratory of Montpellier (LIRMM), FIRST is the outcome of a collaboration between the National Health Service and the Antoine Béclère hospital in the Paris suburbs, which served as the testing ground. Itmi Aptor, a subsidiary of Cap Gemini, was prime contractor on the project.

April

Schöller signs outsourcing contract with debis Systemhaus

On April 1, 1996, Nuremberg-based food-products group, Schöller Lebensmittel, signed a 5-year contract to transfer its computer center services to debis Systemhaus. With about 170 Mips and a capacity of some 500 gigabytes, this is one of the largest computer centers in Bavaria. Along with traditional mainframe services, debis Systemhaus will run local and wide-area networks.

June

Aravis 2 moves to pay TV

TPS (Television by Satellite), a digital pay-television operator, started operations in January, 1997. From the first, its subscriber management system had to handle more than 100,000 customers, and several million will probably soon be added to the rolls. This is further proof of the success of Aravis 2, already in use at Lyonnaise Câble and France Telecom for more than 600,000 cable subscribers. For three years now, Cap Gemini, in its role as Aravis 2's development partner, has participated in several projects which have contributed to the evolution of the cable operators. In the case of TPS, a specialized, multidisciplinary team worked for six months to develop the satellite version of Aravis 2. Armed with this state-of-the-art expertise, Cap Gemini is now taking aim at the international pay-television market.

Virtual monetary exchanges

Six major banking institutions (Barclays Bank, Crédit Agricole, Crédit Commercial de France, Crédit Lyonnais, Crédit du Nord and the Caisse des Dépots et Consignations) have signed an agreement with Cap Gemini to oversee the development of a software package to accompany the shift to the virtual inter-bank exchanges slated to come into effect in 1997, which will enable the member banks to monitor their current accounts with the Bank of France in real time. Inter-bank exchanges amount to approximately FF 1,200 billion per day. A newly created financial clearing house, the Centrale des Reglements Interbancaires (CRI) will automate these transactions and guarantee their security.

Known as CRIPS (CRI Participant Stations), this client/server system will give banks direct access to the CRI, as well as the two clearing networks that it administers.

The first examples were installed in June, 1996, with a commercial launch in September. Three versions will be on offer, adapted to different categories of banks. The total potential market consists of about 200 sites, of which Cap Gemini hopes to equip 50.

July

Cap Gemini Asia is open for business

During 1996, Cap Gemini set up a new Strategic Business Area (SBA 8) in Asia, with its headquarters in Singapore, an office in Hong Kong and an office with Gemini Consulting in Japan. Gemini Consulting also shares an address with Cap Gemini Asia in Singapore.

The first operational subsidiary, Cap Gemini Singapore, was created from a partnership with a local company, AQS (Advanced Quality Solutions).

Aiding the switch to monetary union

Developed by debis Systemhaus in conjunction with other subsidiaries of the Cap Gemini Group, Eurolab is a detailed process model designed to manage the transformation from the mark to the euro, the single European currency scheduled to begin replacing the national currency on January 1, 1999.
The approach is based on an identification of the organization and business processes that will be affected by the change and by the need to operate with two currencies in parallel during the transition phase, as well as the ramifications in terms of IT support. Joint workshops organized with company representatives resulted in a detailed catalogue describing the measures to be taken for organization and training and the necessary IT adaptations.

AUGUST

Winning with package-based solutions

In the U.S., Cap Gemini's Package Based Solutions (PBS) team is carrying out a $27 million SAP implementation for Steelcase, a leading manufacturer of office furniture. This project, which will continue through 1998, is the largest package implementation in Cap Gemini America's history. During the delivery phase, Cap Gemini will implement SAP modules at 13 Steelcase sites in North America, including order fulfillment, and assist the client with change management and SAP training.
Cap Gemini's Package Based Solutions division, located in Houston, Texas, was created to assist business units with the pursuit and delivery of package implementation engagements and, in 1996, was ranked by SAP as its leading SAP Global Partner for professionalism and quality of work.

SEPTEMBER

Added attraction at Efteling theme park

The Efteling in Kaatsheuvel is one of the oldest and best known theme parks in the Netherlands, visited every year by three million children and their parents. In August, 1995, the Efteling and Cap Gemini Nederland. began the implementation of SAP R/3 in a project known as Hydra – the name being a reference to the multi-headed mythological beast, symbolizing the multiplicity of the SAP R/3 modules to be implemented. In addition, the whole new business information system was to be complemented by customized applications such as a cash payment system and a link up of SAP R/3 with the existing CASE system, plus applications for financial administration, logistic information provision and maintenance. In 1997, work is being done on the implementation of the human resource management, personnel planning and maintenance planning components. The system also supports the hotel, the golf course and events at the park. All 1,500 employees of Efteling now have access to the same information at their workstations, which are linked by a 3Com network.

Gemini forms new partnership in Sweden

In early September, 1996, the Swedish management consulting firm, Svennerstål & Partners (S&P), agreed to become part of the Gemini Consulting family, adding 11 consultants plus a group of associated vendors and office staff to the Gemini team in Stockholm. The S&P consultants provide additional skills in two key areas: strategy and organization, and leadership development. The acquisition is expected to enhance delivery of these services in this important market as well as Gemini's overall presence in Sweden.

October

TransMillennium™ Services takes the lead

In 1996, TransMillennium™ Services, Cap Gemini's proprietary offering designed to help companies solve the Year 2000 problem, was honored by the Gartner Group with its highest rating (upper right quadrant) based on Cap Gemini's ability to execute Year 2000 solutions and its completeness of vision in multinational environments.
TransMillennium™ Services also achieved the Information Technology Association of America's ITAA*2000 certification, making Cap Gemini the first transnational IT services firm to be awarded this honor.
Cap Gemini also launched its transnational licensing program in 1996, offering clients the option of managing Year 2000 projects in-house by adopting Cap Gemini's Application Renovation Methodology[sm], ARC*drive*[sm] technology, and Application Renovation Center[sm] approach, while benefiting from Cap Gemini's proven Year 2000 experience through knowledge transfer and support.

November

Outsourcing for Western Digital

Cap Gemini, in partnership with I-Net, won a multi-year outsourcing opportunity with Western Digital, a leading U.S. manufacturer of hard disk drives for personal computers and the enterprise-wide computing markets. Cap Gemini is performing program management as well as applications development, maintenance and support, while I-Net is responsible for managing Western Digital's data center, network and desktop services.

Strategic alliance with Stockholm Energi

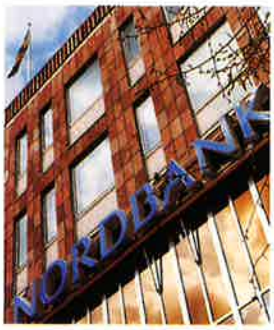
With 1,900 employees, revenue of SEK 7.5 billion and business throughout Sweden, Stockholm Energi is one of the giants in the Swedish energy market. With the dismantling of regulatory barriers, strong competition has pushed the company to develop its IT activities in several areas: electronic communication with clients, increased use of the Internet, faster development of new products. Thanks to its knowledge of the energy market, Cap Gemini was chosen as Stockholm Energi's main strategic partner.

Electronic trading on the Internet

A new debis Systemhaus subsidiary, called debis Systemhaus Internet Business Solutions GmbH, has been set up. Its aim is to offer customers complete solutions in electronic commerce. The company's range of turnkey solutions covers the whole value chain of on-line business, including Internet service provision, business data integration and Web business applications and operations. Initially, the sectors upon which the new company is focusing are financial services, tourism, publishing and the media, and wholesale distribution. These offerings were presented at the Internet World Show, held in Düsseldorf.

Getting ready for gas deregulation

Full deregulation of the U.K. gas market is scheduled for April, 1998. Gearing up for a totally new market regime has presented a big challenge to existing gas companies and new entrants alike. United Gas, part of Utilicorp of the USA, is now one of Britain's largest gas shippers and a leader in the crusade to bring real competition to the U.K. marketplace.
A major contract to upgrade and enhance all its key IT systems was entrusted to Cap Gemini and successfully completed well ahead of April, 1998.



Nordbanken cooperates with Cap Gemini

In order to solve two of the most urgent problems on its IT agenda – transfer to the year 2000 and to the European single currency – Nordbanken has turned to Cap Gemini for support. Representing a substantial investment for Nordbanken, this project is vitally important strategically, and will enable it to adapt to the new century and to the euro more swiftly than its competitors. "It's a question of credibility," says Bengt-Åke Eriksson, Nordbanken's IT manager. "Our customers have the right to require us to handle the transfer in a smooth way. We have chosen a partner who is ranked among the world's leaders as regards the Year 2000 issue."

Electronic catalogue shopping

The Wehkamp mail-order company, market leader in the Netherlands, has developed an innovative program for making available its range of articles using an interactive system in the form of a CD-ROM connected to the Wehkamp Internet shopping site: Wehkamp Online.
The CD-ROM contains static information, such as color footage on the articles in the catalogue, which customers can query on the Wehkamp Internet site. The CD-ROM is automatically activated by the Internet site and provides up-to-date information on products, prices and time of delivery.
By combining various aspects of digital technology, Wehkamp has improved its presentation. No more long waiting times for downloading photographs and film, and improved graphic performance thanks to the graphic possibilities of the CD-ROM.
Wehkamp Online has undergone a three-month development period, a joint venture between Wehkamp, Website designers Digital Peppers Partnership, and Oracle. As prime contractor on the project, Cap Gemini Nederland was responsible for its technological aspects: software development and systems integration.

Cap Gemini Nederland a chief advisor on the euro

In 1996, Cap Gemini Nederland acquired a dominant position as advisor on the upcoming introduction of the euro. In conjunction with the decisions made at the European summit in Madrid, the euro could well be introduced in the European member states for cashless funds transfer on January 1, 1999, and three years later for notes and coins. The final political decision, however, is still pending.
In 1996, the Dutch Bank commissioned the business consultants of Cap Gemini to carry out an investigation into the practical consequences for financial institutions in the Netherlands. The report resulted in a number of follow-up projects commissioned by the Dutch National Bank in relation to its own conversion to the euro.

THE CAP GEMINI GROUP

Pierre Ducordeau – The Polish beauty (1990)

Janine Gouzy – Idling away the time (1986)

I. The group

The Cap Gemini Group is, just behind IBM, the European leader in management consulting and information technology services, and numbers in the top five in this profession worldwide. With a work force as of December 31, 1996 of nearly 26,000 – a large percentage of whom are technical professionals and graduates of Europe and America's most prestigious colleges and universities – the group posted revenue last year of FF 14.8 billion (close to $3 billion).

The Cap Gemini Group is established in two core businesses:

• **Management consulting**, through Gemini Consulting and the Bossard Group (the latter a member of Cap Gemini since the beginning of 1997). With 2,000 consultants worldwide, the Cap Gemini Group is now one of the leading players in this field, specializing in strategy formulation and implementation, the optimization of organizations and processes, the mobilization of teams, and the management of change.

• **Information Technology (IT) services**, which represents 24,000 people in 15 major European countries. This unique position, strengthened by the group's presence in the U.S. and Asia, places it among the worldwide leaders in its profession, with the ability to provide a complete range of services: IT consultancy, systems integration, software development, information systems management and training.

For the past thirty years, the group has been helping large enterprises and organizations in the role of consultant, prime contractor, integrator or project manager on the most complex assignments. The services offered by the group are aimed primarily at enabling clients to gain competitive advantage and to achieve the maximum benefits from information technologies.

The way in which the group has evolved in 1996 amply demonstrates its talent for anticipating events, a talent which remains more intact and more pragmatic than ever in this time of overwhelming change. In order to improve, renew or, if need be, totally transform how their businesses are run, companies must have recourse to **many different kinds of expertise** – and all at the same time: strategic, organizational, technological and managerial. By converging its own core competencies, the Cap Gemini Group has acquired the means to respond more effectively to these expectations. In fact, this Convergence initiative is now the centerpiece of the group's strategy.

II. A TRANSNATIONAL ORGANIZATION

For several years now the group has been involved in a transformation effort designed to integrate all its business globally so that its clients would have access to:

• strong sector specialization, combined with a thorough knowledge of the client's business and high added-value offerings;

• optimum skills, continually upgraded, in several specific fields such as management consulting, information systems management and the new Internet technologies;

• geographical proximity with clients' local decision-making centers – a long-standing asset which sets Cap Gemini apart from its international competitors.

Locating in Asia

In 1996, several actions were carried out in parallel to coordinate Cap Gemini's presence in Asia, and with an awareness of the diverse nature of this critical territory. In Singapore, the group created its first wholly-owned Asian subsidiary, Cap Gemini Singapore. The result of a partnership with a local firm, Advanced Quality Solutions (AQS), today Cap Gemini Singapore is fully operational and employs more than 100 people. The company is ISO 9001 certified and counts among its clients such prestigious firms as Hewlett-Packard, General Electric, Abacus, and the National Computer Board of Singapore.

Evolving the organization

As part of an effort toward globalization and a more effective integration of its acvitities, in 1996 the group continued to adjust its organizational structures, wherever it seemed most appropriate to do so. A reminder that since 1992, Cap Gemini's IT services have been organized in Strategic Business Areas (SBAs), with each area having a dual responsibility:

• **regional** responsibility for all the services offered by the group within a given territory;

• **sector** responsibility for assuring the group's increased worldwide market share in a given business/economic sector.

Within this context, it is worthwhile to note that SBA 6 (Paris and Ile-de-France) and SBA 7 (the French provinces and Southern Europe) have been combined into a single entity, now referred to as SBA 67, which includes, in addition to France, Austria, Italy, Portugal, Spain and Switzerland. Under the leadership of Paul Hermelin, a member of Cap Gemini's Directoire, this new unit – which, inside France, will be known by one name, Cap Gemini France – should be even better equipped to exploit the richness and diversity of its assets, and so provide greater benefits to the group and its clients.

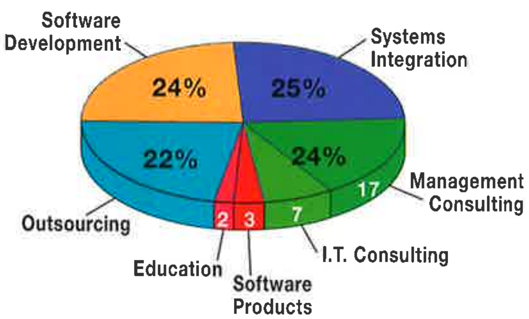
Janine Gouzy – Homage to W. M. Harnett (1985)

The current geographic and sector organization of Cap Gemini's IT business breaks down as follows:

	Regional role	Sector role
SBA 1	United States	Process industries
SBA 2	United Kingdom & Ireland	Finance
SBA 3	Nordic countries	Utilities
SBA 4	Benelux	Consumer Products, Retail & Distribution
SBA 67	France, Southern Europe	Manufacturing (automobile)
SBA 8	Asia	–

Note, too, that with the convergence of the group's management consulting and IT activities, the alignment of their respective sector organizations has been reviewed with an eye to assuring better linkage of certain segments in which specialists from both "families" are likely to work. This has resulted in closer ties between the group's two core competencies and greater efficiency in market coverage.

1997 Revenue by Service lines



A new phase: the Global Market Units

The most striking occurrence of 1996, however, was the outcome of a process of reflection and preparation which resulted in the decision to create four new sector-specialized, transnational entities known as Global Market Units (GMUs).

These GMUs, operational as of January 1, 1997, are the advance guard of the group's current goals and ambitions. Their *raison d'être* is to provide better service to international clients and to make better use of the know-how of the consultants and IT professionals who are assigned to these specialized units, each of which is devoted to a market sector or segment, chosen because of its strong growth potential.

There are four such units:

• **The Telecom GMU** is targeted at the telecom operators who, under the impact of deregulation and technological innovation, will see the influx of at least 600 new operators over the next five years. In this highly explosive market, Cap Gemini currently ranks number one in Europe and has a solid base in the U.S.

By combining most of the existing units devoted to telecommunications throughout the group, this GMU now numbers about 1,000 people. It has put a premium on new convergent service offerings such as Telco-in-a-Box and Total Customer Management.

• **The Life Sciences Group** focuses its activities on the leading firms in the pharmaceutical sector, which is currently being shaken by a wave of mergers and acquisitions resulting in very strong industry concentration. These giant firms, which were once convinced they could handle all their IT and consultantcy needs in-house, are turning with greater frequency to the use of external services and technological expertise. Thus, the combined talents of Cap Gemini's consultants and IT professionals have already gained impressive inroads in this industry with major companies such as Glaxo Wellcome, Astra, Zeneca, Knoll, etc.

• **Cap Gemini Insurance** is concentrating its efforts on medium-sized insurance firms whose competitive positions have been placed in jeopardy by the creation of large multinational corporations. To circumvent the problem, these firms are capitalizing on their reactivity and their ability to innovate and customize their services. Here, information technology plays a key role. Two of the group's offerings have had particular impact on this market: ICIS, an application module designed to handle administrative support for new insurance products; and DCM (Distribution Channel Management), a systems kernel used in customer follow-up.

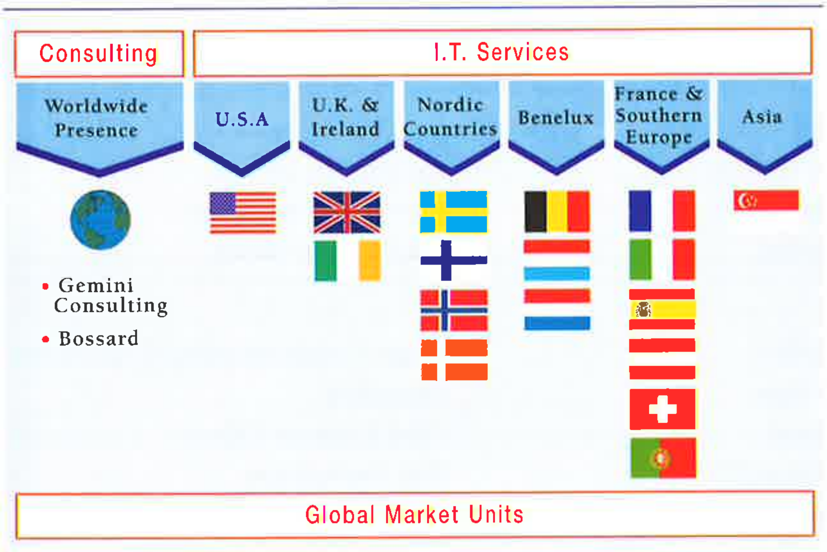
• **The Travel & Transport GMU** operates in a sector whose clients are more vulnerable than most to technological changes and information systems development. Airports, airline companies, air-traffic control systems, railroads, have all been obliged to move from straightforward assets management to a global management of information. For the past two years, a combined Cap Gemini/Gemini Consulting team has been focused on this market As a result of the enthusiasm generated for converged services, this entity was the precursor of the present Global Market Units.

*
* *

Thus, the Cap Gemini Group greeted 1997 with a simplified organization, a smoother financial structure, plus a new name and a unique image. It finds itself better positioned than ever to take on a highly promising market.

A new logo for a new era

On May 24, 1996, the group officially announced its new name at the General Shareholders Meeting and Cap Gemini was born. The new group logo was launched in Paris a few months later – on September 5 – and was soon rolled out everywhere. And so, for the first time in its history, Cap Gemini was known worldwide by one name and one logo. In keeping with tradition, the new name represents evolution, not revolution, just as the logo combines the colors of Cap Gemini Sogeti and Gemini Consulting and retains the "ace of spades" symbol of the group since its creation thirty years ago.



THE MANAGEMENT TEAM

MEMBERS OF THE DIRECTOIRE

Serge Kampf, Chairman (1)

Pierre Hessler (2)

Paul Hermelin (3)

Rudolf Molzahn (4)

Geoff Unwin (5)

OPERATIONS

IT Services

Mike Meyer	SBA 1 (United States)
Tony Robinson	SBA 2 (United Kingdom - Ireland)
Anders Skarin	SBA 3 (Nordic countries)
Chris van Breugel (*) and Berend Brix	SBA 4 (Benelux)
Paul Hermelin	SBA 67 (France - Southern Europe)
Jean-Louis Michelet	SBA 8 (Asia)

Management Consulting

Michael Davidson	Gemini Consulting U.S.
Jean-Pierre Durant des Aulnois	Chief Financial Officer
Patrick Elder	Gemini Consulting Europe
Jean-Pierre Auzimour	Bossard

Global Market Units

Alun Evans	Travel & Tranport
Alexandre Haeffner	Cap Gemini Telecom
Ian Jackson	Cap Gemini Insurance
Mike Standing	Life Sciences Group

CORPORATE FUNCTIONS

Jacques Collin	Image, Communications & University
Jean-Paul Figer	Innovation
Pascal Giraud	Chief Financial Officer
Michel Jalabert (*)	Risk Management
Eric Lutaud	Transnational Sales & Delivery
Nicolas du Peloux	Business Control

(*) member of the Supervisory Board of Cap Gemini S.A.

January, 1997 – Béhoust: the Cap Gemini Group management kick-off

Janine Delaporte – Automatons (1986)

Daniel Solnon – Second-hand Rembrandt (1988)

MANAGEMENT CONSULTING

GEMINI CONSULTING

A highly focused business

Not least among the Cap Gemini Group's valuable assets is the recognized position of Gemini Consulting in the management consulting field – a position which more than justifies the special group status it occupies. Gemini Consulting is a wholly autonomous, intellectually independent company, devoted to the business of management consulting. At the same time it benefits from a well-planned collaboration with all Cap Gemini's IT entities, whenever and wherever such a collaborative effort is considered appropriate.

In most instances, Gemini Consulting supports clients seeking to increase their market share and improve their profitability. As advisor to many companies, including some of the world's largest, Gemini Consulting helps companies to grow, develop and change by means of a thorough examination and assessment of all their resources and processes. Gemini consultants have an unmatched capability to mobilize entire organizations, energizing them to make the changes that success demands. It is in this spirit that Gemini Consulting recruits, trains and motivates its people; any Gemini engagement must conclude with tangible, measurable, sustainable results.

Created in 1991, through the merger of a number of consulting firms with complementary specializations, Gemini Consulting offers its clients a full range of competencies: strategy formulation and implementation, the optimization of processes, management of change, and information technology resources.

In addition to these capabilities, Gemini Consulting pays very careful attention to the human aspects of its business. When a company decides to redistribute its activities, the demands of time and speed call for the total commitment of everyone concerned. Thus, any attempt to treat the root causes of a company's issues must come from within. For this reason, the client is intimately involved in every facet of the change process.

Claude Yvel – Rainy day (1983)

Developing the global business

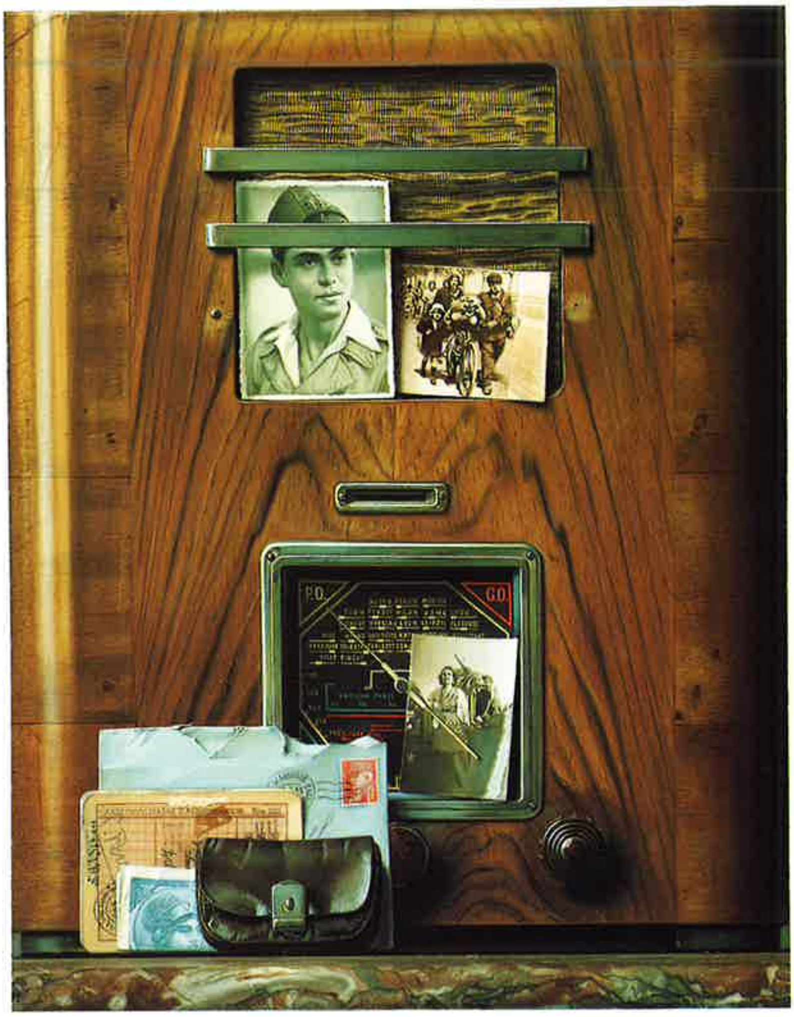
The good results reported in 1996 for Gemini Consulting's operations in Europe, South Africa and Asia (the Eastern Region) confirmed the 1995 figures. Growth initiatives have been pursued everywhere, sometimes with outstanding results. Some countries can even point to spectacular results. In France, for example, revenue increased by 45%, with an order book up 95%. The Netherlands, Germany and South Africa also made exceptional gains. And in 1996, the company also enhanced its presence in the U.K. market, and showed marked improvement in Japan, where it had experienced losses the year before.

In North America, market conditions required further significant changes. In 1996, the U.S. operation continued the process of change to meet new market demands in a variety of ways. Of particular significance is the focus on horizontal offerings, such as supply chain integration, vision engineering, and applied knowledge management, which has been met with positive market acceptance. Additionally, the cooperation with Cap Gemini America has also grown, enabling development of new opportunities in multiple industries, including automotive, chemicals, energy and financial services.

Where Gemini Consulting steps in

Globally, Gemini Consulting's business is organized around broad economic sectors:

- *Chemicals and Environmental*
- *Energy*
- *Computers, Content, Consumer Electronics & Communications (C4)*
- *Health Care*
- *Consumer, Retail and Distribution*
- *Financial Services*
- *Diversified Industries/Diversified Services*
- *Transportation, Travel, and Tourism (T3)*



Claude Yvel – If you knew (1982)

Bossard

Bossard joins Cap Gemini

Bossard is a half-century-old French firm, specializing in strategy and organizational consultancy since its creation in September, 1946. Cap Gemini has held a 49% stake in Bossard's capital since 1976, purchased from the founding twin brothers, Yves and Jean Bossard.

During the 1980s, Bossard operated mainly in France. Then, at the beginning of the '90s, it began to spread its wings internationally, locating in several countries, including Germany, Great Britain, Italy and Spain, as well as Eastern Europe. In Scandinavia, Bossard merged with a local company, SIAR, and now has a strong presence in the Nordic countries.

Today, the Bossard Group employs 930 people, 750 of them consultants. Its annual revenue is about FF 850 million, generated essentially in three fields: strategic studies, organizational change and human resources.

At the beginning of this year, the Bossard Group, with the agreement and support of a large majority of its partner/shareholders, became a wholly owned subsidiary of the Cap Gemini Group. This merger is in keeping with Cap Gemini's current strategic goals, and follows a prevalent "industrial" logic: i.e., the globalization and concentration of the management consulting business, with the result that a few large, multinational, multidisciplinary consultancies are in a position to take on major transformation projects and develop long-term, extensive client relationships.

Bossard's integration into the Cap Gemini Group represents the creation of France's top-ranking management consulting firm, with access to highly complementary offerings, both technical and sectoral. At the same time, Bossard's clients will be able to call upon the international network and the know-how of Gemini Consulting in management consulting and of Cap Gemini in information technology.

Jacques Poirier – The story of H... (1991)

Information Technology Services

Outsourcing is becoming widespread in all areas linked to information technology. Present-day transformations are pointing up the key role played by information systems. Concurrently, users are becoming aware that information technology per se is not their line of business. All observers are in agreement on one point: demand for IT services will continue to show strong growth in the coming years.

A well-defined offering for a thriving market

Under these circumstances, the group can only congratulate itself on the extreme effectiveness of the structure set up in 1993, enabling it to develop and deploy service offerings very speedily and in tune with new market expectations wherever it is present. Forecasts were confirmed in 1996: when defined processes are applied, success is certain. More than 30% of the group's 1996 revenue comes from service lines that did not exist four years ago.

Structured along three main lines, Cap Gemini's IT service offering provides a flexible response to all business requirements at all stages in the lifetime of an information system.

The three categories of activity characterizing this integrated offering, called "Systems Transformation," may be summarized in three key words: **Plan** (IT Consulting), **Build** (IT projects, software development, implementation of solutions based on standard software products, systems integration) and **Run** (information systems management – ISM – or outsourcing).

Where the action is

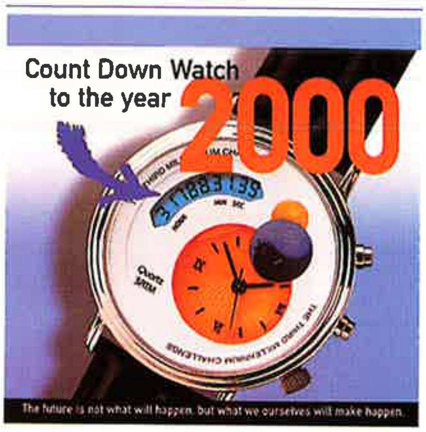
Single European currency

The shift to a single European currency is perhaps the most striking of the grand projects marking the end of the century. Its impact on the activities and working methods of businesses and financial institutions will be so great that its significance will be felt by Cap Gemini for many years to come. The first deadline is 1999, projected launch date of the new monetary system. Three years later, the euro could well be in general use for all transactions throughout Europe, even if lingering political uncertainties do not facilitate a thoughtful and measured grasp of the problems it poses. It is already widely recognized that banking and insurance will be the first sectors affected by this revolution, although all businesses are concerned, both in their financial management and their distribution policies. It is also significant that the retail sector was one of the first to get mobilized.

Introduction of the euro brings with it strategic changes in products and services. Companies will have to review all of their IT systems and accounting procedures, rewrite their contracts, adjust their schedules of fees, reprogram their cash registers, reprint their price lists, retrain their personnel. If not, serious dysfunctions will ensue. The initial phase of coexistence between the two monetary systems will be the most complex to master. It threatens to create an awkward situation for IT systems which have not been suitably prepared.

Cap Gemini has developed euroSCAN, a methodological tool required to manage this change and give precise answers to three critical questions: What is the impact of monetary union on the activities of my business? What should be done, when, and with whom? What is this operation going to cost? euroSCAN was developed on the basis of a detailed study carried out by the group on behalf of a consortium of German banks.

By offering its customers audit services precisely adapted to their strategic, technological and organizational environments, Gap Gemini puts them in a position to prepare effectively for the repercussions of this major event.



Year 2000 solutions

Chubb & Son, a global insurance company (1995 sales: $4 billion), is also a trailblazer in its business. As early as 1994, Chubb management became aware of the importance of the problem raised by the arrival of the year 2000 – without, however, imagining its true scope. In fact, the company's 130 installed systems are made up of 36,000 programs totaling some 47 million lines of code. The initial phase of an analysis performed by Cap Gemini showed that 77% of these programs were affected by the impending new century date, while 45% required complex fixes. Since mid-1996, 120 of these systems have been in the process of revision, following a strict timetable, by joint Cap Gemini/Chubb teams.

TransMillennium™ Services and the Year 2000

The turn of the millennium also represents a market holding strong potential for the group. Obviously, the effects of this fateful date are short-term ones, as the bulk of investment by businesses must take place between the present and the year 2000...before the feared rash of computer crashes paralyzes their information systems and their activities as a whole.

During the period 1970-1985, when most of the existing computer systems were deployed, the year was recorded as a two-digit, rather than a four-digit, date format (i.e., 97, not 1997). These habits have continued, so that with the approach of the millennium, businesses and organizations will find themselves confronted with a real dilemma: computers will interpret 00 as being smaller than 99, so that 00 will be read as 1900 instead of 2000. The result can be disastrous for programs involving date calculations, comparisons and projections. Few companies even thought of taking corrective action prior to 1994/95, and now the problem is likely to be complex and costly to solve (about $600 million-worth according to the experts). Consequently, the systems renovation issue must now be treated as a major undertaking by most companies, one that they can't put off any longer.

For more than two years, Cap Gemini has been fulfilling its duty as a consultant, alerting its customers to the urgency of decisions which have been put off for too long. Rather than renovating installed systems, it might be tempting to take advantage of this deadline and opt for pure and simple replacement of computer resources. Renovation or switchover? Cap Gemini has the methodologies needed to assist its customers in selecting the course best adapted to each situation.

Created within Cap Gemini America in 1994, the TransMillennium™ Services Division offers thoroughly tested conversion methods and tools, such as ARC*drive*sm, which has been adapted to the specific problem raised by the turn-of-the-century, characterized by the sometimes astronomical number of modifications which must be made to software. The Gartner Group has ranked the TransMillenium™ Services solution in the top rank of offerings world-wide. Cap Gemini has opened ten Applications Renovation Centerssm in the U.S. and Europe.

Launched at the beginning of 1996, TransMillenium™ Services has already booked orders worth FF 400 million. Prestigious organizations such as British Telecom, the Royal Dutch Navy, Polygram, Crédit Commercial de France, Nordbanken (Sweden) and Royal London Insurance have turned to Cap Gemini to handle changes aimed at maintaining all of their information systems in good working order.

Internet solutions: Inforoute/CapWeb

The worldwide takeoff of the Internet is an occasion for Cap Gemini to exploit its earlier penetration of the telecommunications and multimedia markets. A major player in the development of large public computer networks (and Teletel, in France), Cap Gemini is better placed than anyone else to play a decisive role in the changes taking place today.

Under its "CapWeb" label, Cap Gemini is marketing a line of services which help businesses take advantage of the new opportunities offered by the information superhighway. The CapWeb platform has been designated a "Public Interest Experiment" by the French Ministry of Postal Services, Telecommunications and Space. Accessible via the Internet, it provides subscribers with phone directory, e-mail and electronic cash services, along with access to the World-WideWeb and Teletel. It offers businesses all the services they need to inform, bill and manage their customers in complete security. Already thoroughly mastered under Teletel, these services are now available in the expanded universe of the new information superhighway.

CapWeb creates a symbiosis of information technology, telecommunications and multimedia, providing businesses with the necessary intermediary structure to develop their electronic commerce services. CapWeb is a complete solution: virtual shopping malls, multimedia catalogue, intelligent servers adaptable to all users. Furthermore, CapWeb can host a business' Web server, relieving it of all custodial worries.

Thanks to their openness and low cost, techniques derived from the Internet are imposing themselves as ideal solutions to all business communications problems. Sometimes rebaptized "intranet," they are applicable both to client/server systems and to cooperative exchanges between individuals and groups within the extended enterprise.

Cap Gemini is offering WebFlow to client companies as a means to dialogue with their own customers, to track orders and to ensure the smooth functioning of their various operations. Coordinating processes associated with exchanges of information, this service operates both within the corporation and in the context of relations with outside partners on a global scale.

Cap Gemini has also developed a system called "Nova," which facilitates the retrieval and updating of knowledge within a company. The group uses Nova for its own purposes in its Galaxy knowledge server where, each day, more than 100,000 messages are exchanged. Accumulated experience is thus made easily accessible to all group members.

Galaxy

The Galaxy is Cap Gemini's intranet server, designed to gather the 100 person/years of knowledge that the group generates every day from its employees all over the world. This "knowledge network" gives everyone who surfs its "planets" quick access to the most recent information on such topics as service offerings, references, the PERFORM quality system, partnerships, Gartner Group reports, etc. Likewise, there is easy access to "news" in the form of press reviews, Market Watch Bulletins; up-to-the-minute internal information via Cogitas *and* News in Review, *the Cap Gemini University catalogue, and open forums on a variety of subjects. Here is where the richness of content of Cap Gemini's knowledge server is most clearly apparent.*

Cap Gemini's ISM offering is broken down into three major "families":

- ***Applications Management** (AM), responsibility for the management of activities related to the maintenance and enhancement of applications. Cap Gemini is the European leader in this field.*
- ***Distributed Computing Services** (DCS), running a client's distributed (client/server) systems.*
- ***Central Computing Services** (CCS), taking charge of a client's centralized (mainframe) systems.*

Information Systems Management (ISM)

In Europe, the outsourcing of computer services has encountered much hesitation during the past, motivated more by cultural reflexes than by an objective analysis of the real stakes involved. Information Systems Management is still not actively practiced in all of the countries in which Cap Gemini operates. On the other hand, it has met with great success in Great Britain, as witnessed by the scope of the many contracts signed during 1996.

Changes in thinking are also perceptible in the manner in which companies approach this problem. Businesses and government agencies no longer limit themselves to the search for simple reduction of the operating and maintenance costs of their applications. Above all, they wish to take advantage of this facility in order to reposition themselves and improve services delivered to their own users and customers. Increasingly, IT outsourcing is accompanied by operations to reengineer management processes. It is primarily in this case that ISM assumes its full significance for the group, which views it as a special opportunity for exploiting its full know-how in the field of business/systems transformation. Here, ISM agreements form only one component of a trans-functional contractual envelope.

ISM often involves the integration of client teams into the Cap Gemini work force. This enables the client firm to reduce its fixed costs and benefit from the economies of scale that the group can provide. Very frequently, however, transfer of personnel into a multinational, multidisciplinary business like Cap Gemini provides a boost for their professional motivation and careers. The group welcomes them as fresh talent, offering them career plans and opportunities not available to them in their previous positions. There is no shortage of cases in which outsourcing has brought out the true skills of people who had been underestimated in the past.

British Steel

High stakes, low risk

The scope of the contract signed with British Steel attests to the readiness of very large companies to shift the burden of managing very complex computer systems onto specialists in the field. On signing this five-year, £80 million contract, both partners expressed their mutual hope to see it renewed far beyond this initial period.

Maurice Laroche – The carry-all (1992)

Jean Malice – The telephone (1970)

CONVERGENCE

TWO KEY SERVICE BUSINESSES, COVERED FROM A TO Z

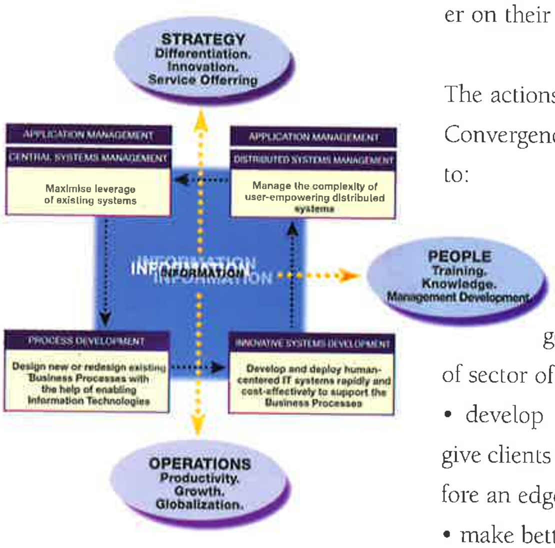
By taking on 100% of the capital of Gemini Consulting – whereas, until May, 1996, it had held only a 34% stake – the Cap Gemini Group wanted the resources at hand to respond more appropriately and more globally to the most complex client needs.

The Cap Gemini Group now represents two distinct business activities, **management consulting** and **IT services**, each pursuing its goals of excellence. The addition of Bossard in 1997 will only strengthen this new market position.

The term Convergence, however, does not imply merger. In reality, convergence between Gemini Consulting and the IT service companies of Cap Gemini would actually impoverish the group if it resulted in a loss of culture and identity for one or the other of the two intellectual "families" which make up its current assets.

Respect for the identity and culture of these two families now living under one roof is, in fact, the true test of how well the house is built. And, faithful to its history, Cap Gemini is determined that all who contribute to that history should be recognizable, even as new pages are being written.

Adding and combining the qualities, disciplines and experiences of these two key business components of the group is strengthening the value of each of them. The Convergence program is not just confined to a simple effort at synergy between two activities that are naturally connected. There is a **an overarching ambition in all this**: that the linkage of these two core businesses will bring the greatest possible benefit to Cap Gemini's clients. Experience has shown that clients want to base their decisions on proven solutions in which advanced technologies are being exploited to full advantage, and when these solutions are implemented as part of a complete, modern overhaul of their business processes. Thrown off



Concurrent Transformation

Concurrent Transformation is a solution developed by the Cap Gemini Group which enables a company to run a change management and systems management project simultaneously – as opposed to sequentially – as a single, uninterrupted process. It is often the case that information systems have a hard time evolving as fast as professional circumstances might require. In Concurrent Transformation, the evolution of operations, processes and information systems are handled in parallel and, as a consequence, more cost effectively. Most often this approach relies on the implementation of integrated management software packages.

balance by the many changes confronting them, companies recognize that the way ahead is forged by an intelligent synchronization of structures, people and technology.

In its practical application, the Convergence initiative is quite obviously transnational. Its goal is to help the local units of both families win business to which they would never have had access or been able to deliver on their own.

The actions carried out as part of the Convergence program are designed to:

- improve the group's market coverage both geographically and in terms of sector of activity;
- develop service offerings that will give clients an edge in time and therefore an edge on the competition;
- make better use of the unique combination of talents, competencies and experiences that these two businesses represent;
- facilitate the distribution of resources wherever they are needed, rather than wherever they happen to be located.

During 1996, several such initiatives were undertaken, including:

- the creation of four new transnational entities known as Global Market Units (GMUs) – described in detail on page 24 – the clearest example to date of the cooperation and cross-fertilization of skills between the two families;
- the implementation of a joint marketing approach by developing relationships with many large accounts and determining the best ways to serve them;
- the creation of a new function for staffing joint projects worldwide – i.e., finding and deploying the right resources quickly, wherever they are needed;
- the implementation of common processes designed to encourage contact and mutual understanding between the two families.

Applied Knowledge Management

A company's greatest source of wealth – as well as its chief competitive asset – is the individual and collective know-how of its people. Introduced during the second half of 1996, the Applied Knowledge Management (AKM) offering is designed to provide an integrated solution to the "reactivity requirement" inherent in today's business environment.

Going beyond the basic demands of information management, AKM is a contributing factor in the growth and deployment of all available knowledge within an enterprise. The offering is made up of a set of consulting services, methods and IT tools designed to assist an organization in extracting, transferring and deploying its "best practices," as well as making optimum use of the data stored in these information systems.

Development of such a knowledge management system calls for the mastery of many elements: the identification of strategic information, standardization of the distribution channels for such information, a firm grasp of IT systems architecture and knowledge management and, ultimately, the organization and mobilization of the people who use the system. Above and beyond all that, various roles and processes have to be redefined, which calls for an active collaboration between the management consultant and the IT professional.

Thus, the AKM initiative is in the hands of mixed teams and requires all the group's core competencies: strategy, organization, and mobilization (Gemini Consulting and Bossard), and systems technology (Cap Gemini).

Marilyn Levine – Bob's bomber jacket (1990)

Enterprise Resource Planning (ERP) packages: a new approach to market

In 1996, an upsurge in services related to the implementation of integrated software packages took center stage away from customized software development. Strategic alliances signed with Oracle and SSA (Systems Software Associates) added to an already impressive list of partnerships which the group had established over several years with BAAN in the Netherlands and SAP in Germany (both well covered in the 1995 Annual Report). These alliances are making it possible for Cap Gemini to solidify its position with the key players in this market and, at the same time, to bring real benefits to its clients.

The **Oracle** applications suite, combined with its industry partners' solutions, provides coverage of the full value chain for manufacturing and services companies. On April 15, 1996, the Cap Gemini Group signed a Business Alliance Programme agreement with Oracle Corporation and joined the Oracle Applications Partnering Programme. The collaboration with Oracle Applications, which began in 1995, has already contributed to the success of several major projects: Ralcorp (in the U.S.), MoDo (Sweden), Lafarge and Locatel (France). Cap Gemini has committed to train 300 Oracle Applications consultants by the end of 1997.

SSA's BPCS product is the most widely used ERP package in the pharmaceutical sector, and also has a strong user base in the automotive industry. On April 12, 1996, Cap Gemini signed a "Cooperative Agreement" with SSA, whose new client/server system is capable of handling the Year 2000 issue. Cap Gemini is also committed to developing a joint methodology based on **PERFORM**, and to training 100 consultants in BPCS.

Bridgestone / Firestone

Cap Gemini and Gemini Consulting are working in partnership at Bridgestone/Firestone, on an assignment aimed at improving the client's profitability and cash flow. This multi-year project is aimed at gaining competitive advantage for Bridgestone/Firestone with its customers and suppliers, improving the utilization of working capital and understanding and simplifying business processes using IT as an enabler. Over the course of the program, implementation will span North America, including 6 customer service centers, 7 plants and 12 distribution centers. The analysis phase covered all the business processes, from the source of raw materials to delivery of the end product into the hands of the customer – in other words, a total renovation of processes, functions and technology. The project includes an SAP implementation for Enterprise Resource Planning and MIMI software from Chesapeake for supply chain management, plus a Year 2000 renovation of Bridgestone/Firestone's legacy systems. The company's physical distribution network is also coming under review and several initiatives have been taken to turn suppliers into partners.

PeopleSoft is a global challenger in the ERP market, and undisputed leader in human resources management packages. Cap Gemini has established partnership agreements with PeopleSoft in several countries and a number of signed contracts have ensued: with Dutch Telecom and the University of Groningen in the Netherlands, with Radio France, and with OM Scott and CompuServe in the U.S. Cap Gemini is also training about 100 specialized PeopleSoft consultants.

A further sign of the times is the entry of a new breed of competitor staking a claim in the lucrative software products implementation market: none other than the large consulting firms. This observation gives added credence to the growing need for coordination between management consulting and IT services. The business known as "Enterprise Resource Planning" relies on services very different from those required for customized software development. The implementation of these packages calls for a preliminary analysis phase which falls directly within the province of a consulting engagement. Further justification – if any were needed – of the strategic importance the Cap Gemini Group is placing in its Convergence program.

The favorable fallout of Convergence

The initiatives undertaken as part of the Convergence program have already shown results: an order book for 1996 amounting to FF 1 billion, including such big names as Glaxo Wellcome, Elf Atochem, ABN Amro, Crédit Lyonnais and BellSouth. Meanwhile, in the field, less formal types of cooperation and exchanges have been growing, to the great benefit of Cap Gemini's clients, both present and future. Several large orders were won as a result of the combined efforts of Cap Gemini and Gemini Consulting in situations where, alone, neither of the two firms would have stood a chance.

Pierre Gilou – The pumpkin (1973)

A CULTURE BUILT ON KNOW-HOW

In an age where information and knowledge are at everyone's fingertips, a company's added value is determined by the degree of competence of the men and women it employs – in the specialized skills acquired by each of them, but also, as already noted, in their ability to create collective know-how and to share it with other companies. To make the most of this asset, a service company like Cap Gemini has an even greater obligation than others to place strong emphasis on the quality of the people it recruits, and to support a culture in which sharing experience is an important aspect of training.

Attracting talented people

1996 was a year of strong growth for Cap Gemini, one in which it had to double its investment in bringing on board new and talented people; a task not as easy as it might appear.

In the French market alone, Cap Gemini is at the top of the list of companies ranked according to the number of IT professionals recruited during the year. It ranks number two if all engineering categories are included among the new hires.(*) For example, more than 900 engineers were hired in France, 450 of them just entering the job market.

Among the major European economies, Cap Gemini is recognized for its vitality and for its extensive recruitment programs. Everywhere, in fact, the group's multinational dimension, its diversity, the scope and inventiveness of its projects, all hold enormous appeal for the ambitious and demanding job seeker.

(*) *In France, university graduates in computer science are classified as engineers.*

Béhoust

Situated 50 kilometers west of Paris in the village of Béhoust, Cap Gemini University has been fulfilling a twofold mission since its inauguration in 1991:
As the "Group Home," Béhoust hosts many meetings which provide managers and staff from many countries with the opportunity to learn, exchange ideas and share know-how. In 1996, more than two-thirds of these seminars and meetings catered to a multinational audience.
But the University's major role is as a learning organization. As a complement to the technical, commercial and managerial training organized by the local operational units, Cap Gemini University oversees the international programs. Its catalogue, updated annually, covers several different areas: the group presentation and its new service offerings; the development of management skills in human resources, sales and project leadership; the training of high potential people.
The expansion of this activity – from 8,000 person/days in 1995, to 12,000 in 1996 – bears witness to the valuable and unique role the University plays in bringing together men and women of different cultures and encouraging them to share their knowledge and experience.

Sharing acquired experience

The Convergence program has been instrumental in mobilizing a great many skills and competencies. As a result, several workshops have been held at Béhoust – site of Cap Gemini University – designed to examine and deploy information gathered on joint international projects as quickly as possible. Participants from the group's two large families have been given the opportunity to explore the various aspects of the Convergence program and to measure the impact of this approach on their respective businesses. These gatherings are an occasion for people to discover what they have in common, despite differences in company affiliation, country, discipline or market sector. They also discover vast possibilities for improving their work. Value-chain analysis and benchmarking help them concentrate their efforts on ways of improving profitability. An exchange of best practices also provides methods and channels for effective reuse. Seeing what others are doing does wonders for the imagination.

Cap Gemini's "Joint Project Delivery Best Practice" (JPDBP) guides are available on the Galaxy – the group's intranet knowledge server. These guides are extremely helpful in dispatching know-how acquired on Convergence projects. They make it easier to form real, unified project teams, which are better prepared to meet collective expectations. Members of these teams learn how to reconcile often very different project management approaches, and to coordinate the efforts of the IT professionals and consultants working alongside one another at client sites.

In addition, the Galaxy has launched a new "planet" devoted to human resources management, with open "People" forums containing profiles of experts, consultants and IT professionals. As part of the mission to staff a growing number of transnational projects, many opportunities are opening up which might well be a source of professional, cultural or personal enrichment for interested parties. At the same time, the international job opportunities consistently listed on the Galaxy are making it faster and easier to fill the right jobs with the right people.

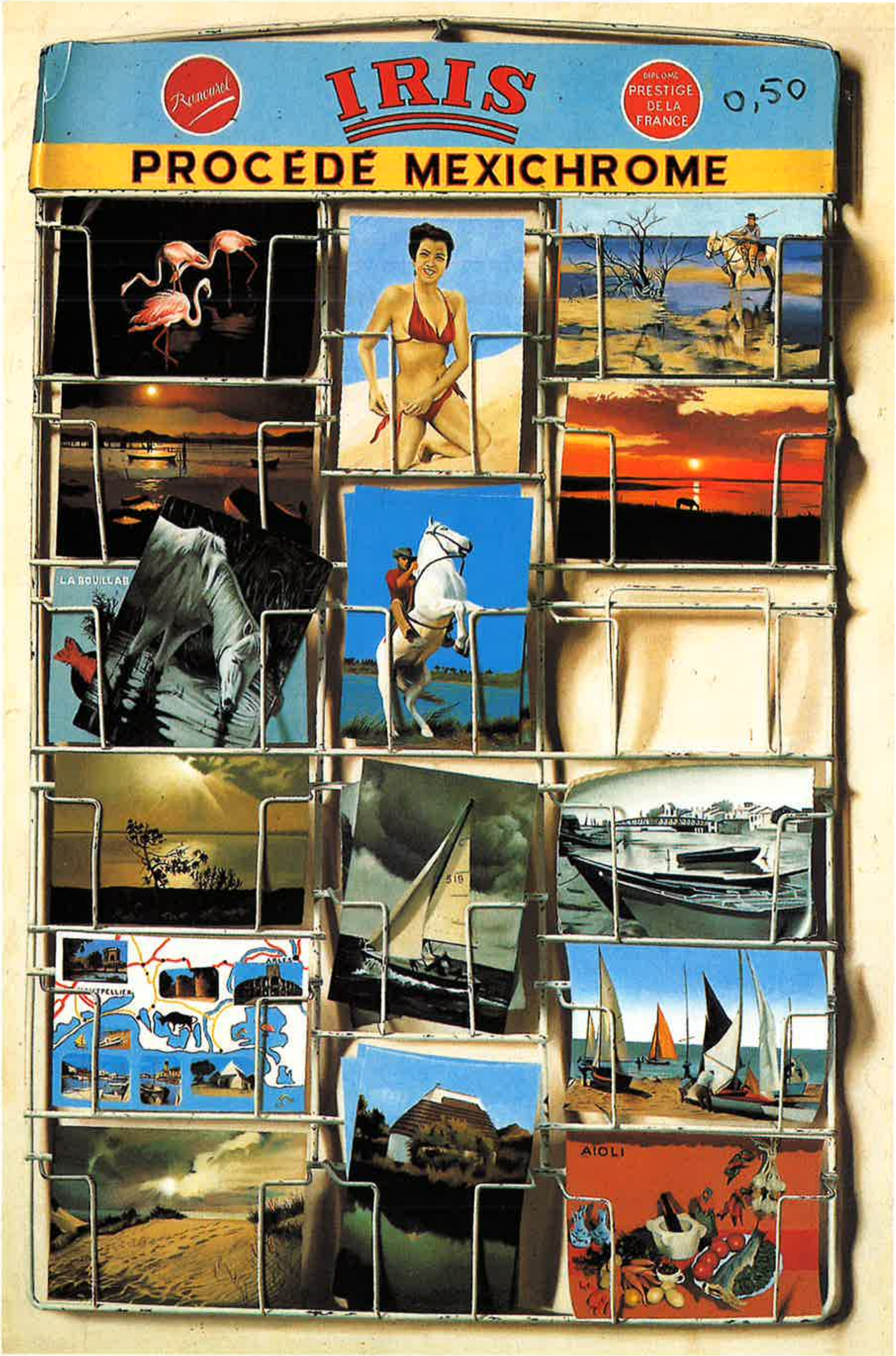
Training and cultural diversity

Throughout 1996, Cap Gemini enhanced its employee training efforts. With so many changes taking place so quickly in the marketplace, it was imperative for the group to enrich long-term training programs designed to give its employees the means to perform at their optimum levels.
To attract and retain gifted people, they must be given access to other experts so that the learning process persists throughout their professional lives. The technicians and consultants who join Cap Gemini are well aware of the personal investment expected of them, and of the resources that the group provides to help them meet those expectations – in terms of skills, techniques, sector specialization, service lines, etc.
In a service company, however, training should go beyond the improve-

Jean-Marcel Barnay – Rare French stamps (1981)

ment of individual capabilities and assure the transmission of know-how and skills among individuals. Internship depends to a large extent on discussions with colleagues, networking, electronic forums, conference calls, joint projects, followed up with analysis and publication of the very best initiatives to evolve from these contacts. Enlarging the range of available services and skills, deploying new offerings quickly, all play a part in the training effort, and the importance of that effort in the development of the group.

Moreover, Cap Gemini has long been aware that globalization does not mean uniformity. It came to understand the power of diversity very early on, during its singular journey through Europe. And if there was one irrefutable lesson to be learned, it was that the strongest solution to any given challenge is the one reached by different cultures working together, not the one arrived at by any single contributor. Thus, day by day, this talent for building multinational teams, working and thinking multi-culturally, has flourished; this gift for extracting what is best from the inherently close ties between the art of the consultant and the expertise of the IT professional.



André Rancurel – Postcard display (1962)

Cap Gemini Group

Corporate Headquarters

Place de l'Etoile - 11, rue de Tilsitt - 75017 Paris - France
Telephone: 33 (0)1 47 54 50 00
Internet: www.capgemini.com

Training Center

Cap Gemini University	33 (0)1 30 88 38 38

Research & Development

Cap Gemini Innovation	
Paris	33 (0)1 47 54 52 00
Grenoble	33 (0)4 76 76 47 47

Global Market Units

Cap Gemini Insurance	
London	44 (171) 434 21 71
Cap Gemini Telecom	
Paris	33 (0)1 47 54 52 00
Travel & Transport	
London	44 (171) 340 30 00
Life Sciences Group	
London	44 (171) 434 21 71

France (33)

FRANCE	Cap Gemini France*	
Paris (0)1	**Corporate Headquarters**	**47 54 50 00**
	Exploitation Division	40 24 10 10
	Finance Division	47 54 52 00
	Industry Division	49 01 70 00
	Informatique Hospitalière Division	49 01 70 00
	Institut Division	44 74 24 10
	ISM Division	41 26 51 00
	Itmi Aptor Division	49 10 53 00
	Public Services Division	49 01 70 00
	Tertiaire Division	49 01 70 00
	Telecom Division	49 63 50 50
Bayonne (0)5	Itmi Aptor Division	59 50 31 00
Bordeaux (0)5	Exploitation Division	57 26 15 15
	Informatique Hospitalière Division	57 89 03 00
	South Division	56 46 70 00
Brest (0)2	West Division	98 41 45 44
Caen (0)2	West Division	31 94 51 20
Clermont-Ferrand (0)4	Rhône-Alpes Division	73 28 23 81
Dijon (0)3	Rhône-Alpes Division	80 78 90 10
Grenoble (0)4	Itmi Aptor Division	76 41 40 00
	Rhône-Alpes Division	76 04 23 30
Lille (0)3	Exploitation Division	20 45 99 18
	North East Division	20 19 37 37
Lyon (0)4	Exploitation Division	72 74 03 26
	Informatique Hospitalière Division	72 43 51 60
	Rhône-Alpes Division	72 75 48 60
Marseille (0)4	South Division	91 16 57 00
Montpellier (0)4	South Division	67 20 92 92
	Exa Division	67 20 64 90
Nancy (0)3	North East Division	83 95 85 85
Nantes (0)2	Exploitation Division	51 84 95 02
	West Division	51 88 15 15
Nice (0)4	South Division	93 72 43 72
Orléans (0)2	West Division	38 24 01 01
Pau (0)5	South Division	59 84 12 23
Poitiers (0)5	Informatique Hospitalière Division	49 38 14 00
Rennes (0)2	West Division	99 83 85 85
Rouen (0)2	West Division	35 12 20 20
Strasbourg (0)3	North East Division	88 56 86 10
Toulouse (0)5	Exploitation Division	61 30 48 30
	South Division	61 31 52 00
Tours (0)2	West Division	47 60 67 60

EUROPE

AUSTRIA	**Cap Gemini Austria**		
(43)	Vienna	(1) 523 501 77	
BELGIUM	**Cap Gemini Belgium**		
(32)	Diegem	(2) 716 12 11	
DENMARK	**Cap Gemini Danmark**		
(45)	**Glostrup**	**(44) 94 44 44**	
	Viby, Jylland	(86) 28 70 77	
FINLAND	**Cap Gemini Oy**		
(358)	**Espoo**	**(9) 452 651**	
	Helsinki	(9) 733 55	
	Tampere	(31) 214 64 44	
	Turku	(22) 512 666	
GERMANY	**debis Systhemhaus GmbH**		
(49)	Leinfelden-Echterdingen	(711) 972-0	
IRELAND	**Cap Gemini Ireland**		
(353)	Dublin	(1) 661 3266	
ITALY	**Cap Gemini Italia**		
(39)	Bologna	(51) 541 259	
	Genoa	(10) 642 3041	
	La Spezia	(187) 513 542	
	Milan	(2) 599 241	
	Naples	(81) 562 5208	
	Rome	**(6) 231 901**	
	Syracuse	(931) 463 565	
	Turin	(11) 654 81	
LUXEMBOURG	**Cap Gemini Luxembourg**		
(352)	Luxembourg	48 42 43	
THE NETHERLANDS	**Cap Gemini Nederland**		
(31)	Utrecht	(30) 252 65 26	
NORWAY	**Cap Gemini Norge**		
(47)	Bergen	(55) 31 11 17	
	Fredrikstad	(69) 31 41 30	
	Oslo	**(22) 05 22 05**	
	Skien	(35) 52 75 45	
	Stavanger	(51) 89 46 40	
	Trondheim	(73) 82 72 00	
PORTUGAL	**Cap Gemini Portugal**		
(351)	Lisbon	(1) 416 97 00	
SPAIN	**Cap Gemini España**		
(34)	Barcelona	(3) 228 39 00	
	Madrid	**(1) 432 81 00**	

SWEDEN	**Cap Gemini Sverige**	
(46)	Borlänge	(243) 694 00
	Bromma	**(8) 704 50 00**
	Eskilstuna	(16) 172 340
	Fagersta	(223) 458 00
	Gävle	(26) 15 91 60
	Göteborg	(31) 35 46 00
	Helsingborg	(42) 17 60 00
	Hudiksvall	(650) 357 00
	Jönköping	(36) 30 57 00
	Kalmar	(480) 178 85
	Karlshamn	(454) 343 00
	Karlskrona	(455) 446 60
	Karlstad	(54) 14 63 00
	Linköping	**(13) 24 81 00**
	Luleå	(920) 23 75 30
	Malmö	**(40) 772 10**
	Örebro	(19) 17 32 00
	Oxelösund	(155) 550 00
	Skövde	(500) 42 79 60
	Stockholm	(8) 704 50 00
	Sundsvall	**(60) 59 47 00**
	Umeå	(90) 71 20 00
	Uppsala	(18) 18 52 30
	Västerås	(21) 10 58 00
	Växjö	(470) 74 95 40
SWITZERLAND	**Cap Gemini Schweiz**	
(41)	Basel	(61) 313 30 20
	Bern	(31) 958 36 76
	Geneva	(22) 839 18 18
	Zürich	**(1) 298 94 94**
		(1) 298 93 93
UNITED KINGDOM	**Cap Gemini UK**	
(44)	Bedford	(1234) 328 111
	Birmingham	(121) 333 3536
		(121) 328 8200
	Bournemouth	(1202) 299 399
	Bristol	(1454) 626 626
	Devizes	(138) 0724 921
	Edinburgh	(131) 551 6656
	Forres	(130) 967 5566
	Glasgow	(141) 331 0414
	Greenford	(181) 578 5571
	London Headquarters	**(171) 434 2171**
	London/South Bank	(171) 735 0800
	London/Stag Place	(171) 828 7878
	Peterlee	(191) 518 0078
	Rotherham	(1709) 710 071
	Sale	(161) 969 3611
	Woking	(1483) 764 764

United States (1)

UNITED STATES	**Cap Gemini America**
Corporate Headquarters (New York)	**1 (212) 944 6464**
Corporate Functions (Holmdel)	**1 (908) 946 8900**

Akron	(330) 996 7300	Iselin	(908) 906 0400
Appleton	(414) 730 3856	Jacksonville	(904) 296 0441
Atlanta	(770) 677 3520	Kansas City	(913) 451 9600
Baltimore	(410) 581 5022	Madison	(608) 244 4880
Cambridge	(617) 491 5200	Milwaukee	(414) 273 3321
Chicago	(708) 531 1300	Minneapolis	(612) 375 9881
Cincinnati	(513) 563 6622	**New York**	**(212) 944 6464**
Cleveland	(216) 464 8616	Omaha	(402) 492 8877
Columbus	(614) 898 3044	Orlando	(407) 660 8833
Dallas	(972) 776 5600	Pittsburgh	(412) 394 6460
Dayton	(513) 890 1271	Portland	(503) 295 1909
Delaware Valley	(610) 668 4626	St. Louis	(314) 632 5000
Denver	(303) 220 1700	Richmond	(804) 782 0120
Des Moines	(515) 282 4802	Seattle	(206) 624 4600
Detroit	(810) 350 8088	Tampa	(813) 273 0059
Ft. Lauderdale	(954) 776 5144	Washington D.C.	(703) 734 1511
Grand Rapids	(616) 975 1500	Wausau	(715) 675 4882
Houston	(713) 307 7800	Wilmington	(302) 478 5125
Irvine, California	(714) 932 6108		

Asia

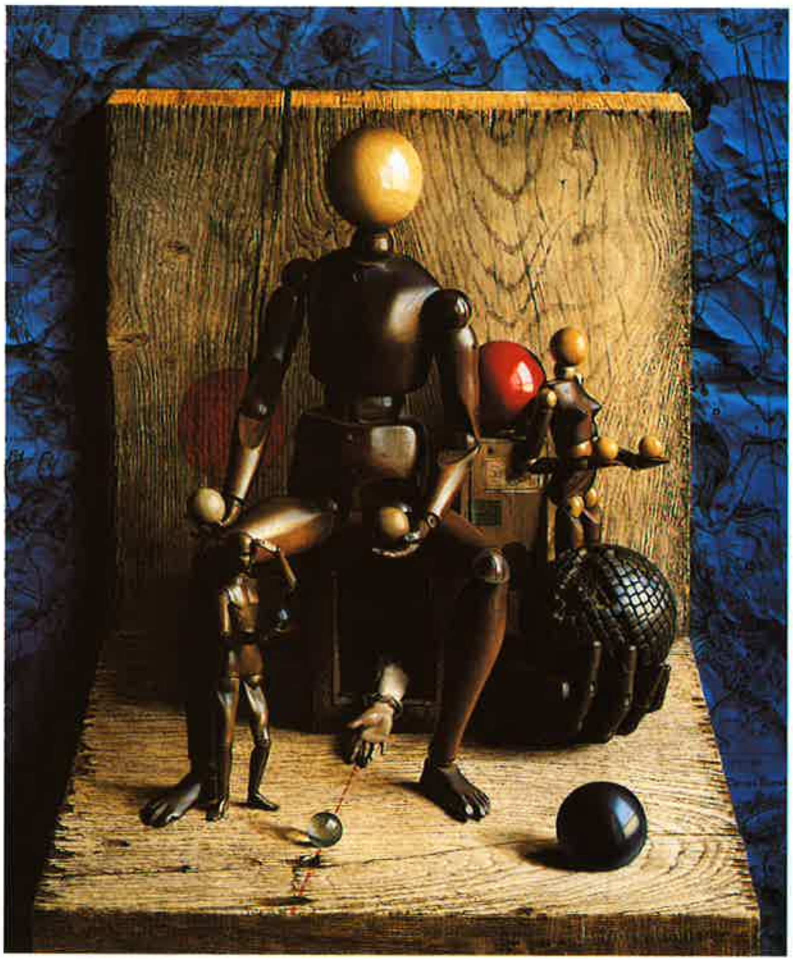
SINGAPORE	(65) 484 31 88	**JAPAN**	(813) 5545 0900
HONG KONG	(852) 2529 3666	**TAIWAN**	(8862) 546 6387

Gemini Consulting

Barcelona	34 (3) 405 1133	**Morristown**	**1 (201) 285 9000**
Boston	1 (617) 491 5200	Munich	49 (89) 28 6220
Brussels	(32) 2 716 12 61	New York	1 (212) 768 20 66
Chicago	1 (708) 531 8815	Oslo	47 (22) 01 8500
Frankfurt	49 (6172) 4850	Paris	33 (0)1 44 40 19 00
Houston	1 (713) 209 28 00	San Francisco	1 (415) 982 39 00
Johannesburg	27 (11) 880 1121	São Paulo	55 (11) 820 4377
Lisbon	351 (1) 353 7688	Stockholm	46 (8) 402 3600
London	**44 (171) 340 3000**	Tokyo	81 (3) 5545 7001
Madrid	34 (1) 432 8400	Utrecht	31 (30) 252 7150
Milan	39 (2) 7600 0863	Zürich	41 (71) 272 0097

Bossard Consultants

Barcelona	34 (3) 217 10 59
Berlin	49 (30) 885 94 20
Brussels	32 (2) 285 00 28
Bucharest	40 (1) 223 47 65
Cologne	49 (221) 91 26 44 0
Espoo	358 (9) 427 500
Frankfurt	49 (69) 91 30 290
Kiev	380 (44) 229 92 86
London	44 (171) 833 1002
Lyon	33 (0) 4 78 63 60 50
Madrid	34 (1) 575 09 36
Milan	39 (2) 72 00 20 79
Moscow	7 (095) 229 72 48
Munich	49 (89) 38 15 98 0
Paris	**33 (0) 1 41 08 40 00**
Riga	371 (7) 320 722
Rome	39 (6) 884 45 01
Saint Petersbourg	7 (812) 326 1805
Stockholm	46 (8) 458 60 00
Tallinn	372 (6) 311 386
Warsaw	48 (22) 622 47 28
Vilnius	370 (2) 628 433
Zürich	41 (1) 944 54 04



Jacques Poirier – Andromeda (1992)

A publication of Cap Gemini: Produced by Corporate Communications
Text: Corporate Communications with the collaboration of Bernard Sauteur, Synthèse Informatique.
Cover illustration: Jacques Poirier - "Saturn" (1995) - Photos: The Image Bank - Pix - J. Wallace.
Layout: Corporate Communications - Execution: Productions 32

CAP GEMINI