

# 97

A N N U A L R E P O R T



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# Letter from



Anyone who remembers the complicated chart representing the Group's capital structure just two years ago will not fail to appreciate the great simplicity of the present graphic: one and only one holding company – **Cap Gemini** – and three shareholders, CGIP 30%, the public 54% and I the balance.\*

To reach that point, two major actions were necessary:

- first, the legal and financial restructuring carried out in May 1996: merger of all the holding companies within Cap Gemini S.A., adoption of a two-tiered management structure consisting of a Directoire (Executive Board) and Supervisory Board, etc.;
- second, the exit of Daimler-Benz InterServices (debis) from our company capital in July 1997, with the accompanying increase in CGIP's shareholding which raised its stake from 20% to 30%.

Two years ago – or even as recently as last June – hardly anyone would have put money on such an outcome. Nevertheless, the Group's

management team took the bet. We as a team were not happy about the take-over that was shaping up at the time and we let our feelings be known. Well, we won our bet and we can celebrate. As if things were bubbling away under the surface, the Group, since it regained its autonomy, seems to have quite literally taken off. Instead of FF 18 billion in revenue – the figure it had forecast for 1997 – it achieved FF 20 billion and adjusted the goals it had set for the coming years accordingly. The work force has grown by 3,000 in just a few months and should increase by several thousands more during 1998. The 1997 results – still modest in terms of revenue percentage – doubled in relation to 1996, and stock market capitalization multiplied by two in six months.

Obviously, we can't attribute everything to this release of energy within the Group since last July. Much of our recovery is owing to the economic climate where the IT services market is once again experiencing growth rates not seen since the 1980s, also helped by some auxiliary growth engines (e.g., conversion to the euro, transition to the year 2000, etc.) which are boosting growth even higher. In its own way, the competition (which is doing quite well too) is contributing to the situation by creating a highly charged climate which certainly does not reward the drowsy or the complacent: all horseriders are well aware that the best way to avoid swallowing the dust raised by the others is to stay at the head of the pack. Finally, the Group is continuing to reap the benefits of the "Convergence" strategy that it committed to at the beginning of 1995, a strategy which marries, without dissolving them, two families not spontaneously prone to cooperating with one another, namely the IT professionals and the management consultants.

As much as the elements were in league against us in 1992-93 – the economic crisis unleashed by events in the Gulf, the crisis indigenous to the IT industry, the Group's own growth crisis – so they seem today to be in our favor, making things easier for us (but also diminishing our merits). Actually, these "things" are not quite as easy as they seem:

- It isn't that easy to find the thousands of people the Group wants to hire in 1998 – half of them to assure growth, the other half to compensate for departures – in a market starved of qualified personnel. And when we have found them, we then have to integrate, train and motivate them, and it isn't hard to imagine what this entails when you're dealing with such strong-minded and highly coveted groups of people.

\* Part of this remaining 16% was set aside for options at a preferential price which were granted in 1996 to about 200 Group managers.

# the Executive Chairman

- It isn't that easy, from among all the technological innovations generated by industry or research, to choose the ones which will have a shelf life longer than six months and will meet users' needs over the long-term.
- It isn't that easy to maintain an equal balance between our consulting mission – which is to encourage businesses and public authorities to take a “fine-tooth comb” to their aging programs and systems in order to confront the December 31, 1999 deadline without mishap – and our concern not to instigate a new “Transmillennium Terror,” or give credence to the IT Apocalypse prophesied by some, with the euro and the year 2000 cast as Gog and Magog.
- Nor is it that easy to keep jockeying for position to prevent gate-crashers from reaping the fruits of one's labor over the past 20 or 30 years. Oh, those good old days when the manufacturers were manufacturing, the auditors auditing, the organizers organizing, the telecom operators laying underground long-distance cable, and the software package developers still sucking on their first bottles. None of them would then be poaching on the private hunting ground of the service companies because, in fact, this ground still had to be plowed. Today, everyone is digging in, looking either for diversification, higher margins or new clients to ensnare in a full range of product-linked services. Just a year ago, in this very space, I recalled the fantastic changes that had taken place in information technology over the past three decades. But at that time I could hardly imagine, for instance, that a software developer would launch a \$10 billion take-over bid on a leading IT services company, even less that such a take-over bid would be a hostile one. Today we know that the determination of the managers of Computer Sciences Corporation deflected this unwanted grab for control, but the mere fact that it was attempted proves that, in our business, the boundaries no longer exist and that, from now on, anything is possible. If you're not totally secure in an impenetrable niche or enjoying the advantages of some special protection, then you either grow fast and run fast or risk being swallowed up.

This explains why the Cap Gemini Group has chosen to pick up the pace and flex its muscle (in other words, to accumulate results) in order to stay with the leaders of the pack and, if need be, to help in some regroupings. What matters to us is to be able to sustain a rhythm of growth over several years comparable to the one we began in 1998, to bring us as quickly as possible to the 5% net profitability that our current 3-year Plan has set as its chief target, and to prepare new offerings (integrated supply chain management, electronic commerce, customer relationship management, adaptation and integration of complex software packages, transformational outsourcing, network optimization, and so on), offerings that the Group can propose to its clients once they have finished solving their immediate problems.

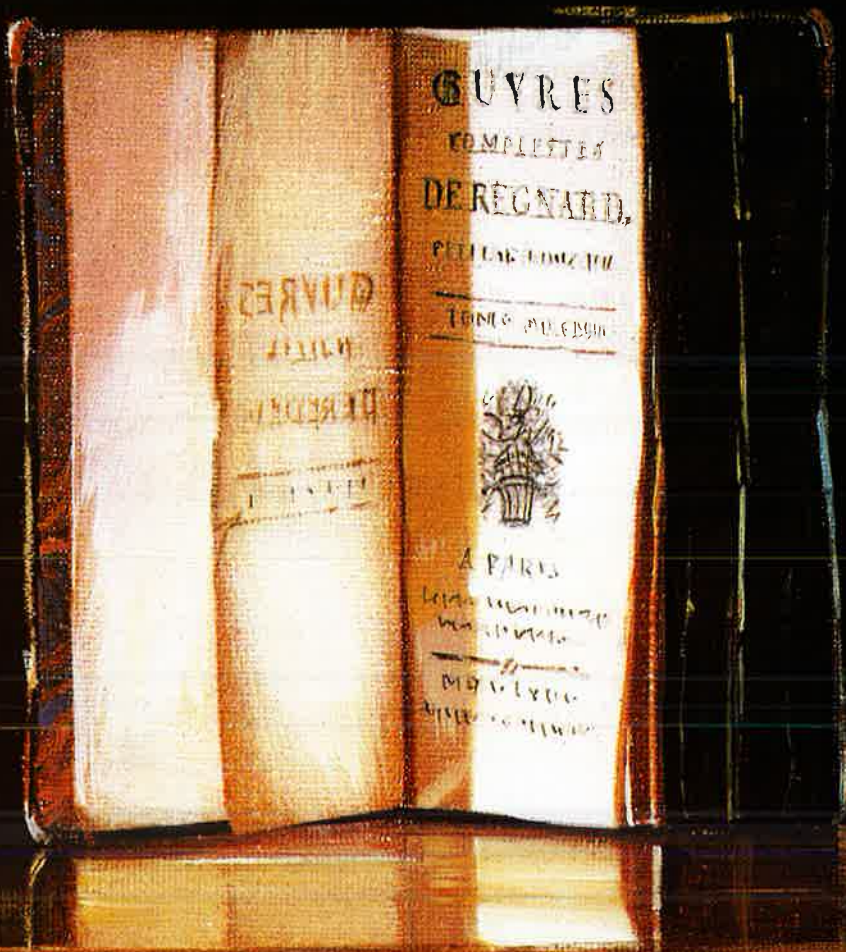
Is this reaching too high or not high enough?

- perhaps not high enough, because we could also try to make up the time lost to some of our competitors during our “wilderness years,” and for that purpose, in the months and years ahead, take on some acquisitions here and there, form some geographic alliances, put together some joint ventures, somewhat expand – at both ends – the range of our services, etc.;
- but in any case not too high, because experience has shown that in this Group, it is by setting ambitious goals that we surpass them and that, in contrast, deciding to slow down our pace never did us any good.

So it's up to us to choose the right tempo both to meet the expectations of our clients, our employees and our shareholders, and at the same time to continue to preserve our traditional values, safeguard our independence for as long as possible, and take renewed pleasure each and every day in a job well done.

Grenoble, March 22, 1998  
Serge Kampf





# Points of view

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## Euro and Year 2000: challenges and perspectives

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**The management consulting and IT services markets are currently witnessing two serious pressures caused by the introduction of the single European currency (the euro) and the impending arrival of the Year 2000.**

Although the global repercussions of these two phenomena are being refined almost daily, a few trends are gradually becoming clear. The two issues are, by nature, very different. The first, the arrival of the euro, is very far-reaching and will have a profound impact on the future of the European economy. The second, meanwhile, is an immediate, finite issue.

The introduction of a single European currency can be divided into three distinct phases:

- First, the politico-economic phase, which currently occupies most of the press, is largely concerned with the economic convergence criteria and, in particular, which countries will be "in" and which "out." This is rapidly drawing to a conclusion.

- The next is the technical phase, examining the impact of the introduction of the euro on all business processes, and hence systems, then making the necessary changes. This task requires extensive input by way of business decisions as to how

an organization will operate in this new regime. The scale of the task can be significant and for some sectors – finance, for example – even greater than the cost needed for the Year 2000 change-over.

- The final phase is really what the euro is all about – the business impact, enabling businesses to operate more effectively in Europe for the benefit of the consumer. This will, in turn, lead to significant changes in the business landscape.

I hope you will forgive me for one piece of self-promotion in that we believe the Cap Gemini Group is extremely well placed to help clients with their euro issues because of our unique capabilities and understanding, not only of the technical aspects through our IT services know-how and the business perspectives through Gemini Consulting, but also the cultural issues because of our own Euro-centric roots. And we have indeed done more work for clients on the impact of the euro than any other organization.

But we must also stay on top of another, equally engaging but entirely different event, in terms of both scope and nature. I refer to the **transition to the Year 2000**. The description and volume of the tasks that need to be performed have been recognized for some time. Awareness was strongest first in the U.S. Broadly speaking, the U.S. is nine months ahead of Europe in dealing with the issue. Perversely, this is the typical time lag between the adoption of new technology in the U.S. compared to Europe; the deadline, however, remains the same for everyone! Initially, there was great skepticism and debate as to the actual scale of the task (or even whether it existed at all), and in some organizations and public administrations, this remains the case today.

Nevertheless, as more and more organizations have examined the issue, they have found that the "Millennium Bug," as it is sometimes (and wrongly) called – as we are dealing here with a real project – is more pervasive than originally imagined; i.e., not just in computer systems but also in embedded chips controlling all sorts of devices: elevators, medical equipment, satellites, process control...the list is endless. This, in turn, has caused the estimates of the costs of taking care of the millennium change-over and the resources required to escalate; the numbers are still changing... generally upward.

At the start, some users were suspicious that this was a kind of self-serving promotion by the computer industry, but two facts run counter to this. First of all, the task of dealing with the time

change is largely routine, tedious and not so intellectually challenging as the work normally carried out within the industry. In other words, people are not lining up to do it, but the work must be done.

Secondly, at the time of writing, the computer services industry is running very close to full capacity and some forecasts show demand exceeding supply imminently. Hence, if we cannot meet all the demands placed on us, there is no need for a promotional campaign!

Users also hoped that a "silver bullet" would be created that would take care of the necessary changes. Unfortunately, that is not the nature of the issue; it is too diverse. Furthermore, this situation creates no economic value, but money must be spent to enable the continued supply of goods and services in both public and private sectors.

The huge interdependencies in economies mean that even if your organization is Year 2000 compliant, it could still be affected by non-compliance from your own customers, suppliers, or from the potential non-provision of essential services. The current estimate from the U.K., for example, forecasts that one in six organizations, representing 38% of GDP, will not be Year 2000 compliant. One analogy is that this is equivalent to driving on a motorway where your car has good brakes, lights, etc., but almost 40% of other motorists have defective cars. Would you, or could you, drive under such hazardous conditions?

So, while demand estimates are rising steadily, the supply side is

constrained. (People mention the possibility of using off-shore resources, like India, but the entire capacity of the Indian software industry is less than 10% of what is to be done in the U.S. only. Useful but marginal.)

The third factor, of course, is time. Even if we had an infinite supply of resources – which we do not – it is already too late for some organizations to complete the task. The inevitable consequence is that we must now move into a phase of prioritization and contingency planning, recognizing the blunt fact that it is now impossible for all systems to be perfectly ready on time.

Within the Cap Gemini Group we take nothing other than a responsible view. First, we believe that we have a duty, as the leading European player in the industry, to make people aware of the scale of the work to be done. This we have been doing consistently over the last few years and we will continue to do so. Second, our business only exists because of our clients and we have a duty to help them wherever it is in our scope of business and in our power to do so. However, we must all be realistic. Every client environment is different (that is why there is no "silver bullet") and nothing must be forgotten, not even an embedded chip lurking somewhere, unseen, within the depths of the organization. Nevertheless, every effort must be made to predict, identify and correct all likely affected areas. This is one time when an organization's IT strategy is really put to the test.





*Lost illusions (1998)*

Both of these issues, the euro and the Year 2000, are uppermost in our minds at the moment. They are huge and, in their different ways, will no doubt have the power to alter the shape of some industries. It is for this reason that Cap Gemini has invested massively in training its people to deal with the issues and has also invested in tools and techniques to make the tasks easier and increase the productivity of scarce resources.

But whichever way we look at it, we believe that the impact, not just on organizations but also on the economies of countries, is potentially critical unless proper actions are undertaken quickly and decisively. That is why we were among the first to raise the call, and why we are now ready to help in any way we can.

**Geoff Unwin**



# Cap Gemini and market evolution

***In these last years of the millennium, and following the group's return to a good state of health, we devote our energies to helping our clients face the challenges of a much tougher environment.***

If the pace picks up year after year, our markets continue to evolve along the lines we have known for quite some time. While the Year 2000 issue and the introduction of the euro, as illustrated in the preceding point of view, slow down or accelerate, sometimes trigger, some significant adaptations, they do not fundamentally alter the major trends:

- Management consultants are requested by their clients to make sure that their studies are followed by effective implementation, yielding tangible results.
- Information technology is becoming pervasive to the point where it will be artificial to separate business strategy from information strategy.
- The application software packages providing all the basic functions of a company (called Enterprise Resource Planning solutions like SAP or Baan) are conquering one industry after the other. Their established users are now looking for new ways to differentiate themselves.
- The systematic reuse of software components (an evolution of the concept of objects some years back) radically cuts application development times and costs; this, coupled with ever cheaper and more powerful PCs and skyrocketing communications capabilities, changes the whole economic equation of information management, favoring



*Happy days (1998)*

innovation and quick reactions – a welcome change.

- Having moved from data to information, we have now entered the infinite field of knowledge, and the build-up of intellectual capital with the support of technology.

In response to these market demands, the group offers a wide variety of intellectual services, ranging from strategic consulting to the outsourcing of processes and systems. As the necessary know-how resides in the collective brain of the firm, the management of our human resources and of the knowledge they share turns out to be the basis of our response to the market.

Our overriding priorities toward our clients are to provide clarity of purpose and the maximum degree of precision in our understanding of their needs and in the definition of our response.

Clarity results from the group's definition – the management consulting and information technology services group – of its mission and of its ambition.

Our mission statement is simple enough hopefully to avoid any ambiguity: **"We design and deliver strategic change through insights, people and technology"**. "We" reflects our will to partner with our clients: we wish not to be an external force, in their eyes, but just members of their team. "Design and deliver": far from being satisfied with paper strategies and intellectually pleasing architectures, we wish to link thought and action tightly; our task

is completed when the strategy has been followed by implementation, when client results prove the value of our joint work. "Strategic change" expresses our keen interest in what is of major relevance to our clients. And to achieve our clients' purposes, we do rely, together with them, on the right balance between "insights" – the intimate understanding of our specialties – "people" – their motivation, their sense of direction, their increased capabilities, their renewed confidence – and "technology" – at the same time the most significant driver of change and an indispensable instrument of change.

Our stated ambition is equally simple: we aim to achieve the industry's highest level of measured client satisfaction. A striking lack of originality, maybe, a sense of déjà vu, for sure. But "back to the basics" might well provide an anchor in our troubled times, and the way to reach our ambition is definitely our own. Not only do we rely on carefully quantified client results, but further we strongly believe that these results will be durable only if they are the product of the enthusiasm of our clients' people, at all levels: from the user's new motivation for his or her work, to the top executive's elation, fulfilling the aspirations of the firm along with his or her own.

Mission and ambition show our colors; but on their own they give no indication of the way our group will create and manage the **capabilities** needed to respond to our clients' needs concretely. A clear path is all the more necessary since the diversity of these needs is staggering: fixing



*Happy days (1998)*



supply chain issues, mobilizing people after an acquisition, setting up a call center, building an intranet, managing and developing essential business knowledge, optimizing a network of personal computers, aligning the executive team around a common vision, moving to the euro... how can we respond?

Our approach relies on associating specialization and integration.

For us, **specialization** is first of all the result of strong professional affiliations. At the present stage of our evolution, we distinguish between two main families of professions: the management consultancy ones, from the strategist to the transformation project leader; and the information technology-related professions, from the business process consultant to the systems programmer.

Instead of blending these two families, we chose to distinguish them in order to cultivate their best characteristics – the independence of business judgment of the management consultant for example, or the engineering precision of the systems designer.

However competent the individuals, true capabilities express the power of a group of people, sharing their knowledge, demultiplying their individual skills, assembling their experiences, pooling their methods. Beyond the official structures, the group is a network of networks, regional or multinational, from the loosest (sharing and cultivating a new idea) to the strongest (systematically coordinating dozens of experts in supply chain

integration, for example).

Having a well understood set of specialized capabilities saves us from the temptations of general (i.e., superficial) knowledge. But it is through the process of **integration** of these capabilities that our group wants to complete its mission.

The most pervasive form of integration is of course the project: we cultivate the art and develop the science of project management in its various forms, from the shortest to the most complex.

In systems integration, technical capabilities are put together, under the integrator's responsibility, to deliver a fully functional system or application. While the evolution of technologies, notably in software, changes the components to be assembled, the systems integration process is a fundamental way for our group to add value.

Major business change programs require comparable levels of integration: only by pulling all levers of the enterprise in a well orchestrated manner can strong results be achieved. Our management consultants have made it the centerpiece of their action.

At the next level of integration, we aim to pull together everything we can do for one client, if the client so wishes. Long-lasting, carefully managed client relationships are the best way to achieve the best level of results jointly: the group's capabilities can be mobilized, to the fullest extent, and well in line with our client's priorities.

Finally, for some markets, we believe that the group has to show a single face and offer a seamless range of capabilities. Right now, we achieve this level of integration in a few vertical markets, serving life sciences or telecommunications companies, for example. But there is no doubt in our minds that a number of the new client needs require this form of integration. Electronic commerce is as good an example as any: new distribution mechanisms are information and communications systems!

Wherever we look, in these early months of 1998, we see enormous opportunities for our clients.

Opportunities for our clients are opportunities for the group. With a clear sense of mission, a client-centered ambition, a living set of capabilities, we cannot help feeling elated by these challenging perspectives.

**Pierre Hessler**



# Corporate Risk Management

**"As soon as there is life,  
there is danger."**

**Ralph Waldo Emerson**

The notion of "risk management" has an American pedigree, as witnessed by worldwide use of the English-language term. Although the concept made the Atlantic crossing some decades ago, its area of application long remained limited: on the one hand, to the so-called "pure" or "static" risks arising from acts of God, deviant human behaviors as codified in the law books and vicissitudes of a technical nature (accidents, for example); and on the other – this time embracing risks of all kinds – to the insurance and finance sectors, which have extensively embroidered on both the concept and its corresponding function with passing time. Today we even have software packages dedicated to the measurement, analysis and coverage of risks to financial operations, whether executed in a dealing room or with a client in a bank branch.

Expanded and adapted to other fields of activity and other sources of risk, the notion of risk management is also essential to the safeguarding of the investment made by a company's shareholders. All in all, it consists in the identification, forecasting, analysis and containment of risks threatening a company's normal operation. It is often exercised in an implicit manner, but managers are increasingly recognizing the need to institute a more

systematic and all-encompassing risk management: this activity is precisely what Cap Gemini has undertaken.

Our governing approach to risk management has been derived from one of the group's primary operating principles: maintenance of a balance between decentralization and control. Operational units independently manage their own business insofar as each manager accepts a set of controls (and their possible consequences). Of course, these controls can exist only if there are criteria and checkpoints (methods, procedures, processes). Moreover, as pointed out below, overall operation is optimized by mutual agreement in order to achieve the highest possible quality of service and the greatest possible competitiveness, in order to avoid duplication of costs and to minimize operational risks.

## **Day-to-day operational risks**

The group runs a number of risks in the normal exercise of its activities. These risks might be technical in nature, or they might involve missed deadlines or cost overruns. In large measure, however, the group's key contribution to its customers lies precisely in its ability to master these professional risks better than anyone else.

The following simplified presentation of the "value chain" of Cap Gemini's activity will illustrate three points:

- successful risk management is based on the existence and smooth deployment of an array of

processes, methods and tools;

- this array should seamlessly cover each link in the value chain, as well as each specific offering;
- each component of the array must be kept strictly up-to-date in order to preserve the coherence of the whole and to obviate the spontaneous generation of stopgap components of all kinds.

The development and maintenance of methods and tools, the definition of sales processes, the design and launch of new offerings and – generally speaking – all tasks related to the abovementioned array are performed by teams drawn from the operational units and managed by members of the Cap Gemini holding company's TSD (Transnational Sales and Delivery) team. It should be noted that methods and tools acknowledged as the "best practices" in use within operational units themselves often serve as starting points in the development of groupwide methods and tools. Methods for the hiring and training of professionals generally fall within the province of the major operational units, with the exception of series of training programs designed for the group as a whole and held at Cap Gemini University at Béhoust.

In particular, established processes make it possible to install homogeneous, groupwide financial and control measurement points. The project management process, for example, which is based on the **PERFORM** quality assurance system, calls for a periodic reassessment

## Value Chain for Cap Gemini's Professional Activity

Link in Value Chain	Acquisition Resources	Sale of Group Offering	Consulting & Design	Delivery	Outsourcing Maintenance
Processes, Methods & Tools	Hiring and Training	Sales, management of TB/TS/TD - SCOPE	Consulting Quality System	PERFORM Quality System (ISO 9000 certified ) OTACE*	
Contractual Relations	Employee Contracts	Customer contracts and other legal documents			

\* "On Time and Above Customer Expectations," customer satisfaction measurement criterion.

(at one-month to three-month intervals) of "remains to be done." This reevaluation is performed both at the technical level, under the responsibility of the project manager, and on the financial level, led by the financial manager of the unit in question. Made from two separate standpoints and often accompanied by lively discussion, this review makes it possible to grasp trends in project progress, obtain a reliable financial measurement, evaluate the level of risk and, if necessary, initiate a plan for remedial action.

The simplified diagram of the value chain includes a line titled "Contractual Relations." Naturally, legal formulations of the relationship between Cap Gemini and employees or customers are drawn up at the time such relationships are established and maintained throughout their lifetime. These legal expressions (including contracts, in particular) are drafted and signed by the operational units, but they always include a set of "standard" clauses drawn up at group level within the Risk Management unit, as shall be described in the following. Non-covered operational risks are likewise managed within the framework of Risk Management.

### Risk Management

While providing a clear grasp and good coverage of everyday operational risks, the measures described above also constitute a professional asset enabling each team and each unit to provide high-quality service. But this is not enough. The existence and use of this asset must be monitored regardless of the nature, scope and complexity of the jobs to be performed; every manager must know just what he may or may not decide on his own.

The general role of the Risk Management unit is to minimize all risks to which the group may be exposed, whatever they might be. To this end, the group deploys all necessary procedures, checks and action plans.

The functions of Risk Management and Cap Gemini's current resources in this field, placed under the direct authority of the Chairman of the Directoire, may be outlined as follows:

1. Lay down the rules of the game
2. Vitalize necessary legal structures
3. Participate in management of major risks
4. Perform systematic checks

Let us take a detailed look at each of these four functions:

### 1. Lay down the rules of the game

Ideally, each group manager should have a precise knowledge of the "territory" in which he has freedom of decision. By "territory," we mean his area of activity, his hiring, his operational and legal structures, contracts with clients, cash disbursements, advertising, etc. These are all things dealt with by every manager from a certain level upwards. In this case, "checks" focus on the manager's compliance with the rules of the game, insofar as these rules have been established to minimize risks, those run by the group in the exercise of its activities are minimized.

The rules of the game take the form of a "Principles and Procedures" booklet drawn up at group level (and presently undergoing a complete rewrite), supplemented by detailed procedures at the level of each major operational unit. The group's rules are clear, simple, formulated and disseminated. The constraints arising from these rules are few, but strict; the resulting decentralization is also

extensive, but is structured by a well-defined framework.

"Principles and Procedures" is based on the "Group Values," as well as on a set of major principles that form the foundation of Cap Gemini's unique culture.

They further embrace:

- areas set aside for decision-making and action by the holding company (legal and operational structures, appointment of leading managers, auditing, acquisitions, financial communication and group image);
- decision-making structures (i.e., who proposes and who decides what);
- principles and rules applicable to the "value chain," including those in the legal arena;
- accounting and financial principles and rules.

Values, principles, holding company "powers reserved," rules of the game, processes and methods for the exercise of our profession: these constitute the installed theoretical system for risk management,

## **2. Vitalize necessary legal structures**

To make the risk management system work, one must be able to exercise certain powers.

Cap Gemini is not a group of franchised companies: it is a group of controlled companies, one which posts consolidated accounts. The framework permitting the exercise of this control is the group's legal structure. This power is exercised within the various companies by their respective governments, e.g., in the form of boards of directors. Obviously, a break in the chain of control would constitute a substantial risk to the group. This is why activities involving legal

structures -- company creation, board memberships, changes in capital structure, etc. -- fall within the exclusive "powers reserved" of the holding company, with decisions submitted for approval by the Directoire (Executive Board).

The group currently owns about 200 companies, the majority of them inherited along with acquisitions. The 1997 acquisition of the outstanding 51% of Bossard, for example, brought some 50 companies into the fold. A long and painstaking restructuring activity is necessary, then: first, to keep the network of companies from becoming inextricable; and then, if desired -- which is actually the case -- to arrive at a structure which is simple, readable, manageable at a minimum cost and thus devoid of risk. The concentration of activities which involve fiscal risk is carried out in concert with Group Financial Management. At the same time, of course, the temptation to create new entities must be resisted unless they are absolutely necessary...which is rarely the case!

## **3. Participate in management of major risks**

Some functions -- the legal function, for example -- are bulwarks against operational risks. On the other hand, some operations, due to their size, complexity or nature (e.g., acquisitions) are magnets for unusual and sometimes significant risk. In all of these cases -- some important examples will be briefly described in the following -- Risk Management is directly involved in analyses, negotiations and decision-making.

### **• LEGAL AFFAIRS**

Every major operational unit possesses and is responsible for a legal team. All of these teams combine to form a network coordinated at group level. Among other duties, this network draws up the standard clauses of the boilerplate contract, the remainder being drafted on the basis of local legislation and the individual contractual situation. Standard clauses deal with a) the description of the offering, and b) the limits on commitments acceptable to the group, which should be locally expressed in the most effective legal terms. These limits might include, for example, the rejection of any consequential damages, regardless of their cause. Once drafted and accepted, form contracts are executed and any request for a deviation is forwarded to the legal department concerned.

### **• SPECIAL CONTRACTS AND COMPANY ACQUISITIONS (OR DIVESTMENTS)**

The group is frequently requested to carry out operations of unusual scope or complexity on behalf of a customer. These cases are submitted -- under specific conditions which are dealt with by a procedure -- to Risk Management for analysis and appraisal from the standpoints of anticipated profitability, potential risks and contract terms.

Company acquisitions and divestments are quite different in character from day-to-day operational transactions. They require highly specialized techniques of evaluation, negotiation, and due diligence of working with partners. The group has made many acquisitions in the past and has stockpiled the

*Lowering sky (1997)*

lessons learned...just in case they are needed. To make acquisitions without this technical expertise would expose Cap Gemini to a multiplicity of financial, social, legal and tax risks. This is why company acquisition and sale operations fall within the holding company's exclusive preserve and are taken in hand by Risk Management, even if the operational units involved are active participants prior to signing (and very active thereafter, in the case of acquisitions). In point of fact, the task of receiving and integrating new members of the group is as essential to success as the conditions under which the acquisition occurred in the first place.

#### • SPECIFIC PROJECTS

Exceptional situations involving major stakes sometimes justify group-level attention and programs of action over a limited period of time. This is currently the situation with the

Year 2000 computer issue. To begin with, from the standpoint of Cap Gemini's in-house operation: both the operational units and the holding company have made surveys of all systems and devices capable of malfunctioning at the turn of the millennium. Suppliers have been queried, and preventive operations under way have a completion target set for the end of 1998.

All of the world's businesses are faced with the same issue, although its acuteness varies substantially with company size, business sector, etc. Cap Gemini has skills needed to help customers perform 2000-related tasks for certain IT systems. Related operations should be carried out under conditions which leave no room for ambiguity: each client company must assume full responsibility for the 2000 transition of all of its systems and devices and for maintaining their ability to

dialogue with all counterpart systems (government, customers, suppliers, etc.). Management of the "Year 2000" project defined above has been assigned to Risk Management.

#### • INSURANCE

Insurance may be taken out against certain risks, particularly in three areas:

- Liability related to professional risks – i.e., damages caused to customer companies – is covered by a multi-year policy at the Cap Gemini Group level, supplemented by integrated local policies. A procedure has been drafted to establish the conditions for use of services covered by this policy.
- "Pure risks" are covered in individual countries by "property and business interruption" insurance.
- Employee benefit plans are also contracted in individual countries, given the highly localized nature of this kind of insurance.



#### **4. Perform systematic checks**

Besides the quality audits carried out by operational units, the great majority of systematic checks are performed by Cap Gemini's internal auditing department, which periodically reviews the situations at various group units. These reviews, strictly independent of unit management, probe into the reliability of financial accounts and compliance with procedures in the areas of personnel, administrative, technical and sales management.

The purpose of these reviews is to detect possible dysfunctions and their causes, discuss them with the managers of audited units, establish remedial action plans and alert group management with regard to all risks encountered.

The internal audit team also performs any other systematic reviews required, particularly in situations where – for whatever reason – some risk is apparent (for example, a project passing through a critical phase).

In fact, the auditing service's scope of action is currently being expanded so that its technical expertise and independence can be applied to the detection of all

risks and their causes, as well as to an understanding of the results of actions taken to contain them. The audit must not only determine whether procedures have been complied with, but also whether they are still appropriate. Finally, auditing must become as effective in certain marketing and technical domains as it is in its traditional accounting and financial fields.

The educational nature and sensitizing effects of the internal audit will increasingly leave their mark on Cap Gemini's managers as its scope of operations is expanded.

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Risk management is increasingly becoming a necessity both as an autonomous discipline endowed with resources, methods and know-how and as a state of mind. There are a number of factors behind this necessity: Cap Gemini's size, the scope and complexity of some of its contracts, the globalization of its customer body and the developments in relations with some of them (partnerships, jobs performed jointly by multiple

units of the group, expansion of jobs in progress), a certain taste for litigation encountered in some countries, etc.

The many channels of communication existing within the group – whether within individual units or projects, through technical and management meetings or in the form of education offered at Cap Gemini University – are being used to sensitize group employees to the increasingly acute reality of risks and the overriding duty to contain them. This is the task of Risk Management, of course, but it is also the task of each individual in his or her alertness and behavior.

**Michel Jalabert**



*Mechanisms (1997)*

## The new information and communications technologies: a corporate asset

***The Information Age is overtaking all industrial and social activities as it accelerates the globalization of economies, markets and businesses.***

The millions of terminals connected to the Internet are revolutionizing the ways in which transactions are made and information is accessed. Digitizing of sound and pictures is stimulating the convergence of information technology, communications and the media. The placing of low-orbit satellites will further encourage the mobility of communications. These are the visible consequences of advances spurred on by the new information and telecommunications technologies.

These rapid developments are being spawned by four basic technologies:

- increased microprocessor power, which is shaving down the cost of computing operations;
- the Internet, which is slashing

telecommunications costs;

- data compression techniques, which are making all-digital telephone and television a reality;
- the reuse and building-block assembly of software components, which are accelerating the implementation and deployment of computer applications.

### ***Bargain-basement computing***

In just 15 years, the power of the microprocessor had been multiplied by a factor of 1,000, at constant cost, thanks to miniaturization and increased production volumes. The phasing out of the minicomputer, begun at the end of the '80s, will inexorably be followed by the elimination of all other "big" computer types, as the microprocessor's power will again



communicate with every other computer on the planet; the unique address (such as <http://www.capgemini.com>); universal basic services such as e-mail and the World Wide Web; and, above all, very low communications costs which are virtually independent of on-line time and distance. For corporate users, all of this is reflected in a single infrastructure enabling them to communicate inside and outside of a company with customers, with partners, with suppliers and with the public at large. A single, easily-obtained program – the Internet browser or navigator – permits the simple, speedy dissemination of applications and thus an easy response to changes in demand or needs.

The use of hypertext techniques – where each word in a text, each element in a document can reference a page of information from any of the millions of computers hooked up to the Internet – and the successful integration of multimedia data – sound, pictures, video – pave the way to all types of applications with a high level of user-friendliness.

### **Data compression: a must**

The digitizing of data permits the transmission of content of all kinds, and its storage on a single type of physical medium. One minute of CD-quality sound requires the equivalent of 10 million characters, as many as there are in the Bible. One minute of standard-quality digital TV requires 100 times as much data. Without spectacular advances in compression techniques, which maintain the advantages of digitization while reducing data

volumes by factors ranging from 1 to 500, digital technologies would never have left the laboratory workbench. Consumer products such as digital TV, or Internet phone and videoconferencing features, are examples of applications which require highly-efficient compression systems. With these systems, the entire existing network of infrastructures can be used to disseminate these new applications.

### **Software building blocks**

Software is the invisible fuel of information technology. Without it, neither computers nor communications devices would operate. In the early days, software development costs, programmer productivity and program development time were not considered critical. After all, if a computer cost a couple of million dollars, who cared if its software carried a price tag of a few hundred thousand? Likewise, if hardware had a ten-year lifetime, who cared if it took two to five years to develop its software? But the invasion of the PC changed everything. The substantial reduction in hardware costs threw the spotlight on the cost and duration of software development. Productivity in software development has risen by 80% every five years over the past 50-year period. Today's ruling technology – the object-oriented approach – does not directly yield gains in productivity. Nonetheless, this approach acts as a catalyst in software development methodology, as it facilitates the reuse of components. These components are modules which bring together functions and data. To create a new application, one selects an existing structure and

modifies its behavior by assembling components. To be viable, this technology requires a market of components: nobody will use them if they are hard to find, expensive or unreliable. Today, these building blocks are known as ActiveXs, Applets or Plugins. They are written in Visual Basic, C++ or Java by small, specialized programmer teams. The electronic distribution of components is enabling the development of these techniques in pace with the Internet's growth as a tool for electronic commerce. As a result, these components are being made available at a tiny fraction of their development cost.

It should also be pointed out that graphic interfaces and program generators are helping to enhance development productivity by ratios ranging from 1 to 5. The basic toolkit of the programmer of the future will thus lean heavily on visual tools, object-oriented techniques and access to component libraries.

### **The beat goes on...**

The rapid evolution of the new information and communications technologies is moving ahead without any significant gaps. This continuity in the improvement of basic technologies is concealing a twin revolution. In the case of a film screened at two frames per second and then at 20 frames per second, for example, there is more than just a tenfold increase in speed: there is also a perception of motion. Likewise, the availability of ultra-powerful microcomputers costing under \$1,000 and connected to the Internet is revolutionizing both the types of IT usage and the development of future systems.



### ***The dilemma of existing applications***

The opportunities offered by this new context are placing decision-makers smack in the middle of a set of concerns which clamor to be reconciled: how to integrate the Internet and the new world of connected micro-computers quickly into an overall approach to the upgrading of existing systems, in order to enhance service quality and reduce operating costs...while renovating the skills of IT teams?

The direct adaptation of existing applications is an illusory solution, as it presupposes a preliminary harmonization of data architectures and processing methods, as well as rapid updating of the skills of existing teams of professionals. This approach often generates complex projects, significant investments and risks of application conflicts and crashes.

On the other hand, the installation of an upstream service platform connected to the information system offers many advantages. To begin with, existing systems do not have to be modified, as the platform feeds them with information in the format they are used to. The platform acts as a central switchboard for a company's applications: clients identify themselves once only, and duplication of data entry is avoided. New services may be installed gradually, as needed. This solution offers a quick improvement in quality of service, using limited investments. In parallel, existing applications can be upgraded over a longer cycle scaled to system complexity, thereby reducing risk and affording time in which to bring IT personnel skills up to snuff.

### ***From systems integration to remote services***

A service platform can be installed following the pattern of a conventional IT development: system design, implementation and start-up. These phases may be subcontracted individually or in their entirety.

Mastery of the new technologies also offers new possibilities. The Cap Gemini Group has the accumulated experience needed to join with partner companies in a global service for the design, implementation and operation of service platforms, with fees on a per-transaction or service-rendered basis. This offering presents many advantages. No initial investment is required. A shared understanding of the result to be achieved, along with techniques for reuse of components, will accelerate installation of the platform. Its cost is a function of use and is thus proportional to the system's progressively-increasing workload. And the economic conditions involved are clear to all players.

### ***The challenges***

Over the next decade, the new technologies of information and communications are going to converge toward global services integrating voice, data, images and television. Thanks to the fine mesh and high power of networks, every individual will be able to access an immeasurable amount of multimedia information from the office, the home, the hotel or the highway. With microcomputer performance levels and network capacities rising by a factor of 1,000 during this period, the consequences are hard to foretell. The microprocessor will be part

and parcel of every object; the computer will have vanished behind interfaces commanded by the sound of the user's voice, the movements of his or her eyes, the expression on his or her face. The opportunities facing corporations and citizens are limitless.

The real question, then, is not so much whether technology will keep its appointment with destiny but whether human behaviors will change fast enough to take advantage of these opportunities. The time required for individuals and corporations to assimilate technology, to make it "one of the family," decreases at a very slow pace indeed. This is what gives the true measure of the stakes in this revolution, stakes which are so many challenges facing its economic players.

***Jean-Paul Figer***



Correspondence (1997)

## The engine of innovation

**The end of this century has seen the emergence of a renewal in strategic thinking.**

To simplify to the point of caricature, it might be stated that two models held center stage over the past few decades:

- a “**confrontational**” model, arising during the “marketing” and “competitive” years, in which a company fights its competitors and seeks competitive advantages in order to gain market share;
- a “**reductionist**” model, arising during the “reengineering” and restructuring years, in which management reduces operating outlays to a minimum in order to become the lowest-cost producer.

Today, following the example of Air Liquide, 3M, Chrysler, SAP, etc., large, high-performance groups have been able to leave both of these models behind. No longer content with cutting costs and scoring points over their

competitors, they are obsessed with their ability to **create value** for their customers through ceaseless innovation.

Articles reexamining these past models have recently been published in the *Harvard Business Review* by eminent teachers of management such as Michael Porter (Harvard), C.K. Prahalad (University of Michigan) and Chan Kim (Insead).

Porter preaches the end of incrementalism: it is no longer enough to do just a bit better than one’s competitors. To escape a competitive cul-de-sac, for example, Renault began to create new markets with innovative vehicles such as the “Espace” and the “Scenic.” In turn, Prahalad correctly reminds us that a company’s main lever of growth is

its inventory of skills and its ability to redeploy them in different markets. This is how Sony was able to get a jump on its competitors in the game console market, by capitalizing on its capabilities in the software, computer graphics and interactive design fields. Finally, Kim offers a new definition of innovation which, far from being limited to technological invention, creates a new value which customers can recognize. Pizza Hut, Ikea and Bouygues Telecom all innovated by putting together new service offerings whose unique value was acknowledged by their customers.

Here, in the Cap Gemini Group, we are firm believers in new approaches which enable our

customers to rediscover the path to profitable growth – what we call “lean growth” – centered on the **innovation of value**.

During these favorable economic times, the question is not simply one of growth, but also of continuing to reduce costs while improving processes. These demands might sometimes seem mutually antagonistic. When a company is in the midst of restructuring a production site, for example, how can it justify investing in the launch of a new offering or in the installation of an intranet to facilitate communication between its design office and its purchasing department?

But we are not satisfied with a

simple faith in innovation. We are actually entering into innovative partnerships with our customers every day, helping them to reduce their cycle times, improve their productivity or renew their marketing approaches. They can rely on the unique skills we have accumulated in our two main professions: Information Systems on the one hand, Management Consulting on the other.

As we see things, the practice of these two professions in an increasingly interlinked and convergent manner is the only way for us to help our customers design and implement innovation-based growth strategies.

**Richard Seurat**



*Café de Flore (1998)*

# The human factor: key to competitiveness

**Voices are beginning to be heard just about everywhere – in newspaper articles, educational circles and professional organizations – reminding us that people constitute an essential cog in the wheel of economic competitiveness. It seems almost as if after all these years of emphasis on automation and restructuring, observers were finally facing up to the fact that, far from being a limitation, the human factor could also be a formidable business asset.**

## **The virtues of Homo economicus**

In support of their thesis, the new espousers of human virtues like to invoke one or more causal factors:

- **globalization of the economy**, which is pushing the demand for quality so far that no company can join in the competition without a highly-trained, highly-motivated work force;
- **speed of adaptation**, the prime competitive asset in a period of growth, which springs from imagination, a desire to advance and an ability to question past practices (all qualities which give people primacy over systems and machines );
- **client satisfaction**, which companies are constantly striving to improve, and which inherently places people in the front lines;
- **the obligation to innovate**, which permeates all corporate strata and is derived from the creativity of researchers, engineers and specialists in all fields as much as from everyone's ability to profit from the organization's accumulated know-how;
- **increased productivity** which, after a long period of cost-cutting, restructuring of processes and plant renovation, is now being substantially obtained from the optimization of individual and group skills;
- and, of course, the **information technologies**, which are facilitating the emergence of services meeting the increasingly-personalized demand of consumers.

## **Engine of the new economy: the individual**

The acknowledgment of the human component as a key factor of success derives substantially from the fact that organizations themselves are undergoing profound change. From electronic mail to videoconferencing, a plethora of applications of technology is changing organizations' information flows, relieving them of familiar constraints of space and time. A company is no longer really a place: it is becoming a network to which its people, its world must remain connected. With the development of electronic commerce, this trend toward networking is assuming juggernaut proportions. In order to gain speed, business wants to take advantage of the best of both operating modes: the agility of small teams on the one hand, the size and exponential power of large networks on the other. Vertical structures are disappearing to facilitate the work of multifunctional, transnational project teams that strive to achieve shared goals.

While this freedom brings flexibility to business activity, it above all illustrates a **new asset**: in an economy of networks, information and intelligence, the individual holds the key to performance. Thanks to the new technologies (and intranet tools in particular), knowledge workers have at their fingertips a universe of know-how and experience from which they can draw in order to develop new solutions for the benefit of their organizations.



A massive effort is involved in the mobilization of corporate energy. In his book, *Job Shock*, Harry Dent maintains that "most companies live on a 70:30 ratio, that is, 70% of their personnel do not create value; value is created by the remaining 30% alone." Without going so far as that, managers such as Jack Welch, in General Electric's 1996 annual report, share the conviction that individuals are the prime creators of added value and that too many of their abilities remain unused. For these and many other managers, the challenge is simply one of energizing the enterprise as a whole.

### ***The wrong moment?***

The quality of skills, management style, the strength of an organization's internal culture are asserting themselves as the true vectors of differentiation in the economic struggle. In fact, it would seem that the effectiveness of businesses has never before been so dependent on people, on their imagination, on their spirit of initiative and, above all, on their collective commitment. This is perhaps not the most auspicious moment for showing interest in these factors, however. Employee loyalty to corporations – comparable, on a broader scale, to ordinary citizens' loyalty to institutions – has never been so weak, reflecting a sense of mistrust which is calling the very foundations of employer-employee relations into question.

### ***Loss of employee confidence***

For some years, the competition-spurred race for productivity has been run on the back of employee relations. The moral contract uniting

employer and employee has been profoundly shaken.

The confidence placed in managers has been eroded, giving place to a growing sentiment among employees that all those speeches about "mobilization" are only empty incantations rolled out once a year as a rousing finale for shareholders' meetings. The timing of this change in attitude is all the more unfortunate as employers are now facing a tide of new expectations from younger employee generations: a stubborn drive for independence, a desire to stick to projects, a strong sense of equity, a pronounced taste for teamwork, a striving for an improved balance between work and leisure time, and so on. To these should be added the new generations' thorough familiarity with computer tools and their ability to root out information wherever it might be found: all factors making these people reluctant to pursue careers in hierarchic or overly-compartmentalized structures. In other words, they are approaching their professional situation with another way of seeing things, perhaps even with a certain cynicism, viewing their professional commitment as a transaction. In their eyes, the value of work is measured only by the return, by what they get out of it. In the long run, this attitude reveals the prevalence of a subjective view of work – one which stresses its effects on the individual – as opposed the objective view in which work is merely a source of financial resources.

The rise of this sense of mistrust or skepticism toward employers is creating a new asset as well as a serious handicap because, while

intelligence is asserting itself as a new source of wealth, it is also the inalienable property of its individual possessors and its use depends on their good will. In the absence of such will, the effects of this feeling are no mystery: resistance to change and reticence in sharing knowledge, especially that tacit knowledge which constitutes an essential ingredient of a distinctive know-how for organizations trying to capture it.

### ***Upheaval in the working world***

At the same time, the working world has been experiencing a series of jolts. To begin with, the "virtualization" of organizations, which tends to mask their growing geographical and structural dispersal and, above all, the fact that an increasing proportion of their activities is being performed by remotely-located employees, service providers and temporary workers. Telecommuting already accounts for over 15% of jobs in the U.S., Finland and Sweden (where winter snowfall hinders travel to and from work). And it appears that this trend is going to accelerate: a study recently published in *Fortune* estimates that 50% of workers will be engaged in some form of self-employment by the year 2000. In his book, *The Age of Unreason*, Charles Handy had already pointed out that "half of the active population will soon be working not in organizations, but for organizations." The individual's relationship to the working world is thus being reflected in other phenomena: the decrease in the number of open-ended employment contracts, changes in missions and functions, the elimination of job security, the

emergence of new forms of self-employment encouraged by start-up business and consulting opportunities, service offerings, etc., along with the emergence of networks of co-employers. We must therefore get ready to alternate periods of work, training, vacation, inactivity or jobs of an associative nature. Career development is going to follow a completely unfamiliar trajectory. The linear progression within a single profession or a single company will be replaced by an enrichment of skills following a more iterative (and perhaps more random) trajectory, based on the multiplication and diversity of the experience, desires, opportunities, curiosity and resiliency of each individual.

### **Mastering your own destiny**

In view of all these changes, employees are becoming aware of a new obligation: in a fragile employment market, the best guarantee of safety is **employability**. Concerned with being a match for in-house or outside opportunities that might arise and convinced that they are henceforth obliged to master their own destinies, employees must hone their ability to mobilize new skills constantly: by combining their own resources – knowledge, technical skills, personal qualities – with those available from the networks they have established within their own place of employment, with other specialists in their environment (suppliers, service providers, etc.), with professional organizations, alumni associations, etc. The foundations of a new social contract are being laid out. It is up to employers to furnish projects capable of expanding

their employees' skills and giving them access to necessary training and communication tools; it is up to employees to commit themselves to the results of these projects and to contribute to the collective learning experience, while growing themselves as a result of shared experience.

### **New management priorities**

Confronted with these transformations, corporate management is seeking to place the individual at the center of the organization by adopting simple, light structures providing close proximity between clients and employee teams and increasing the motivation, responsibility and empathy of all. Management methods must change in order to lay the groundwork for this new corporate model, described by Sumantra Goshal and Christopher Bartlett as the “**individualized enterprise**” (in their book of that name). Some directions of change will be sketched in the following sections.

### **Vision and culture**

To reconcile the needs for individual autonomy and group cohesion, corporate management must first strive to define its strategic vision clearly and foster the creation of the company's cultural cement. While corporate culture in former times was structured by the company's organization, the situation has now been reversed: more than ever before, a company's effectiveness depends on the direction and cohesion underpinning its activities. Hence the fundamental role played by in-house culture; it disseminates a “shared vision” and a common understanding of the company's

mission. The more that pyramidal structures are replaced by networked ones, the more the **search for meaning** intensifies, the more importance is attached to notions of ethics and equity. The quest for equity fosters ethical behavior; conversely, the existence of ethical behavior facilitates the growth of equity. Ethics are also useful in channeling behavior without a proliferation of constraints, penalties and their associated costs. This effort to express values should be inspired by a determination to provide guidance to all individual members of the organization in the performance of their jobs, to provide them with guideposts when they have difficult decisions to make. Effort must be made to ensure that individual behaviors embody the company's cultural doctrine. The selection and promotion of high-potential individuals, for example, should be an occasion to advance people who incorporate the company's values.

### **Renovation of human resources policies**

In addition, the goals of the human resources function should be aligned with those of the company itself. In point of fact, a new model is now assuming prominence. In future years, the question will be less one of administering personnel as of supervising the smooth mobilization of forces, of developing skills, of preparing professionals for tomorrow's tasks and of raising the quality of management. Witness to this are recent initiatives taken by the human resources managements of many large groups in order to attract employees and win their

loyalty: skill scorecards, mobility plans, training shortcuts, listings of available positions, succession plans, etc.

### **Key skills**

Another major area of attention involves the detection and exploitation of distinctive skills which provide competitive advantage to the company. In most cases, these are the result of personalized hiring practices, significant in-house training efforts, systems of remuneration and modes of work organization specially designed to stimulate the development of distinctive know-how. As demonstrated by James C. Collins and Jerry I. Porras in their book *Built to Last*, those American companies (such as 3M, WalMart, Disney, Hewlett-Packard) which have consistently managed to stay at the head of the pack are the ones which have surpassed their counterparts in nurturing their human capital, through the systematic cross-fertilization of ideas, the promotion of best business practices, the cult of team spirit and significant programs for encouraging internal initiative. To take a leaf from these examples, a systematic approach is required, involving:

- initiation of an **entrepreneurial process** designed to encourage initiative, foster the role played by individuals, develop their sense of self-interested involvement and facilitate the circulation of information;
- formalization of a **process for skill acquisition** aimed at making everyone aware that the entire company should be managed like an ensemble of key skills;
- establishment of a **process of**

**renewal** which performs regular triages to update the skills portfolio as required.

Obviously, the implementation of all these processes depends on the information technologies, particularly for the development of systems for communication and information-sharing (cf. p. 51), just as it presupposes the involvement of management consultants in the analysis, diagnostic and mobilization phases.

### **The human dimension of outsourcing**

Finally, the "human dimension" also lies at the crux of any approach to outsourcing, for which it is both the source and measure of satisfaction. In a world of complexity whose corollary is the extreme specialization of required skills, it is quite normal for excellence in certain professions or disciplines to be best expressed in specialized companies which are by nature more conducive to the burgeoning of professionals' talents. This is particularly the case with management consulting and IT services: confronted by the effervescence of new management concepts and technical innovation, this sector is demanding a high degree of skill specialization, a factor which has also substantially favored the very rapid concentration of this profession around a **handful of worldwide, multidisciplinary groups**.

Another aspect is of equal importance: henceforward, when it is a matter of revising a strategy, of recasting a process, of installing an integrated management

package or of outsourcing part or all of an IT department, customers are viewing the human factor as a decisive criterion in the final selection of a service provider. In particular, customers are paying close attention both to the quality of the communication between teams and to the quality of human resources management, particularly in the outsourcing field.

In the management consulting and IT services professions, the importance of the need to invest in human capital cannot be overstated: the more that areas of action are diversified – from management of change to the outsourcing of IT resources – the more projects are strategic to customers, the more service providers are measured by the yardstick of the quality they deliver in terms of the interpersonal relations, skills, know-how, experience, methods and analysis and communications tools used by their teams. Here, as elsewhere, excellence derives from the sharing and reuse of the expertise that large consulting and service firms can offer their customers as a direct outcome of their financial and human investment in this expertise.

The development of human capital within the Cap Gemini Group is based on a range of tools whose application is always conditioned by local cultures: stress on individual responsibility, selectivity in recruiting, globalization of skills networks, continuing enrichment of know-how, harmonization of working methods, development of communication and knowledge management systems to facilitate

the sharing of experience, integration and training programs for professionals under the auspices of Cap Gemini University, regular evaluation of management modes and adoption of the most innovative practices, développement of high-potential individuals, priority on in-house promotions, and so on.

Far from being a passing concern, this policy reveals an **all-embracing philosophy arising out of:**

- the very nature of a company whose organizational mode was built on the principle of division into subsidiaries in recognition of employees' pressing need for autonomy;
- a culture so firmly anchored in trust in the individual – initiative, honesty, team spirit, friendship – that it transcends national barriers to give the group a capability for guidance and mobilization that has enabled it to weather good years and bad;
- a management which takes pains to reconcile demand for results and individual aspirations with opportunities as they arise;
- the quality of customer contacts, to the point that the image studies and satisfaction surveys regularly carried out within the framework of the

group's quality policy point out, as a distinguishing factor, the fact that our employees are viewed as "people who are a pleasure to work with."

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For the group, this striving for excellence in its approach to the human factor\* is obviously a valuable argument when it comes to attracting talent (which is quantitatively insufficient to meet the needs of the information revolution; there are said to be over 400,000 empty job slots in this sector worldwide). Above all, however, it is the key to the motivation of all employees, a guarantee of the entire group's ability to advance, innovate and react and thus a pledge of customer satisfaction. In other words, it is made to last and it will continue to receive our most concentrated attention.

**Paul Hermelin & Jacques Collin**

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\* This was strongly emphasized in an international advertising campaign initiated by the group in 1997, under the slogan "It's time for the Cap Gemini Way."





RAYVE

# 1997 in retrospect

## January

### **"euro master plan" for Fortis**

Fortis is an international financial services group operating in banking, investment and insurance through more than 100 companies. Fortis group

**"euro master plan"** had identified the introduction of the euro as a business issue that required business solutions. Cap Gemini was selected by Fortis to develop what was termed its "euro master plan."

By using workshop techniques and knowledge of the euro as a business issue, Cap Gemini delivered the organization needed to enable Fortis to move to the euro in under three months. Cap Gemini's recommendations also ensured that the euro program was strategically positioned within the Fortis organization, a difficult task considering the immense complexity of the group. This led to over 200 projects within the company, which Cap Gemini was responsible for structuring, planning and resourcing. The result continues to be a hugely successful program for the Fortis group.

## International Business School


## February

### **International Business School opens its doors**

On February 3, Cap Gemini University inaugurated its International Business School (IBS), a program of training and development for people in the Cap Gemini organization who have the potential to become its future business leaders. Designed in conjunction with INSEAD (France's leading business school) and the London Business School, IBS is a comprehensive curriculum including classroom sessions, practical case studies and in-the-field projects. Intended to improve the knowledge, skills and professional behavior of the managers and specialists who participate, the overall aim of the program is to develop their understanding of Cap Gemini's two core businesses (management consulting and information technology services) and to expand their multicultural aptitudes – the group's chief sources of excellence.







Opened in 1991, Cap Gemini University is devoted exclusively to internal training. Each session provides an opportunity for group members from all over the world to get together and get to know one another, thereby paving the way for transnational exchanges and cooperative networks which encourage the maximum sharing and reuse of know-how in many areas (sales, market sectors, delivery methods, etc.). The University infrastructure makes it possible to accommodate several seminars simultaneously, with attendees in residence "on campus." In 1997, this accounted for more than 16,000 training days.

### **Exploring the "Second World"**

The Second World is an application which "models" a virtual Paris and makes it accessible to the general public on the Internet. As in any "real" city, people pass each other on the street, suggest places to meet, visit monuments or museums and, if they feel like it, do some shopping on the Champs-Élysées (or elsewhere). Many companies – Kodak, Le Printemps, Les Trois Suisses and Virgin Megastores, to name just a few – themselves explorers of the exciting world of electronic commerce, are present in this virtual world. Canal+ Multimedia, a subsidiary of French pay television station Canal+, has turned over the IT and security aspects of this project to Cap Gemini Innovation, the group's Research and Development arm.

## **electronic universe**

## **intranet services**

### *April*

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#### **Internet/intranet agreement with Portal**

Cap Gemini has signed a partnership agreement with the American company, Portal Information Network Inc., aimed at speeding up development of Portal's Infranet multi-service platform, which is already being used by the largest Internet service suppliers. Cap Gemini will provide a wide range of services around the Infranet platform (integration, adaptation, support, etc.) in response to the needs of Portal's customers in Europe, the U.S. and Asia. According to Alexandre Haeffner, head of Cap Gemini's Telecom & Media Global Market Unit, "our clients are calling for solutions which go beyond mere access to the Internet. The market is evolving toward high value-added services which bring real competitive advantages. We believe that Infranet is the platform that will allow us to develop services appropriate to the operational requirements of our customers".

## managing wealth

### Package implementation at Auchan

The French supermarket chain, Auchan, has tasked a specially-formed consortium made up of Cap Gemini and Oracle, with the renovation of its general and analytic accounting applications. This project – aimed mainly at providing Auchan with a common worldwide information system – is based on the Oracle Applications product.

### Mega-outsourcing deal with U.S. Chamber of Commerce

On April 8, Cap Gemini America complemented the group's growing base of mega-outsourcing deals, signing a ten-year, \$75 million transformational outsourcing contract with the United States Chamber of Commerce (USCC), the world's largest business federation. Referred to by USCC as "one of its most important undertakings in recent years," Cap Gemini is managing an effort that will completely transform USCC's information systems to enable the association to offer an even higher level of service to its members, operate more cost effectively, and arm its members with the cutting-edge technology and processes necessary to thrive in 21st-century business.

### Long-time relationship rolls on

It all began 19 years ago: Gemini's relationship with Merrill Lynch, one of the largest financial services firms in the world, is a partnership that still endures today. In 1997, Gemini and Merrill Lynch were working together in six countries across four continents, with the primary focus being on the growth of the firm's international private-client business. This has involved developing growth strategies in a number of markets and creating detailed implementation plans. The two companies have also worked together to develop a better understanding of high-net-worth individuals and what it takes to meet their needs successfully. The first *World Wealth Report* in an annual series is one result of this work. Published jointly by Gemini and Merrill Lynch during the first half of 1997, the report provides insight into the broad market trends and the challenges they present to financial institutions which serve the needs of the world's wealthiest clients.

### Oracle bestows "Best Partner in Europe" award

At Oracle OpenWorld 97, held in Vienna, Austria, from April 6-11, Cap Gemini was honored with a Best Partner in Europe award "in recognition of outstanding performance in mutual customer satisfaction and contribution to Oracle Alliance success." A major event for users from Europe, the Middle East and Africa, Oracle OpenWorld includes a variety of conferences facilitated by developers and partners, along with permanent exhibits and demonstrations. The 1997 edition of Oracle OpenWorld was attended by about 5,000 people.

## transformational outsourcing







## change management

### June

#### Globalization of systems and processes

Pasteur Mérieux Connaught, a subsidiary of Rhône Poulenc, has reached an important stage in the globalization of its worldwide operations. This strategy calls for a revamping of its processes, updating of its information systems, and mobilization of the company's various entities to create a common vision. To carry out this project, Pasteur Mérieux Connaught has turned to Cap Gemini's Global Market Unit, the Life Sciences Group. "Our goal was to integrate the management of change and information systems to provide real value to our business," explains Olivier Sélignan, director of IT systems at Pasteur Mérieux Connaught. "Partnering with the Life Sciences Group, we have found the know-how we need to conduct international projects, along with the skills specific to our pharmaceutical business." Located in 150 countries and employing 5,500 people, Pasteur Mérieux Connaught is number one worldwide in the serum and vaccine market, with more than one billion doses sold each year for the immunization of 400 million people against 18 different illnesses.

#### Insurer turns to SAP

Nieuwe Hollandse Lloyd, the Dutch subsidiary of German parent company, Victoria, is changing over to an insurance administration system based on SAP R/3, in conformity with Victoria's other foreign entities. This insurer, one of the largest in Germany, is developing the system itself and its implementation will be carried out, together with Nieuwe Hollandse Lloyd, by the Insurance Division of Cap Gemini Nederland, from which the underlying insurance models originate. After implementing the SAP Finance and Control modules in 1996, Cap Gemini Nederland also implemented the Human Resources module in 1997.

### July

#### New financial management system for Paris Airports

With the aim of improving its working methods to achieve measurable gains in productivity and quality, the Aéroports de Paris (ADP) – the Paris Airport association which manages Charles de Gaulle, Orly, Le Bourget and other local airport facilities – contracted Cap Gemini and Bull to develop a new management system around an SAP R/3 implementation. This proven software product will be adapted to ADP's constantly changing reglementary, technological and economic requirements. The project will be supported by Cap Gemini's **PERFORM** methodology in compliance with IS-9001 standards. The first phase of this four-year assignment (general design, architecture, overall specifications) was completed at the end of 1997. Cap Gemini, as authorized agent and prime contractor, and Bull, as jointly responsible sub-contractor, have been engaged to deliver a fully operational system on January 1, 1999.

## package implementation

### **Citibank in Asia**

Citibank N.A. is the largest non-Asian multinational bank in the Pacific Rim. Cap Gemini is providing support, application maintenance and development resources for Citibank's Asia-Pacific Technology subsidiary, along with managing an application support center. Based in Singapore and Hong Kong, the first team mobilized for this project is made up of 100 Cap Gemini staff and a third-party vendor. The initial three-year contract opens the door to other developments in the region.

## **applications management**

## *September*

### **Joint venture in Finland**

Finnish insurer Sampo has announced the creation of an IT company in partnership with Cap Gemini. The new company – of which Cap Gemini owns 60% and Sampo 40% – is called Capsam Consulting. It will supply Sampo with computer systems development and maintenance services, and will operate in close cooperation with Sampo's business and IT division. Sampo and Cap Gemini have also agreed on methodological cooperation based on Cap Gemini's **PERFORM** quality system. Sampo is already a client of Cap Gemini on a five-year IT systems overhaul known as Sampo 2000.

## **PERFORM quality system**



## October

### Support for Stockholm Energi

In 1996, the Swedish electricity market was fully deregulated and open to all competitors and all customers, regardless of consumption levels or other barriers. An industry undergoing such radical change, from monopoly to full deregulation, was obliged to alter its strategies, organization, processes and support systems just as radically. Recognizing the importance of an IT partner both technically proficient and knowledgeable about the utilities industry, Stockholm Energi turned for support to Cap Gemini, which was appointed prime contractor for all new development projects over the next three years, with the possibility of a two-year extension. Since then, Cap Gemini has been working with Stockholm Energi on several assignments, from leading a Year 2000 effort to developing a new billing system. Because "time to market" was such a critical issue for Stockholm Energi, Cap Gemini has responded by making good use of its Rapid Application Development (RAD) methodology. The result is that, today, Stockholm Energi is one of Cap Gemini's largest utilities sector clients.

## "Rapid Application Development"



### From Sogeti to Cap Gemini: a 30-year history

To commemorate its 30th anniversary on October 1st, Cap Gemini engaged a professional corporate historian to write a book on the milestones in the life of one of France's most successful business ventures. Based on more than 35 interviews and an abundance of archival material, this handsomely bound, richly illustrated publication (in French and English editions) has been warmly received both internally and among clients and friends of the group.\*

## November

### 600 British Steel employees join Cap Gemini

On November 12, British Steel, one of the world's leading steel companies, with a work force of 50,000, announced that it would outsource the bulk of its computer support over the next ten years in a strategic partnership agreement with the Cap Gemini Group. The contract will run until February 2008, and will involve the transfer to Cap Gemini of more than 600 British Steel staff. The agreement covers operations, infrastructure, applications support and development, help desk and consultancy. Cap Gemini will take over British Steel's three major data centers and be responsible for supporting over 7,000 desktop terminals in a Distributed Computing Services (DCS) operation. This agreement comes on the heels of the successful implementation of a separate, five-year contract, which brought on board over 300 British Steel staff. The new agreement, won by a joint Cap Gemini/Gemini Consulting team, assures the group's role as British Steel's preferred strategic partner for its business change program.

\* Readers interested in obtaining this book (in English or French) may contact Corporate Communications in Paris.



## Multimedia at the wheel with @utoNet

At the recent Frankfurt Auto Show, Cap Gemini Innovation, in collaboration with Citroën and Intel, unveiled its @utoNet program. Based on GSM networks and Internet, an on-board @utoNet computer will enable drivers to benefit from a number of new information and communication services.

Connected to this @utoNet multimedia platform of services, the occupants of a vehicle will have access to e-mail, cellular phone, Internet and practical information on weather, traffic conditions, tourist attractions (monuments, hotels, restaurants, etc.). Locally, the on-board computer, with the aid of commands from the steering wheel for the driver or remote control devices for the passengers, will handle the radio, TV and other disk readers. In addition, the possibilities for customer care and electronic billing of the @utoNet platform will eventually be able to accommodate other billable services such as maps, press services, car rental, and so on.

@utonet  
on the steering  
wheel

## getting ready for the 21st century

### Cap Gemini to work with An Post on Year 2000

An Post has appointed Cap Gemini in Ireland to help prepare for the Year 2000, which it estimates will cost a total of £7 million. This includes both internal resources and external assistance as well as all the facilities required to complete the project. Cap Gemini has worked with An Post to develop a complete inventory of all the business systems, from payroll to postal delivery, and will support An Post in achieving its objective of completing the project by December 1998. Cap Gemini will also help to coordinate preparation for the Year 2000 date change across all An Post's subsidiary companies. According to John Hynes, chief executive of An Post, Cap Gemini was appointed, "because on top of having considerable experience in this area, they are also conscious of the wider commercial impact of the Year 2000 rather than approaching it purely from an IT angle."







## December

### Outsourcing for Yorkshire Electricity

Yorkshire Electricity, one of the largest regional electricity companies in the U.K., distributing electricity to 2 million domestic, commercial and industrial customers, has placed a computer outsourcing contract with Cap Gemini.

Under the terms of this 10-year agreement – the first significant IT outsourcing deal for Yorkshire – Cap Gemini will provide a comprehensive, integrated applications and desktop management and delivery service for Yorkshire Electricity Group's distribution business. The systems being outsourced are a range of client/server-based applications which have been integrated via a data transfer gateway to give the look and feel of a single computer system and to minimize multiple data entries. Users across the region will be able to access and process accurate information about distribution assets and the work being carried out on them. Noted Graham Hall, chief executive of Yorkshire Electricity: "By outsourcing to a world-class IT services company, we can be certain that our business critical systems are in safe hands, thereby freeing us to concentrate on the core strategies to drive our business forward." Cap Gemini's successful experience of major outsourcing contracts and its experience of the electricity industry were additional factors in Yorkshire's decision.

**2 million  
electricity  
users**

### Year 2000 renovation two years ahead of schedule

In January 1995, Maryland Casualty Company, an insurance carrier member of the worldwide Zurich Group, experienced date failures within its insurance policywriting systems due to the Year 2000. While the immediate problem was quickly remedied, the company knew that three-year policies would experience extensive date failures within 21 months if the company did not act quickly. Cap Gemini America's TransMillennium™ Services and Baltimore unit worked in collaboration to perform a Year 2000 assessment, develop a strategy and renovate all of the company's mainframe systems, making Maryland Casualty Company one of the first major companies to complete a Year 2000 mainframe renovation. The renovation was performed at Cap Gemini America's Application Renovation Center<sup>SM</sup> (ARC<sup>SM</sup>) in Tarrytown, New York, using its proprietary automated toolset, ARCdrive<sup>SM</sup>. Overall, Maryland Casualty Company has 16 million lines of code, of which 10 million had to be renovated.

**10 million  
lines of code  
renovated**

### Transnational Telecom project in Taiwan

In 1997, KG Telecom, PCC and MoBiTai, three of the six mobile telephone operators in Taiwan, turned over to Cap Gemini the integration and implementation of a Customer Care and Billing system based on BSCS (Business Support and Control System). It is the first time a Chinese version of the product has been used, which makes KG Telecom the pioneer in launching this service in Taiwan, followed by two other Cap Gemini clients, PCC and MoBiTai. The team running the project contains Cap Gemini staff from Singapore, Sweden and France. More than 40 BSCS implementations in the U.S., Europe, Asia and Africa make Cap Gemini the world's leading integrator of this product. The projects started between May and June, 1997, and the three operators launched their services between December 1997 and January 1998.

## customer care and billing

### Wesleyan Assurance wins sales award

For the second year running, the Wesleyan Assurance Society has been awarded first prize for the best use of technology at the Point of Sale in the Financial Advisor Sales Awards. The award-winning systems, "FAITH" (Financial Advice in the Home) and "HOME" (Head Office Management Environment) were implemented by Cap Gemini. Wesleyan's repeated success is due to systems development work over the past year which has significantly enhanced the efficiency of its sales force and customer service capabilities.

### The "Brains" behind the labor force

Cap Gemini in the Netherlands is developing and implementing an intranet system for the 18 regional and 220 local offices of Arbeidsvoorziening, the national employment services center, which has been instrumental in the country's successful fight against unemployment. The Cap Gemini team, working with and training client staff in all locations, has completely revamped the national Nova server to make it 100% Microsoft compliant. The project – aptly called "Brains" – contains a knowledge management system and a sector monitor to enable employees of Arbeidsvoorziening to do their work efficiently.

## knowledge management







# Introducing the Cap Gemini Group

**The Cap Gemini Group is – after IBM – Europe's leading management consulting and computer services firm, and is one of the world's five front-runners in this profession. As of December 31, 1997, the group numbered over 31,000 employees, including a very high percentage of engineers and technical professionals holding degrees from the foremost European and American educational institutions. The group's 1997 revenues were in excess of FF 20 billion (about \$3.2 billion at current rates).**

## What the group does

**Cap Gemini Group has always set ambitious goals in its relations with customers, to:**

- **assist them in orienting and managing their activities;**
- **mobilize people in order to change structures;**
- **advise them, equip them with the IT systems they need and, as required, manage these systems on their behalf;**
- **yield tangible results in a hurry.**

To achieve these goals, Cap Gemini centers its activities in the following areas:

### **Management consulting and information systems**

Through its subsidiary Gemini Consulting, the Cap Gemini Group works to escort its customers through the implementation of profound change in business practices, mobilizing all of a company's resources in formulating its strategy for change, adapting its structures and processes, evolving its skills and products. In the information systems field, Cap Gemini consultants are specialized in strategic IT planning and the implementation of technically-advanced solutions.

### **Systems transformation**

The Cap Gemini Group is capable of offering a full range of services for which it selects leading-edge techniques and the

best proven methods, consolidated and formalized in its *PERFORM* methodology. *PERFORM* is used groupwide and is ISO 9001 certified, as are the majority of the group's subsidiaries.

The general purpose of information technology projects is to make significant improvement to customers' operations and put them on the path to fresh opportunities. These projects fall into two categories:

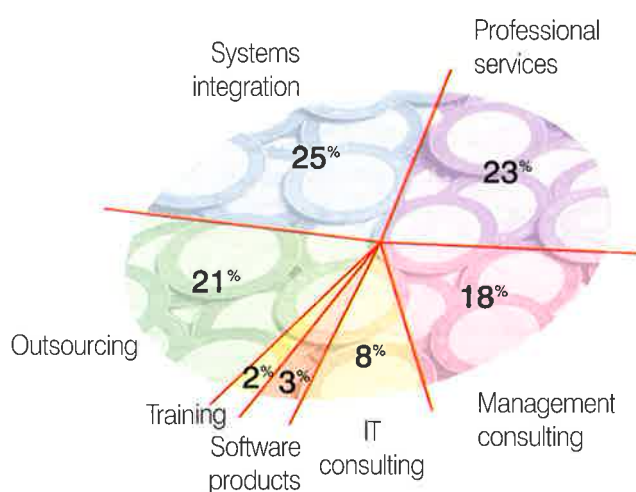
- information systems built on the basis of customized software implemented for individual customers,
- systems integration projects involving the definition, design, development and installation of information systems drawing on resources from a number of players in the computer marketplace (hardware manufacturers, software developers, etc.).





*Lost time (1998)*

**1997 revenue distribution by service line:**

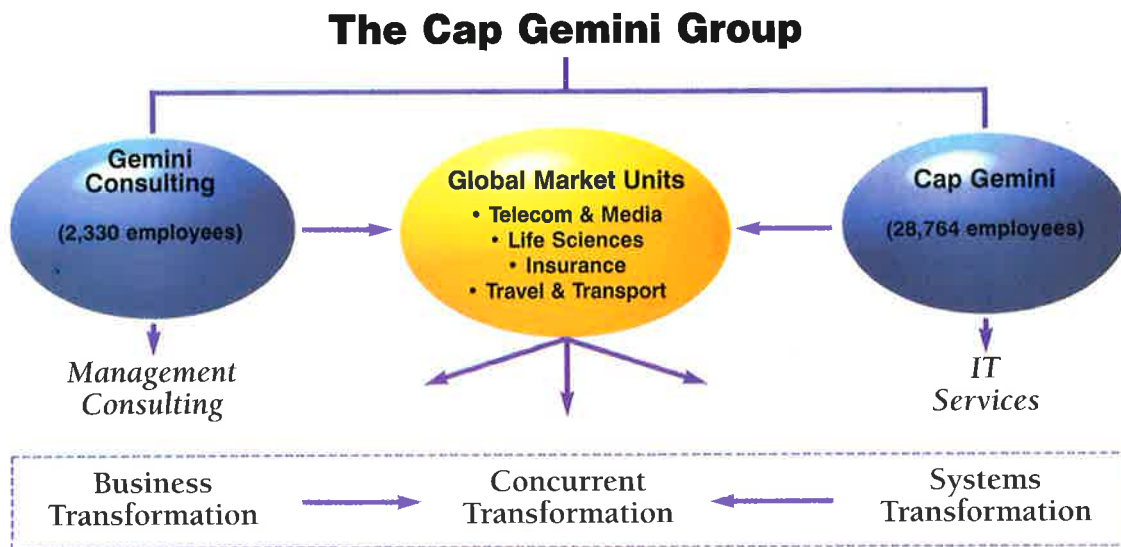


**Systems management**

Given the fact that three-quarters of all IT expenditures go to ensure the smooth operation and maintenance of existing applications, information systems management services cater to customers' wishes to be free to concentrate on their actual business. In a well-received

service offering developed to make these wishes a reality, the group assumes management responsibility for all or part of a customer's IT resources: Applications Management (AM), Distributed Computing Services (DCS), and Central Computing Services (CCS).

# A global organization



**Cap Gemini's transnational organization assures its clients of:**

- strong sector-specialization, an in-depth knowledge of the client's business and high value-added offerings;
- top skills, constantly reinforced in several business lines such as management consulting, outsourcing and new Internet-linked technologies;
- geographic proximity to clients' decision-making centers, a long-standing asset within the group, which clearly differentiates it from the competition.

**Recent developments**

Cap Gemini's organization has evolved to follow market trends and adapt to its clients' needs.

The group's new organization bears the stamp of its "Convergence" strategy, developed nearly three years ago. This strategy arose from observation of the increasing role of data processing in the transformation of the elementary rules of corporate activity. Joint

operations by Gemini Consulting and Cap Gemini, with implementation of their respective skills, are unique assets when it comes to meeting the new expectations of many clients: improvement, transformation and renewal of their business activities, simultaneous installation of new processes, design and development of new systems, etc.

Four **Global Market Units (GMUs)** – created at the beginning of 1997 – offer a response which integrates management consulting with information systems to the "converging" demand of certain high-growth-potential sectors. The GMUs are already handling over 20% of the group's activity:

**TELECOM & MEDIA**

Strong growth in this market is due to the combined effects of deregulation and technological progress (600 new operators are

expected to make their debut on this market during the next five years). Our experience is a powerful lever as we tackle new markets, particularly those involving the need to manage telephone subscribers and on-line service users.

#### **LIFE SCIENCES**

The dynamism of the pharmaceuticals industry is creating a market for the group estimated at \$13 billion. Many changes are taking place within this sector, all based on improved use of outside know-how and new technologies. Thanks to its market position, the group is working with the very top-ranking companies: Glaxo Wellcome, Astra, Zeneca and others.

#### **INSURANCE**

To meet the needs of an increasingly concentrated market in search of new distribution channels, the group has developed Distribution and Customer Management (DCM), a leading-edge offering already acquired by the British group Royal & Sun Alliance.

#### **TRAVEL AND TRANSPORT**

Increasing consumer spending on travel and tourism forms the basis for strong growth in this sector, which is strongly affected by technological developments. This sector includes some of the group's major clients, such as Swedish Rail, Eurotunnel and Aéroports de Paris.

Structures similar to the GMUs have been implemented in other sectors such as Consumer & Distribution, Finance and Utilities.

# Management team

## DIRECTOIRE (Executive Board)

Serge Kampf, Chairman  
 Geoff Unwin, Vice Chairman  
 Paul Hermelin  
 Pierre Hessler



Left to right: Paul Hermelin, Pierre Hessler, Geoff Unwin, Serge Kampf.

## OPERATIONAL MANAGERS

Gemini Consulting

Pat Elder

SBA 1 (United States)  
 SBA 2 (United Kingdom - Ireland)  
 SBA 3 (Nordic)  
 SBA 4 (Benelux)  
 SBA 67 (France - Southern Europe)

Mike Meyer  
 Alwyn Welch  
 Anders Skarin  
 Berend Brix  
 Paul Hermelin

GMU • Insurance  
 • Life Sciences  
 • Telecom  
 • Travel & Transport

Ian Jackson  
 Mike Standing  
 Alexandre Haeffner  
 Alun Evans

Operational control

Chris van Breugel\*  
 Jean-Pierre Durant des Aulnois

## CENTRAL FUNCTIONS

Financial Management  
 Risk Management  
 Communications & Cap Gemini University  
 Innovation & New Technologies  
 TSD (Transnational Sales & Delivery)

Pascal Giraud  
 Michel Jalabert\*  
 Jacques Collin  
 Jean-Paul Figer  
 Eric Lutaud

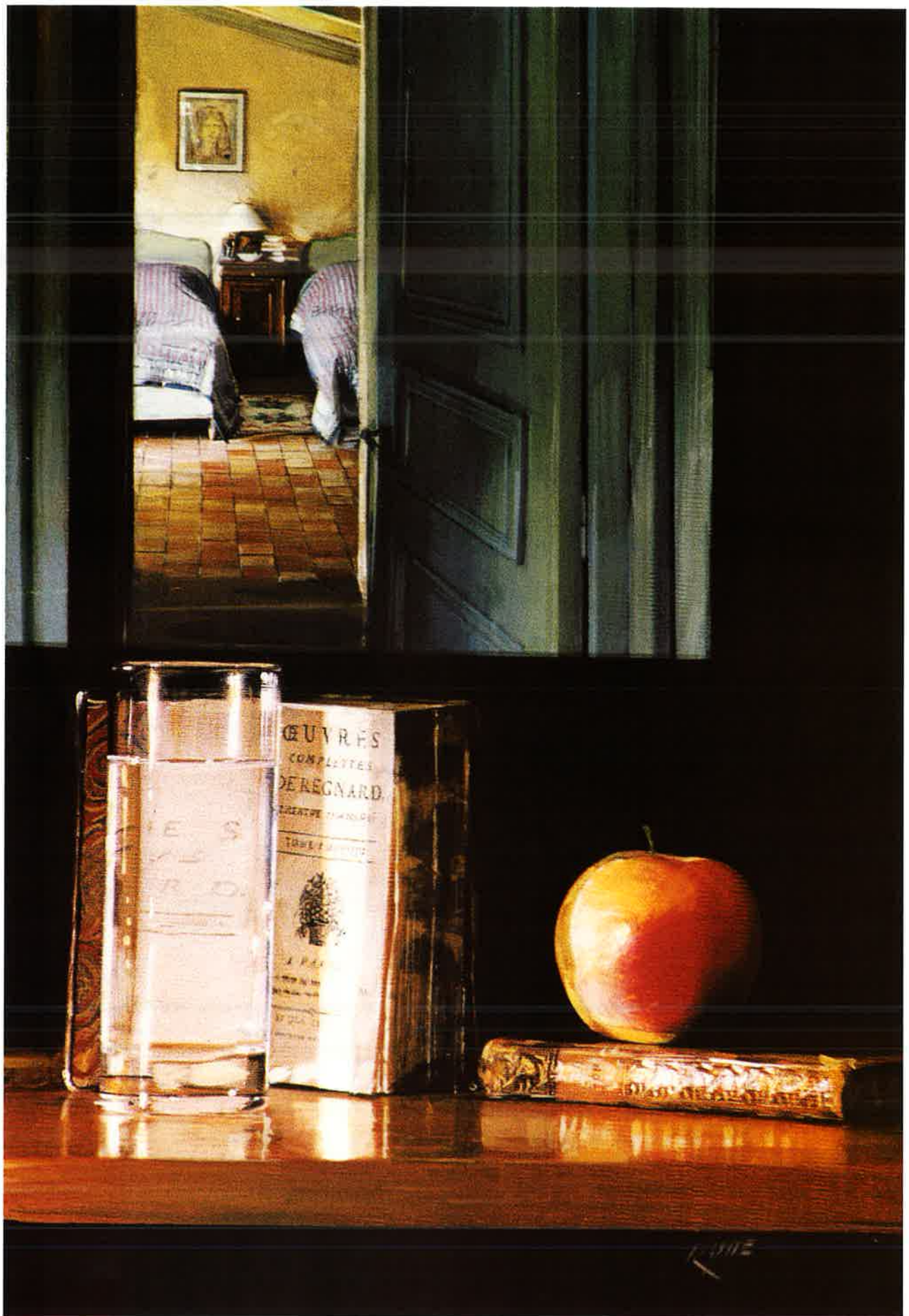
Secretary of the Directoire

Frédéric Lemoine

SBA = Strategic Business Area  
 GMU = Global Market Unit

\* member of the Supervisory Board





*The bedroom (1998)*

## Some service offerings

### Outsourcing: reaching full maturity

***In continental Europe, information systems outsourcing has long run up against reluctance motivated more by cultural reflexes than by an objective analysis of the real issues at stake.***

Although outsourcing is still not uniformly practiced in all the countries where the group is present, it should be noted that a significant change in thinking is taking place (outsourcing now accounts for 25% of group sales). In a 1997 survey of European decision-makers, 70% of respondents indicated a "generally favorable" attitude toward outsourcing. This type of contract is primarily viewed as the implementation of a relationship of trust with a qualified partner, intended to create the closest possible linkage between a company's information system and its business activity. For 64% of decision-makers, outsourcing is, first of all, a means by which IT managements are able to concentrate on their core strategies. Changes in outlook are also perceptible in the ways in which companies are tackling the problem from both the purely contractual standpoint and the approach to human resources management:

- on the one hand, the proportion of European companies wishing to enter into a **total outsourcing contract** (subcontracting of the company's entire IT infrastructure to a single outside service provider) is down from the previous two years (16%, from 23%). Fewer companies are signing outsourcing contracts covering their entire IT function.

Instead, they are tending to favor "selective" outsourcing, evaluated on a case-by-case basis. The 10% increase in the number of outsourcing contracts for microcomputer resources and administrative management is quite significant in this regard.

- on the other hand, **emerging signs of concern for human resources management within outsourcing contracts have been clearly noted.** Companies are indicating in no uncertain terms that a service firm's ability to handle aspects related to the management of IT personnel – training, career development, understanding of local cultures, etc. – is a decisive criterion in the final selection of a service provider.

A 1997 IDC study demonstrated that Cap Gemini projects a very favorable image with regard to the "human resources" aspect of outsourcing contracts. IDC asked 240 European companies (in France, the Netherlands, the Scandinavian countries, Spain and Portugal) to rank Cap Gemini alongside its biggest competitors. Companies were scored from 1 (poor) to 5 (excellent). Having received the highest score in five out of the eight survey categories,\* Cap Gemini believes that it is well-positioned to meet the present and future needs of the outsourcing market.

\* The subjective criteria most frequently cited by users are: cultural compatibility, attitude (arrogant vs. humble), flexibility and understanding of the customer's business.

The group's outsourcing offering is divided into three main families:

- **Applications Management (AM)**, in which the group is the European leader;
- **Distributed Computing Services (DCS)** for distributed systems management;

- **Central Computing Systems (CCS)** for central systems operation and optimization.

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## The euro

***Europe's move to a single currency is assuming tangible form: we are only a few months away from the adoption of the euro by the financial markets and the determination of its exchange rate, and less than four years from the conversion of present-day currencies into the new bills and coins.***

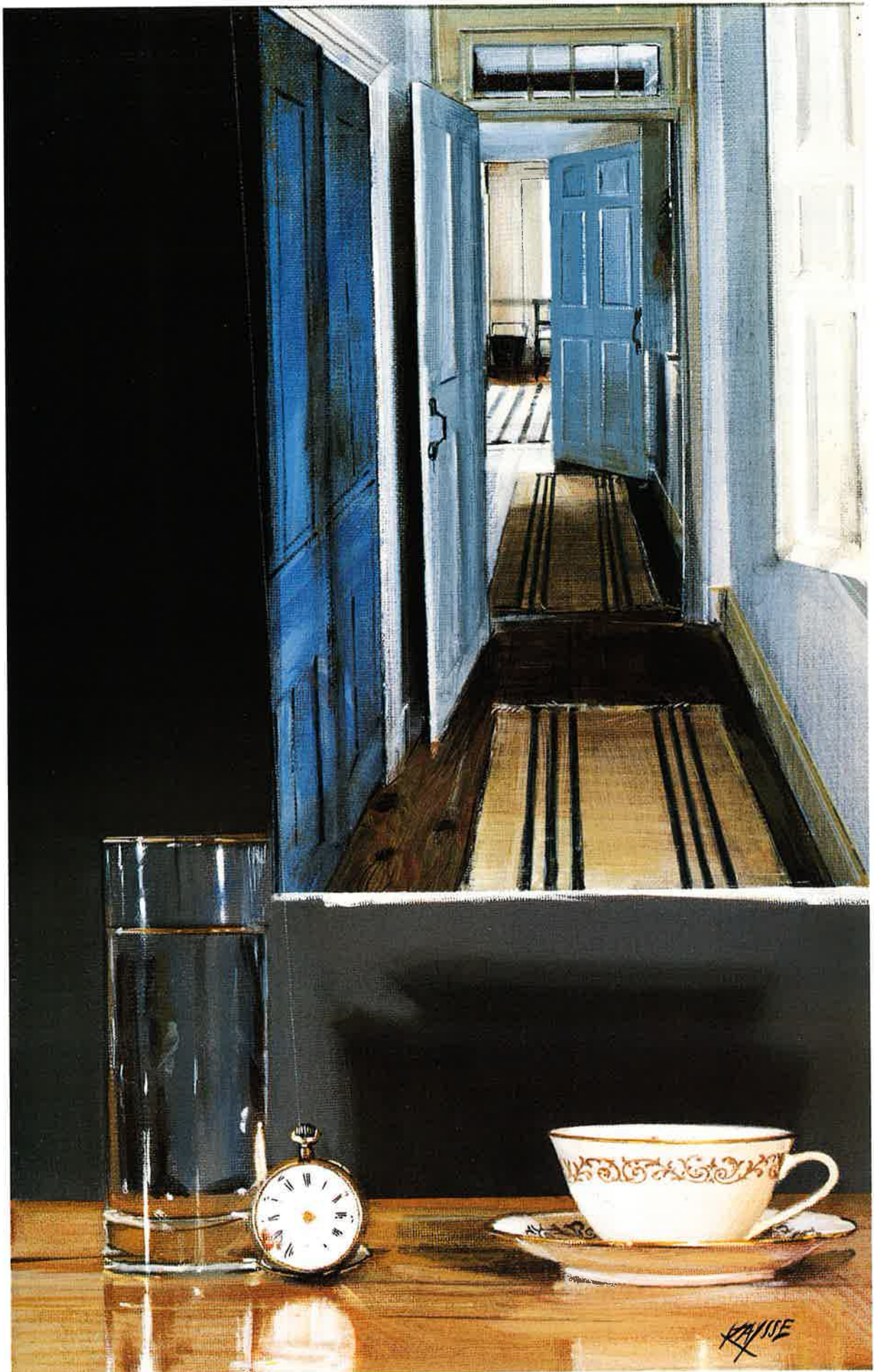
In May 1998, the heads of state and government of the European Monetary Union will decide on the countries to be admitted into this new system. Beyond its political aspects, this deadline is creating fresh growth opportunities for businesses: access to an expanded market, sales openings for new products, harmonization of distribution circuits, etc., all prospects which necessitate an in-depth rethinking of the operating modes and information systems which support business activity.

The euro issue has spurred a number of initiatives by the group during the past few years, from the organization of awareness seminars to the conducting of country and sector impact

studies, along with the implementation of programs for change. Cap Gemini now has a dedicated transnational team and a specific service offering: euroTRANSFORMATION™ Services.

This module-based offering deals with every phase in the cycle of transition to the euro, capitalizing on the many projects undertaken by the group for customers belonging to a very wide range of business sectors.





Light (1998)



## Electronic commerce: first steps

***The true importance of electronic commerce goes far beyond today's brouhaha over virtual commerce on the Internet or on-line shopping. In fact, there is enormous potential in the exchange of information, goods and services between suppliers and customers over electronic distribution circuits.***

The distribution sector is not blind to this potential: a Cap Gemini survey of 100 European distributors indicates that a spectacular upswing in sales over the Internet can be expected during the next two years.

The study also shows that, in the coming decade, shopping over the Internet will account for 14% of sales by distributors who have traditionally sold their merchandise through retail stores, and slightly over 50% of all "home shopping" sales. Television home shopping is also going to show sharp growth between now and the year 2000.

Electronic commerce represents a significant market for Cap Gemini, which was a pioneer in this field with the Minitel, the world's first nationwide telematics network, developed for France Télécom during the 1980s.

Companies are very interested in the business-to-business aspects of electronic commerce with their suppliers. They want to be able to integrate this new dimension into their action plans and to familiarize themselves with the advantages, both internal and external (partners, customers, etc.), offered by the electronic media.

It is Cap Gemini's vocation to help its customers understand the stakes of this revolution: its limitations, but also the enormous growth potential that it can generate. Only after mulling over

these aspects will a company be able to select and implement the most appropriate electronic channel for its needs: the Internet, e-mail, interactive kiosks, telephone or – soon – interactive television.

This is how Cap Gemini helped a major airline to install an intranet designed for some 10,000 users. As soon as significant growth has occurred in the use of digital techniques, the airline plans to install an extranet enabling it to share information with its business partners and further enhance its communications. Each of these two stages will bring improvement in terms of efficiency, laying the groundwork for electronic commerce.



Wide open spaces (1998)

## Enterprise Resource Planning (ERP)

**More than 90% of the group's significant increase in revenue in 1997 came from services related to the implementation of integrated software products. Cap Gemini grew faster than the market, gaining market share in many parts of the world.**

The group's "Alliance" strategy, defined in 1996, has led to the establishment of close ties with software developers and the unfolding of fruitful cooperation both in the marketing sphere and in project management.

By capitalizing on the group's project experience, its **PERFORM** quality method has been enriched to ensure improved cooperation with software developers and their own methods (including new approaches to rapid development). In the process, it was confirmed that the service activity/software integration mix **formed the core** of the group's service offerings in the information technology field.

**SAP** remains the undisputed leader in the worldwide ERP market. In turn, Cap Gemini has shown very strong growth in some countries (France, U.S., Sweden), signing contracts for over 230 projects, 40 of them of transnational scope.

With the launch of consultant certification procedures, establishment of a training center and deployment of its Rapid Application Development (RAD) offering, Cap Gemini is asserting itself as one of SAP's indisputable partners. The number of SAP consultants within the group is slated to exceed 1,300 in 1998.

Integration of the **Oracle Applications** product has also shown strong growth, with many projects carried out in partnership with Cap Gemini. Significant 1997 contracts included transformational outsourcing for the U.S. Chamber of Commerce's information system (cf. page 31) and installation of a new industrial management system for Sony (France).

Further development of this cooperation is expected in 1998, enabling us to strengthen our transnational consultant training structure. The group's worldwide roster of Oracle Applications experts should reach 500.

**SSA's** (Systems Software Associates) BPCS (Business Planning and Control System) product is widely used in the pharmaceutical and automobile industries. The arrival of its new client/server version has marked a major stage in this product's development. Longtime partners with SSA, the group's teams have worked closely with the developer to define a **PERFORM**-based installation method. Cap Gemini is looking forward to strong growth in 1998 and its staff of BPCS consultants is expected to exceed 250 worldwide.

Cooperation with **Baan** has likewise been a genuine success in a number of countries – such as the U.S. and the Netherlands – resulting in the creation of new skill centers in several regions in which Cap Gemini is present.

The alliance with **PeopleSoft**, market leader in ERP products dedicated to human resources management, has enabled the group to establish commercial

relationships with Citibank, Radio France and AEFÉ (Agency for the study of the French language abroad), among others. Expansion of the PeopleSoft offering to include a total ERP solution (HR, financial, production/distribution, and supply-chain management) is also enabling the group to conduct major projects for Euroclear, Fontys, etc. The worldwide geographic deployment of PeopleSoft skill centers is one of 1998's major challenges.

1997 witnessed a significant jump in investment by large consulting firms in the leading integrated management packages and a strengthening of their

European positions. Because of the combination of skills, methods and investment potential (together with the mastery of complementary tools in supply chain management, for example) required for a real presence on this market, it is limited to just a handful of heavyweight groups.

Thanks to its worldwide geographic coverage, its transnational culture and the federated skills of its business consulting and computer service hubs, the Cap Gemini Group confirmed its role as a major player on this niche market during 1997.



*The Italian villa (1998)*

# Applied Knowledge Management

***The expertise and experience of a company's professionals are its prime assets. This is why it is of vital importance for businesses to enhance their people's working methods, capitalize on internal skills and prevent the dissipation of knowledge key to their operation.***

One by one, companies worldwide are discovering that intelligent management of individual and collective knowledge is an essential component of their innovation and growth policies. Cap Gemini's Applied Knowledge Management (AKM) service offering has been created to help them advance in this field. AKM consists of a set of business consulting and information technology services designed to help businesses better exploit data in their information systems, optimize their use of information and profit from the experience accumulated by their professionals.

The AKM offering encompasses four distinct components:

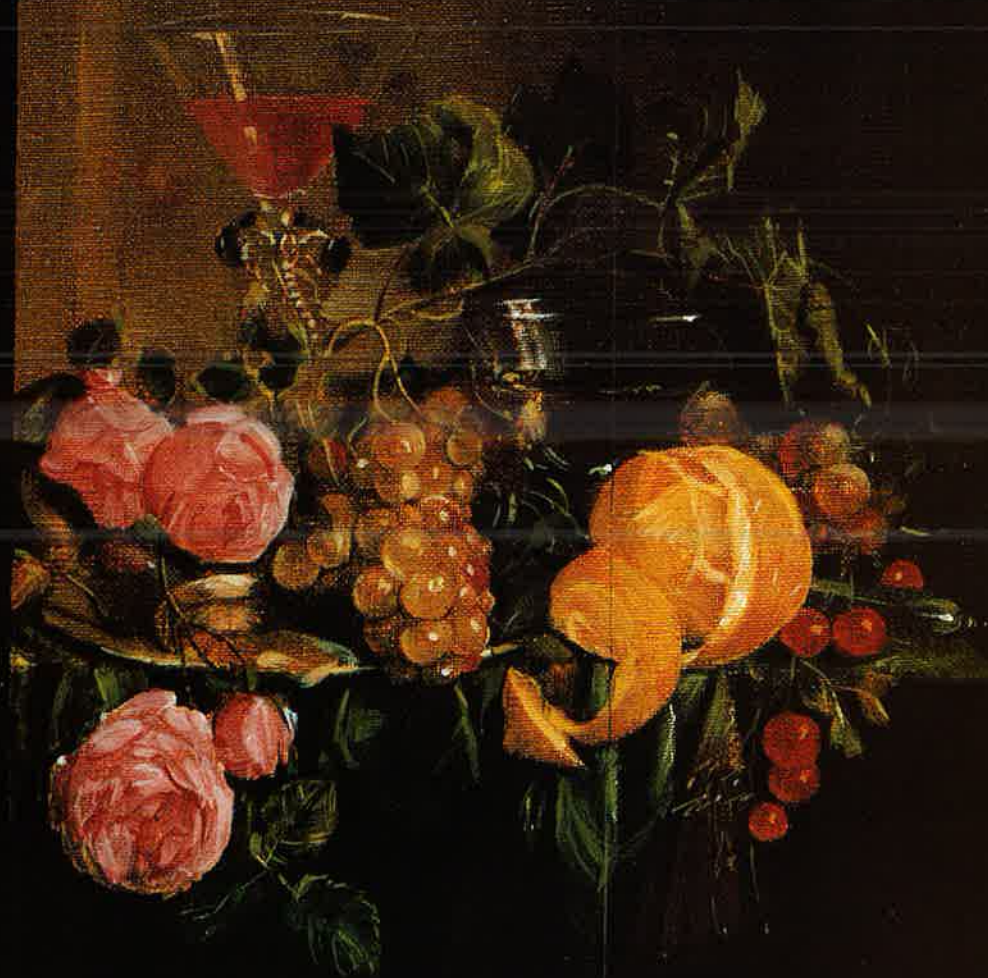
- **Organizational strategy:** selection and ranking of priorities in the areas of work, problems to be dealt with and decisions to be made;
- **Working methods and content management:** alignment of work and information flows in order to optimize performance levels and decision-making and to facilitate problem-solving;
- **Information technology expertise:** development, deployment and tracking of computerized solutions facilitating the collection, assimilation and distribution of knowledge, incorporating a selection from other Cap Gemini offerings;

- **Human resources organization and mobilization:** synchronization of a universally-shared work model by smoothing organizational structures and installing a personnel-motivating system of bonuses and rewards. This method also permits knowledge sharing and reuse, together with definition of new responsibilities, in order to manage knowledge flows and improve career plans.

With its AKM offering, Cap Gemini is in a position to help its customers develop new, high-added-value activities, disseminate their "best practices" without worrying about cultural or geographic differences, increase personnel productivity and benefit from the know-how and information stored in their information systems.

The AKM program makes use of combined teams and calls on the full range of the group's skills, whether from management consulting (strategy, organization and mobilization) or from its information systems expertise.





Norman Ste...

217 East 23rd Street  
NEW YORK 10001



# CAP GEMINI GROUP

Place de l'Etoile - 11, rue de Tilsitt - 75017 Paris - France

Telephone: 33 (0)1 47 54 50 00

Internet: [www.capgemini.com](http://www.capgemini.com)

## Cap Gemini S.A.

Paris 33 (0)1 47 54 50 00  
Grenoble 33 (0)4 76 59 63 00

## Cap Gemini Innovation

Paris 33 (0)1 49 10 51 50  
Grenoble 33 (0)4 76 76 47 47

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

## Cap Gemini Insurance

London 44 (171) 434 21 71

## Cap Gemini Life Sciences

London 44 (171) 434 21 71

## Cap Gemini Telecom

Paris 33 (0)1 47 54 52 00

## Cap Gemini Travel & Transport

London 44 (171) 340 30 00

## France

### CAP GEMINI FRANCE (33)

Paris	Corporate Headquarters	01 47 54 50 00
	Exploitation Division	01 40 24 10 10
	Finance Division	01 47 54 52 00
	Industry Division	01 49 01 80 00
	Informatique Hospitalière Division	01 49 01 70 00
	Innovation Division	01 49 10 51 50
	Institut Division	01 44 74 24 10
	ISM Division	01 41 26 51 00
	Itmi-Aptor Division	01 49 10 53 00
	Public Services Division	01 49 01 70 00
	Tertiaire Division	01 49 01 70 00
	Telecom Division	01 49 00 40 00
Bayonne	Industry Division	05 59 50 31 00
Bordeaux	Exploitation Division	05 57 26 15 15
	Informatique Hospitalière Division	05 57 89 03 00
	South Division	05 56 46 70 00
Brest	West Division	02 98 30 46 30
Caen	West Division	02 31 94 51 20
Clermont-Ferrand	Rhône-Alpes Division	04 73 28 23 81
Grenoble	Itmi Division	04 76 41 40 00
	Rhône-Alpes Division	04 76 04 23 30
Le Mans	West Division	02 43 57 45 00
Lille	Exploitation Division	03 20 45 99 18
	North East Division	03 20 19 37 37

Lyons	Exploitation Division	04 72 74 03 26
	Informatique Hospitalière Division	04 72 43 51 60
	Rhône-Alpes Division	04 72 75 48 60
Marseilles	South Division	04 91 16 57 00
Montpellier	South Division	04 67 20 92 92
	DSB Division (Banking Systems)	04 67 20 64 90
Nancy	North East Division	03 83 95 85 85
Nantes	Exploitation Division	02 51 84 95 02
	West Division	02 51 88 15 15
Nice	South Division	04 93 72 43 72
Niort	West Division	05 49 06 84 30
Orléans	West Division	02 38 24 01 01
Pau	South Division	05 59 84 12 23
Poitiers	Informatique Hospitalière Division	05 49 38 14 00
Rennes	West Division	02 99 12 55 00
	Telecom Division	02 99 27 45 45
Rouen	West Division	02 35 12 20 20
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	South Division	05 61 31 52 00
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*Théodore Raysse was born in 1954 of Spanish origin and currently resides in England. A decade of globe-trotting exposed him to many different artistic and graphic influences and techniques. Open-minded and curious by nature, his painting grew richer as a result of his travels and the people he encountered.*

*The work Raysse exhibits today combines the technique of the master draftsman with a very free pictorial symbolism. This technical skill and story-telling gift has been earning him a successful and growing reputation, especially in France, where he has a loyal following among a public always on the lookout for quality and originality.*

*Théodore Raysse is continually revealing to the art world a powerful, highly creative talent.*

*The works of Théodore Raysse were kindly placed at our disposal by the Galerie Clorinde Martin, which exclusively represents the artist and where his works are on permanent display.*

*Galerie Clorinde Martin,  
77, rue Saint-Louis en l'Île,  
75004 Paris.*

*Tel.: 33 (0)1 43 29 08 09*

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