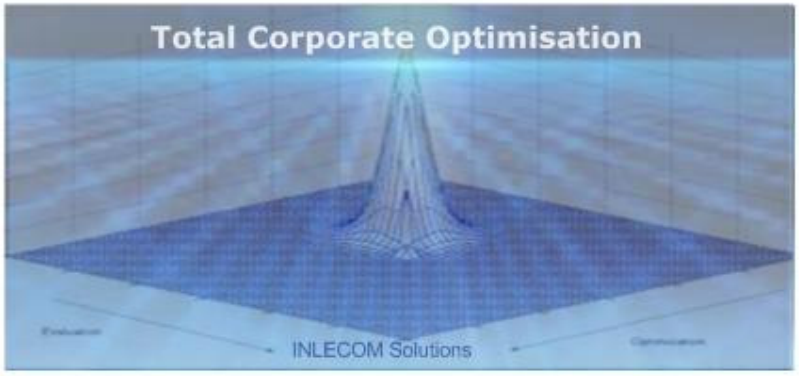


Total Corporate Optimisation Solutions

In today's dynamic global market place where companies are asked to demonstrate balanced performance along economic, social, and environmental directions, optimisation of processes and capabilities is becoming increasingly important.

INLECOM's Total Corporate Optimisation solutions consist of leading edge consultancy services and customisable Business Intelligence applications aimed to provide clients a real choice on formulating an optimisation project that suits their specific requirements and characteristics and delivers fast return on investment and long term value.

Table of contents

Background

Ultimately the main objective of every company is to maximise profit. This can be simply translated in efforts to maximise revenue and to minimise cost. However, this simplification only serves to illustrate the difficulties involved in business optimisation. Maximising revenue will require increasing costs and obviously cost minimisation will restrict growth and inevitably will kill the business. Further, maximising revenue can be achieved by different strategies depending on the market in which the company operates and the company maturity and characteristics representing hundreds or thousands of variables affecting the company's performance.

Business optimisation is first and foremost dependent on understanding the company in terms of its characteristic features, its behaviour and its performance and the way it interacts with the external environment particularly clients and competition. Early developments in the 80s concentrated on the strategic frameworks which modelled the competitive environment and suggested strategies according to the position of the company in that environment. However, it was quickly recognised that the rate at which an organisation is able to respond to external changes will typically be slower than the rate of external change. The outcome of the response lag or strategic drift is that the organisation does not satisfy the prevailing market needs which results in unacceptable performance.

Dealing with the dynamic aspects of business performance optimisation has motivated the development of system based approaches and system dynamics. Enterprises are seen as systems behaving according to the effects of complex relationships between market, social and technical aspects. System dynamics attempt to take into account feedback loops which effectively determine the way performance change with time. These approaches are also closely linked with the 'learning' and the 'lean' organisation promoting knowledge management, flexible processes, empowerment and teamwork and the 'balance scorecard' providing a baseline for performance measurements.

Apart from the business approaches outlined above the use of business intelligence tools is often associated with business performance management. Over the past 20 years, companies have worked to automate business processes. Many companies are now trying to optimize their businesses by leveraging the data generated by these processes by analysing ad interpreting historical data. More recently the focus has moved to real-time business optimisation mainly associated with business intelligence techniques.

Business Intelligence is about providing organisations with better, faster and easier access to information either embedded in their existing legacy systems or external sources in order to create insights in every area of the business. Good Business Intelligence solutions support organisations to be responsive to their customers and to changing market conditions and manage highly diverse and imprecise data, creating the ability to make better business decisions in real time.

The business challenge

The central task of business management is to ensure that the organisation moves through time to accomplish its objectives. However achieving a dynamic equilibrium between different 'forces' affecting progress is becoming increasingly difficult due to the complexity and turbulence of the business environment and the requirements for corporate governance to manage risks effectively and to balance social and environmental performance.

There are increasing demands for corporate sustainability defined by the Dow Jones Sustainability Index as *a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.* The scope of optimisation is therefore broader and more complex than ever before as companies attempt to satisfy the requirements of all its stakeholders and to address social and environmental responsibilities.

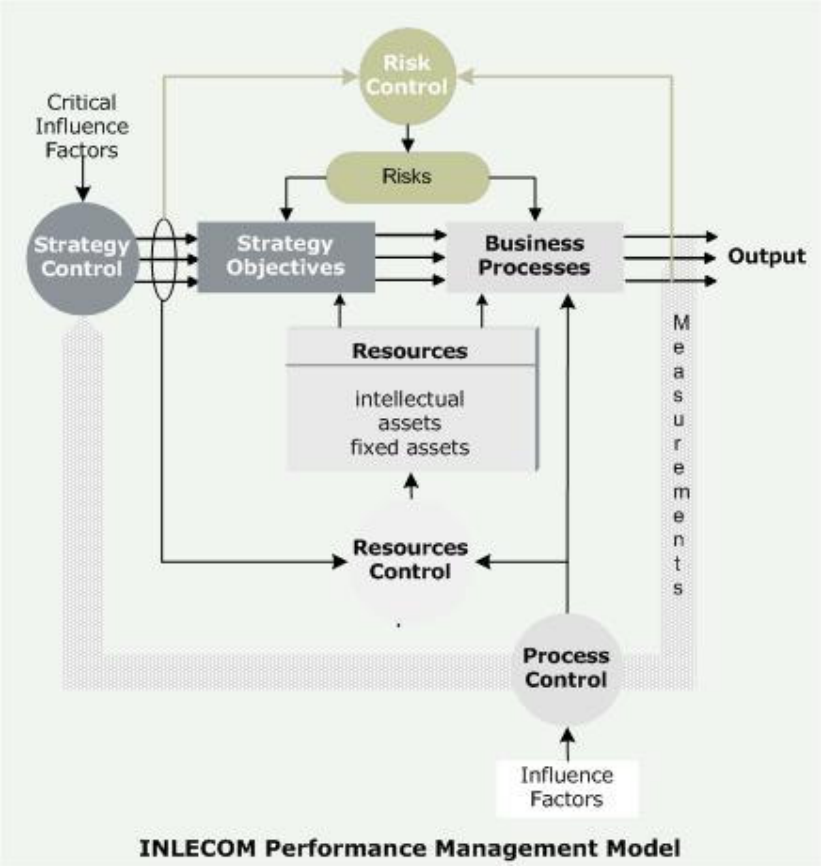
It is widely accepted that existing solutions are far too often one dimensional and fall short of providing **total solutions** to the demands of managing highly dynamic business systems with a wide range of stakeholder related objectives. The new knowledge economy is also distinguished by its **emphasis on precognition and adaptation**, in contrast to the traditional emphasis on optimisation strategies based on prediction of relevant business patterns. Consequently, most enterprises are facing the challenge of **transforming to Real Time Enterprises** coupled with critical demands for anticipatory responses through enhanced organisational ability to adapt fast and accurately to an increasingly complex and dynamic business environment.
This creates the need for a new generation of total optimisation approaches addressing multidimensional dynamic business perspectives and a new generation of knowledge based platforms to support the development of real time performance optimisation.

The Total Corporate Optimisation approach

A company is essentially a dynamic system that consumes or utilise resources to transform an input to an output. The output contributes some 'value' to some wider system; this being the company itself or the wider system such as region or country or global development. If the output is not carefully monitored and the transformation process controlled accordingly the output value will be inadequate; there will be output errors and system instabilities. Further more if the system is not designed to deliver its performance targets, the necessary adjustments may become difficult to implement and could cause performance instabilities. The TCO approach is aimed to provide optimised options for the organisational system and then to provide operating solutions to ensure proper control of the business performance.

The TCO Reference Model

The TCO Reference Model assumes that management formulates strategy and objectives which are implemented through business processes. Strategy formulation and processes are supported by resources which include investment, personnel, knowledge assets, software applications and other technologies. At the same time both strategy and processes generate and are subjected to risks.



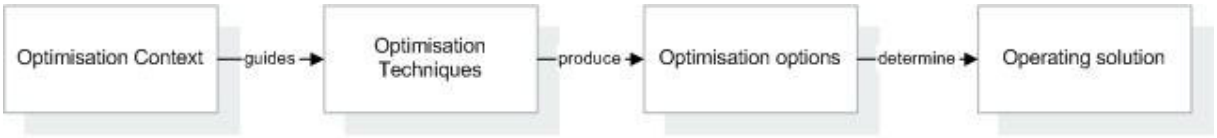
INLECOM Performance Management Model

The output of the business processes determines the enterprise performance and is therefore measured and analysed to control the strategy, the processes, the resources and the risks.

The approach described above has an additional important practical advantage over conventional approaches. It relies on actual data to produce process and risk models rather than on views of individuals which are often conflicting and often time consuming to bring into a final conclusion.

Optimisation project process

The key to a successful optimisation project is understanding the company's competitive model and then establishing a clear focus for the optimisation exercise. This should take into account macro economic parameters, sector characteristics including the regulatory regime, the social model and organisational design variables.



Optimisation Process

The Optimisation Context will determine the type of optimisation techniques that should be used. These techniques include statistical analysis of historical data, system dynamics simulation, optimisation algorithms and process optimisation. Using the chosen techniques a number of optimisation options will be produced and then the operating solution for the selected option will need to be constructed and deployed.

The main steps of the TCO process are:

- **Optimisation Context**
  - Analysis of company information to obtain an insight on the company specific **Business Model**;
  - Identification off **External Critical Influence Factors** through sector macro and stakeholder analysis ;
  - Evaluation of historic business performance across processes and business areas;
  - Identification/ definition of Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs) to reflect enterprise characteristics, priorities and bottom-line business drivers and their mapping in key processes and business areas;
  - Definition of performance and risk measurements;

- **Selection of optimisation techniques**
  - Optimisation demonstrators through different techniques
  - Selection of preferred approach;

- **Generation and evaluation of optimisation options**
  - Identification of key improvement requirements for optimum performance;
  - Forecasting probable performance trends;

- **Operating solution**
  - Definition of the business Performance Management Process
  - Mapping of existing applications on the Performance Management Process;
  - Definition of performance and risk control models;

Responsiveness driven Optimisation

INLECOM has developed a specialised methodology focused to optimise responsiveness related variables.

Organisational responsiveness s measured along two dimensions:

a) Efficiency (e.g. speed of understanding the need for change and designing/implementing a response) and
b) Effectiveness (e.g. quality of response with minimum side effects)

Both Responsiveness Efficiency and Effectiveness related processes are then examined to identify target improvement areas and solution options.
For this we have developed a coherent management framework (Dynamic Profitability Management) in which organisational design can be linked to a higher strategic analysis level and to a lower level implementation control so that the overall enterprise system model supports fast and controllable adaptation. Such a framework provides *a method for dynamic profitability compensation through feedback based investment.*

Responsiveness driven Optimisation h draws from methods used to develop customer oriented organisations. The *lean organisation* approach emphasises flexible processes, empowerment and team work. *Organisation learning* focuses on intellectual assets and learning processes that enhance the innovative capacity of the company. Product oriented approaches such as *time-driven development* emphasise concurrent modular development, reuse and integration architectures. Information system based strategies concentrate on business intelligence and customer and supplier integration.

Total Corporate Optimisation Solutions

INLECOM's **Total Corporate Optimisation Solutions** are based on **a range of c**onsultancy services and customisable Business Intelligence applications aimed to provide clients a real choice on formulating an optimisation project that suits their specific requirements and characteristics.

TCO Consultancy

Our consultancy services follow the approach defined earlier with the following distinct packages:

- Specification of optimisation requirements;
- Identification and quantification of critical performance and risk indicators;
- Generation of optimisation options;
- Solution specification.

Specialised services are available for:

- Responsiveness driven optimisation;
- Corporate sustainability performance optimisation;
- Operational risk optimisation;
- BASEl II optimisation;
- Business Networking.

Customisable Business Intelligence applications

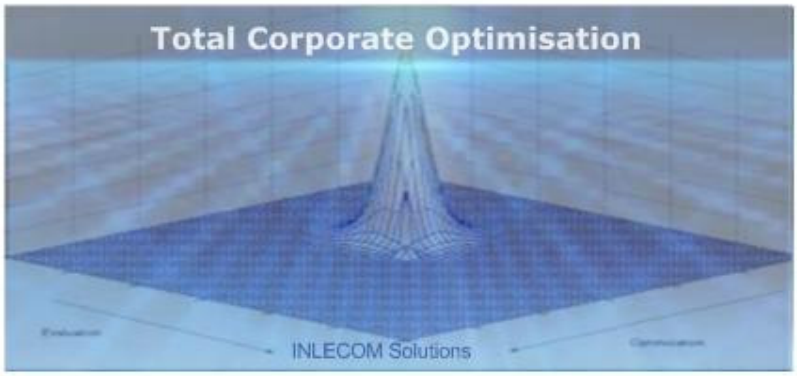
Software based operating solutions using an ABIS application and the kBOS platform. Typical facilities include:

- Performance measurement and analysis support;
- Management of performance improvement decisions;
- Follow up of improvement actions including work flow changes;
- Refinement of the Performance Management Process and development of the associated knowledge assets to improve decision-making;
- Business intelligence web services for integration purposes.

Expected Advantages and Benefits

Key advantages of TCO solutions include:

- Flexibility to select individual optimisation packages or effectively control the optimisation project process
- Use of methodology providing innovation along a number of dimensions:
  - adopting a multidisciplinary analysis approach extending the standard models with sector, macro and social impact models and extending further the flexibility of the TCO solution;
  - providing a systemic performance management approach which has unique features in supporting real time performance optimisation both at strategy and process level;
  - addressing the key requirement of knowledge management
- Use of the widest range of leading edge optimisation techniques including proprietary algorithmic approaches increasing the confidence level and value of the results;
- Simulation based demonstration of potential performance improvements supporting decisions on investment;
- Specialised solutions for risk management, inventory control and organisational responsiveness enabling the development of fast solutions;
- Compatibility of analysis and optimisation methodology with a knowledge-centric business intelligence operating solution.



Annex 1 Optimisation related models

Sector Model

The Sector Model – for each of the main Sectors of the Economy - encapsulates the fundamental economic and technological characteristics of the Sector. Such a model therefore incorporates knowledge about the evolution of market demand, market structure (the number and size distribution of firms), technology conditions and how they affect the cost structures of companies, nature of products produced by the companies in the sector, size of investments undertaken, R&D expenditures, innovative activity, entry and exit rates, international competitiveness and special characteristics related to government policy for the sector.

The Macro-Economic model

The Macro-Economic model brings together the Sector models in an aggregative description of the economy. It incorporates knowledge about fundamental macro-economic aspects such as the evolution of the rate of growth of aggregate output, the rate of productivity growth, inflation, unemployment, capital formation, the external balance and trade performance, the basic government budget variables (deficit, debt, etc), government consumption and the size of the government sector, investment in R&D and its break-down into public and private sectors, investment in education and the stock of human and social capital.

The Social Model

The Social Model incorporates the interactions between economic and technological developments with demographic, social and political change. It also defines the critical social and environmental issues defined by the CSR agenda.