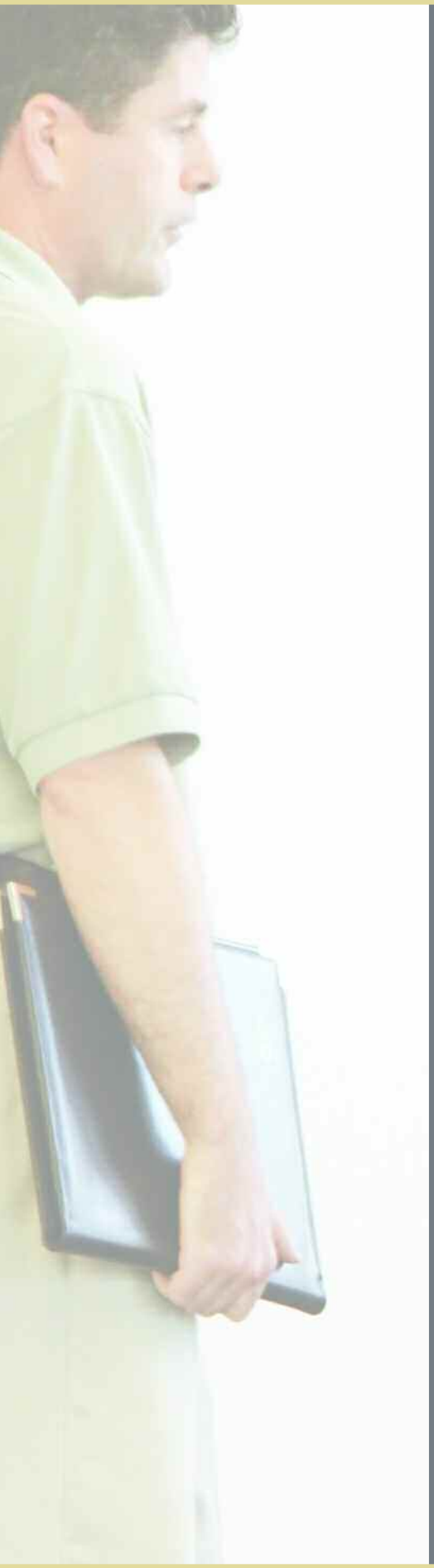
ENECO ENERGIE: POWERED BY INFORMATION-BASED MARKETING AND DECISIONS

COGNOS®

THE NEXT LEVEL OF PERFORMANCE™



EXECUTIVE SUMMARY

When can you lose 10 percent of your customer base and be more profitable?

How can a marketing program reduce its prospect list by 90 percent but affect the bottom line by orders of magnitude?

ENECO Energie discovered there is actually one answer to these questions—corporate performance management.

ENECO Energie is one of the largest energy companies in the Netherlands, generating revenues of more than €3.5 billion in 2004. The business landscape changed for ENECO with the deregulation of the Dutch energy sector, taking effect July 1, 2004. The game was different, and ENECO knew it had to respond. The company adapted its focus from delivering *energy*, to delivering *profit* based on knowing its customers better than the competition. The key was a balanced scorecard driven by business intelligence, an integrated process view, and operational and financial metrics.

How does ENECO gauge the success of this approach? Within the first two weeks of deregulation, ENECO lost that 10 percent of its customer base. But the company resisted the typical response of an aggressive win-back program. Instead, they put their substantial data resources and balanced scorecard approach to work. A high percentage of the lost customers were unprofitable, late bill payers. The decision—no blanket win-back program. Instead, it carefully targeted the profitable customers. And when some unprofitable clients inevitably filtered back, ENECO was ready. They were welcomed, but to return as customers, had to pay three months in advance.

It's hard to turn away customers if you don't understand who they are and how they fit with your strategy. ENECO now has the data and the discipline to be such a performance-driven enterprise.

TABLE OF CONTENTS

BUSINESS BACKGROUND AND THE CASE FOR CHANGE

ENECO Holding N.V., trading under the name ENECO Energie, is one of the largest energy companies in the Netherlands, serving a total of more than two million business and residential customers and generating revenues of more than €3.5 billion in 2004. ENECO's activities, supported by about 3500 employees, are focused on the Dutch market.

In 2002, the Dutch government announced the deregulation of the energy sector in the Netherlands, to be effective by July 1, 2004. The announcement completely changed the game for ENECO Energie. The legislation opened up the market to competition and mandated a series of complex inter-company operating conditions. It required distinct divisions be formed to manage the various elements of the business.

From a customer perspective, deregulation divided ENECO (and the other energy companies) into:

- A network transport company (one per geographic district) that delivers energy to the customers, and
- A supply company that sells energy to its customers competitively.

The legislation required each of these entities to be independent in terms of profit and loss (P&L). For efficiency reasons, ENECO created a new Services division. It is responsible for billing and customer contacts for the Network division as well as the Supply company. Legislation requires the Services division to have its own P&L and to keep its transactions with the Network division and the Supply company at arms length.

The current ENECO organization structure thus includes:

1. At the top level is a holding company, governed by a Supervisory Board and including a variety of corporate staffs:
   a. The Supervisory Board comprises the senior executives, the CEO, COO, and CFO.
   b. The staff groups are each led by a Director; they include, among others: Human Resources, Finance, Strategy, IM&A (Information Management and Automation), and Mergers and Acquisitions.

2. There are four customer-facing divisions:
   a. The **Retail Division** supplies energy to consumers and small businesses.
   b. The **Commercial "B2B" Division** sells energy to large businesses, including multi-site entities such as chain stores.
   c. The **Network Division** delivers energy to both Retail and Commercial customers.
   d. The **Services Division** takes care of the billing and customer contacts for all the divisions mentioned under a, b, and c.

3. The Shared Services Division provides personnel, financial, technology, and other administrative services to the customer-facing divisions on an arms-length basis, in order to gain economies of scale. Among the shared services is the Business Intelligence Center of Excellence (BICE)—*See appendix at the end for more*.
4. The Infrastructure Division is responsible for the construction of pipelines, production capacity, and more.

A NEW STRATEGY

With the new organizational structure came a new strategy. ENECO's fundamental strategic imperative was to achieve ***profitable revenue growth***, by turning the company from an organization focused on delivering energy units to a competitively aware, customer-focused one. ENECO created a new steering philosophy expressed through a Balanced Scorecard. They linked strategic operational measures to financial outcomes.

Ton (A.G.C.) van den Dungen, then the finance manager of the Retail Division, reviewed the strategic operational measures. Van den Dungen understood that success meant integrating business processes and information across units. The key ingredients were the Balanced Scorecard driven by business intelligence, and an integrated process view with appropriate operational and financial metrics. He initiated two pilot projects to prove that the strategic review of processes, coupled with business intelligence, would help ENECO reduce costs and meet its objectives.

THE SOLUTION

Starting with Pilot Projects

ENECO pursued two pilot projects to validate their new approach in the areas of accounts receivable and customer contact.

- For the **accounts receivable** pilot, the first step was to review the existing process. Customers were placed in "aging categories" of 0-30 days, 30-60 days, 60-90 days and so on. Assuming that Day 1 is the day the bill is sent, the defined process calls for the first bill payment reminder to be triggered on Day 17, with secondary reminders following and so on. The internal perception had been that customers were simply tardy, but the process review found that 45 percent of first reminder notices were not sent on Day 17 as expected. By combining detailed information in conjunction with process review, the accounts receivables project identified €8 million in receivables not being actively pursued; by dunning these accounts, the accounts receivables for the company was reduced by €4 million.

- The customer contact project showed how to more effectively plan daytime schedules for the workforce. By knowing when call volume peaks in a day or

"ENECO's fundamental strategic imperative was to achieve profitable revenue growth."

"ENECO turned itself from an organization focused on delivering energy units to a competitively aware, customer-focused one."

in the week you can make better use of your flexible workforce. The project produced an estimated savings of €100,000. Further, by showing the performance of agents against a series of strategic performance metrics, ENECO streamlined call handling and better understood customer concerns.

ENECO completed these two projects at a cost of €250,000. They used Excel and other 'semi-manual' tools as a low-cost means to test their philosophy. The overall effort took two to three months, but early results were achieved much faster.

Expanding the Implementation

The success of these two pilots supported the business case to bring strategic business intelligence in a more structured and integrated manner to ENECO. In 2004, the focus was understanding the value strategic BI would bring to the various divisions, and then to design the scorecards, reports, and analysis "cubes" that would help the retail business meet its objectives and improve customer satisfaction. Quick wins would help build momentum for the project and convert business users. The business intelligence team believed that: *at the end of the day, the day-to-day use of BI is the justification of the project*.

For example, looking at the accounts receivables pilot project, ENECO judged the €4 million savings as clearly significant but put more weight on the s*ustainable advantage coming from day-to-day use by the business to monitor, report, analyze, and make good decisions*.

While the pilot project results had already demonstrated savings beyond the project cost, the new infrastructure was officially justified on the basis of improved switch (churn) statistics. Underlying this justification was ENECO's understanding that the company could simply not successfully operate its business without business intelligence in the new competitive environment.

ENECO built its corporate performance management program carefully and gradually. It began in a single division (Retail) and then expanded it across the company. Within that division, it began with the two pilot projects. This cautious approach has succeeded, and the enterprise-wide implementation began within two years of the first pilot activity.

Business Impact

ENECO's corporate performance management approach generated significant business impact in a variety of ways.

Managing Customer Churn

Customer churn is a good example of the critical importance of well-integrated information. Within the first two weeks of de-regulation, ENECO lost 10 percent of its customer base. The immediate impulse was to initiate an aggressive win-back

campaign directed at all lost customers. However, the company decided first to analyze who they were. It turned out that a good percentage were not profitable ENECO customers. They were late bill payers. They were more frequent callers into the Call Center with general complaints about pricing policies and other matters. Not only did ENECO not include this group in its targeted win-back campaign, but when members of this unprofitable group wanted to switch back to ENECO, the company decided to accept them on more profitable terms. They told the customers how glad they were to have them back, but to return as customers, they had to pay three months in advance. Through a simple understanding and statement of strategy coupled with integrated information, ENECO made sound business decisions that meant welcoming back returning customers, and making them ***profitable*** in the process.

Value and Need Based Customer Segmentation

This customer segmentation practice is based on the value of the customer and the needs of that customer group. It leads to a better understanding of customer behavior and ability to determine customer profitability. Value criteria include the customer's contribution margin and their cost of service (affected by their use of the customer contact center and their payment pattern). For ENECO's customer need analysis, customers are segmented into six groups, for example, "minima", households, and small business. Most of the factors for need segmentation are based on the products that customers choose but also include a large number of social and demographic elements. (For example, the value groups are "top", "middle" and "bad"). By more precisely segmenting customers, ENECO can target campaigns with offers, products, or pricing to specific groups. Rather than general-mailing two million pieces, ENECO can mail an offer to the 150,000 customers its information says will be most interested. Not only does the Dutch energy company save an average of €1 per direct mail piece not sent, they also increase their marketing conversion rate from 10 percent to nearly 65 percent. The smaller group of target customers also means ENECO can analyze the results in more detail.

This detailed understanding of customer behavior and segments also means ENECO can pursue competitors' customers in a more profitable fashion. ENECO targets "look-alikes" of their own most profitable segments. These customers are most likely to be satisfied and profitable against the core competencies of ENECO.

Energy Demand Forecasting

ENECO "buys" energy in 15-minute increments one day in advance, which it then "sells" the following day to its various customer segments. At the end of each day, they predict their demand for the day to come. If they run short of energy units at the close of any given day, they need to buy more units at day's end, when the price is quite steep. Complicating this business model, energy cannot be kept in "inventory." Excess units are sold back, usually at a shortfall. Better data about customer use improves demand predictions and reduces "excess / deficit" penalties.

"This detailed understanding of customer behavior and segments also means ENECO can pursue competitors' customers in a more profitable fashion."

Understanding Customer Characteristics

ENECO offers a variety of energy products and pricing. Some product mixes are more profitable than others. The company analyzes each customer segment against the actual products they use:

- "Green" units from windmills or hydro
- Hot water heaters and kettles that ENECO maintains
- Flat rate pricing
- Off-peak pricing etc.

The company also analyzes customers based on whether they pay their bills on time, how many payment reminder letters are sent, how frequently they use the Call Center, and whether they write letters with requests or complaints.

One focus point for 2006 is how to get their lowest customer segment to "trade-up" to improve customer satisfaction and be more profitable for the company.

The payment process is one example of a trade-up factor. ENECO calculates they save approximately €1.50 per instance through automatic payment because they do not have to issue or collect a bill. Therefore, they encourage customers to move to automatic payment. Customers who choose to keep their traditional billing system are charged €1.50 for the additional service fee.

In another example, customers with billing problems are encouraged with a "switch out" campaign to move to pre-paid metering machines that can be monitored over a wireless network. Using the new meters means no interruptions to read the meter and no collections reminders. In addition, the timely, actual usage data helps predict demand more accurately, which has been a huge benefit for ENECO.

ENECO is focused on capturing and using detailed level customer information so they can truly understand their customer behavior in the areas of need and value. Through that detailed understanding, the company can construct offerings and services that both satisfy market demand and make ENECO more profitable. ENECO's first step is to understand the customer, and the second is to design efficient processes to service the customer and, in this way they, become a more profitable company.

Better and More Efficient Service

Customers phoning the Call Center want their issue resolved quickly. By analyzing call patterns, ENECO found it could identify what agents were better at resolving billing inquiries, which ones were better at resolving contact history issues, etc. As a result, ENECO introduced skills-based call routing. The company determines the caller's issue through a screening process and routes it to the agent who is best at

resolving that type of call. The customer is more satisfied because ENECO more quickly and efficiently resolves the issue. ENECO is more productive and therefore, more profitable.

Another example is ENECO's campaign for "convenience users." The Web is a fast, low-cost channel for customer contact. A quick review of contact patterns shows that most customers use email in the evenings when they're at home, and call ENECO during business hours when they're at work. ENECO placed a new shift in their Customer Response Center that works between 6:00 and 8:00 PM to provide customers with "instant" response to Web queries. With this in place, the company notified their "convenience users" about this new channel, ready for their questions with additional staffing in the early evenings to ensure they received prompt replies. Customer satisfaction went up and ENECO costs went down.

In addition to analyzing customer transactions, ENECO surveys its base. The company discovered that their high segment customers like to receive a call about once a year; just checking in to make sure everything is on track. ENECO schedules these outbound calls from the call center in the lower volume times between marketing campaigns. By clearly understanding customer needs and their own processes, ENECO can serve customers in a cost-effective manner.

Information-based Marketing and Decisions

ENECO's integrated, cross-silo view of the business drives their philosophy of discovering how to reduce costs *while* increasing customer value, rather than simply cutting costs. The company's Balanced Scorecard highlights the strategic metrics across divisions and cascades these scorecards across the various divisions. The company strategy, articulated through scorecard metrics, lets departments determine and negotiate the necessary trade-offs in the best interests of the customer and overall company objectives. For example, a customer may be unprofitable for the services division who are accountable for the network, but very profitable for the retail division because of the blend of products that customer uses.

ENECO calls this "Information-Based Marketing." It relies on collecting and analyzing the most detailed level of data. Process information—across the departmental operating silos—is also built in at this lowest level.

ENECO knows its customers with extreme precision: who they are and what they do. It can therefore 'manage' the customers appropriately, improving both its own efficiency and the customer satisfaction. For example, a recent executive decision directed the company to reduce the cost of the customer service center by 30 percent over three years. Would this result in customer attrition? The company needed an integrated view to understand the profit impact of such a cost reduction. ENECO has such data and can distinguish absolute cost reductions and the results of efficiency measures that protect customer service.

"By knowing when call volume peaks in a day or in the week you can make better use of your flexible workforce."

USER PERSPECTIVE – BART VAN WEIJSTEN (MANAGER OPERATIONS)

Bart van Weijsten is Head of Operations for the Retail Division. He has 10 direct reports who manage the outsourced services provide by the Shared Services Division, including:

- Customer acquisition
- Invoices and A/R
- Contact Center / complaints
- Campaigns
- Fulfillment.

The team also has real customer contact in the escalation process.

Van Weijsten says metrics are needed from a customer perspective—what is accomplished—as well as from an internal perspective—how it gets done. You must combine these perspectives. For example, customers say 40 percent of their e-mails are not answered, but internal metrics say 100 percent are answered! You must do a root cause analysis of such an issue, and perhaps redesign the processes.

Business Value of the New Approach

"We don't spend three to six months analyzing the data; we just 'push one button' and get seven-day-old figures, which are controlled and represent the state of the business," van Weijsten says. "That gives me a comfortable feeling that team leaders know what is happening in their respective departments and we make decisions based on the facts."

Van Weijsten's team can drill down to specific levels of detail, going easily from the aggregate number of calls coming into the call center, to information on how many customer calls were about bills, and of those calls, how many were about format issues.

"It is easier and faster for us to determine what is good or wrong with a detailed figure and then decide what to do about it," van Weijsten says.

Competition makes this critical. He needs to see the impact of competitive moves quickly for time to react. In a dynamic business, that knowledge is critical. "What if a price war begins this year? What is our course of action? We need the figures to support our decision-making process," van Weijsten says.

Integration Working—an Example

In October 2005 ENECO saw an increase in customer complaints. Analyzing customer churn rates, survey feedback, and detailed call center data let ENECO identify a specific geographical spike in lost customers to a competitor of whom ENECO had not heard. Investigating further, ENECO discovered that its customers were being contacted through an aggressive door-to-door campaign with competitor staffers posing as ENECO workers. ENECO shut the competitor down in under three months, including litigation. In the past, the information would have been so stale and so aggregated that Bart believes they would not have been able to identify the problem, let alone shut down an unscrupulous competitor.

Lessons Learned and Next Steps

ENECO has learned that individual data points don't tell very much. Data must be combined and integrated to produce the business understanding that drives management decisions.

For example, customer churn is a big issue, and so is running an effective marketing campaign. Churn and campaign results data are critical components of the Data Warehouse and BI Analytics program. ENECO also surveys customers who switch away to find out where they went and why. They then combine all this data for the necessary, full picture.

The next big step forward will be analyzing the data at the margins, where the business is changing. This should provide an additional competitive advantage. The key is not the information tool; it is a management team, at both executive and operational levels, that is comfortable with and adept at the use of the tools.

LESSONS LEARNED

Business / IT Partnership

ENECO points to a strong working partnership between IT and business as key to the accomplishments of the work to-date. The project visionary, Ton van den Dungen, is a business executive who combines both disciplines. The company has enlisted IT to build and integrate the tools, and provide the process and data analysis expertise alongside the business subject matter experts.

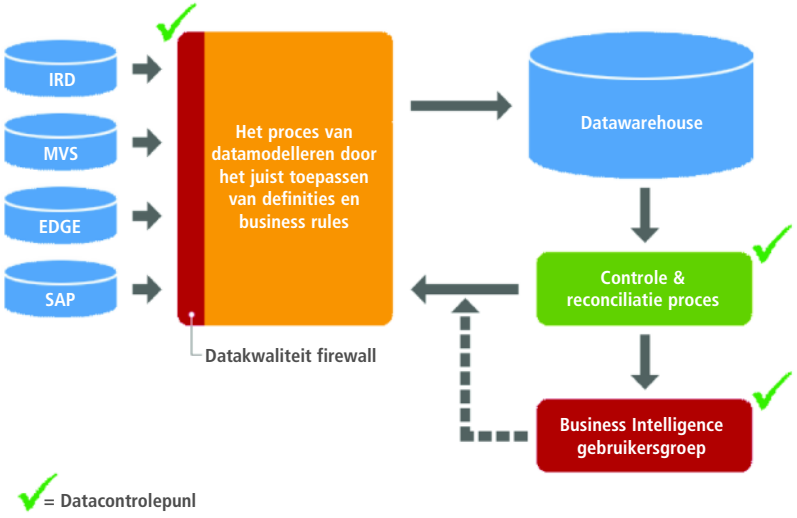
The next steps include continuing to develop the information that will enable ENECO to differentiate itself and relate elevated service levels to customer satisfaction.

"Right now, we're doing a good job of managing the basics. I want to do a better job of understanding the changing customer perceptions so we can develop products and services that differentiate ENECO," van den Dungen says. "This next step, depends entirely on the trust and rapport that has been built up among the groups."

Data Quality

Data quality is a critical issue, especially in the Billing System. ENECO's migration from its legacy Siemens environment to a new Oracle environment (a €250,000 effort) is largely on track, but data quality is proving to be an issue that may create project delays.

In response, ENECO has decided to also transition its data warehouse from SQL Server to Oracle and use Oracle's DW Builder, in order to achieve a single environment with stronger tools. When the company adds the Cognos 8 BI data integration tools, the result will be a strong data quality environment.



Source ' DW Firewall (Staging Area) ' ETL ' DW ' data cubes

Users will validate the data in the cubes; 'data-fix' processes will feed back to the ETL process and to the data source. The Marketing Intelligence user group has business responsibility for data quality.

The test data used during development must be carefully considered. One lesson learned is that a **daily** refresh is required for work in development, so that testing always proceeds against a clean, well-defined data set, whereas the production systems can make do with periodic (e.g. monthly) refreshes, based on accounting and other business processes. Also, ENECO has learned that it is preferable to use real data for testing, rather than artificial data sets. Users understand their own data, recognize it; and see problems as well as value. This has yielded strong success.

Data Synchronization

Another issue ENECO shares with global enterprises is that different business segments may operate on different timelines. This drove the requirement for a single enterprise data warehouse.

ENECO also met and solved a data synchronization issue with its scorecarding application, Cognos Metrics Manager. As data is loaded first and then authorized, there is an intermediate time before users can access the authorized data to use it. ENECO built a staging mechanism to address this issue, a process also used for its forecasting tool.

Process Improvement

Enterprises know business processes can always be improved. Some improvements result from internal projects that analyze the current state and seek ways to improve. Other improvement ideas come from customers. There is great value in a customer calling in about an incorrect bill, or if they were improperly charged, because that call identifies a process that can be made more efficient and effective for the customer. ENECO reviews that Customer Contact Center transactions as an important information resource into the BI and CPM processes.

WHY COGNOS?

ENECO Energie conducted a competitive Proof of Concept (POC) for its strategic business intelligence project. They knew that with their existing SAP/BW application, it was too difficult to produce the reports they required. Also, their information sources came from systems other than SAP. The proof of concept goal was to go from the SQL Server database to front-end cubes with minimal information systems effort. The company extended the competitive proof of concept challenge to Microsoft, Business Objects, and Cognos. ENECO determined that Microsoft Accelerator took too much developer time to build the cubes required. Business

[1] These correspond to the four quadrants of a commercial enterprise's balanced scorecard: customer perspective, internal business perspective, financial perspective, innovation and learning perspective.

Objects could not make a working combination of the Microsoft SQL Server-based cubes in the time allotted.

Cognos, on the other hand, *completed the proof of concept in less than two hours*. The integrated Cognos offering, comprising Cognos PowerPlay®, ReportNet™, and Metrics Manager, was seen as embodying the best practices for ENECO and as the standard for ENECO Energie.

Cognos as a Business Partner

The Dutch business unit of Cognos is mostly retail-oriented, but as the pressure of ENECO's requirements built, Cognos made other resources available from its head office and elsewhere. ENECO received the help it needed. Overall, ENECO was very happy with the results. The smooth transition from Cognos Series 7 BI to the one comprehensive product, one service oriented architecture of Cognos 8 BI has also generated a good feeling.

ENECO perceived that Cognos learned an important lesson: that customer expectations change as they progress from tactical BI to strategic performance management. ENECO believes that Cognos is addressing this with new organization and resources, both local and global.

GOING FORWARD

ENECO's new major strategic issue is that the Netherlands is considering splitting all energy companies into their Network and Supplier components and then nationalizing and unifying the Network companies into one government entity. This is consuming much executive attention at the ENECO Holding level.

This would have a significant impact on the Supplier company, eliminating the Supplier company's synergies with the Network. The Supplier companies would also be subject to the European Union-wide consolidation process into large multinational energy suppliers. Business intelligence and process excellence will become crucial differentiators for ENECO in this challenging new environment.

Another issue is that ENECO currently has much less production capacity than its competitors, creating a pricing disadvantage. Efforts are underway to create more capacity (coal or gas plus wind power). This is not yet in the scope of the BI Center of Excellence (BICE) —*See appendix at the end for more on the BICE*.

The BICE plans to use three new processes to meet its new responsibilities:

1. Governance

- The BI Center of Excellence is responsible for writing, implementing and monitoring the governance of business intelligence.

"ENECO understood that the company could simply not successfully operate its business without business intelligence in the new competitive environment."

"ENECO made sound business decisions that meant welcoming back customers they'd lost, and making them profitable in the process."

2. Metadata management
- The overall metadata management process is in hands of the BI centre. In this way it becomes possible to create one set of used definitions in the whole ENECO BI environment.

3. Architecture
- By making a central BI architecture, ENECO will achieve its "one version of the truth" and make the "total cost of ownership" easier to monitor.

The Center's goal is to support the 'vertical' silo ability by which each Division operates, as well as the 'horizontal' process management perspective across Divisions. The BICE does the steering with the business. It also does 'vertical projects' within the Divisions to address specific business problems. At the same time, using Oracle Data Designer to do the metadata management, the Center now insists on doing the right amount of metadata management within each new project, to ultimately grow an enterprise metadata model.

The BICE expects to do a proof of concept in the Energy Balance project using Cognos 8 Business Intelligence and its metadata management tools. With this proof of concept, the BICE will capture the problem of metadata management and leverage the improved usability and integration of Cognos 8 BI.

Future Initiatives

The BICE's goals, all of which support the strategic imperative of ENECO's profitable revenue growth, are straightforward:

1. Meet ENECO's current service level commitments.

2. Improve ENECO service levels.

3. Grow customer satisfaction while concurrently improving internal metrics.

Once the company achieves this baseline, ENECO will continue to differentiate itself from its competitors. The company knows that doing so will drive the need for additional data and analysis. "ENECO needs to be an excellent service company… It will need to bring its process speed down from four months to days," says Bart van Weijsten.

The company and BICE will continue to focus on customer contact data – understanding it and responding to it intelligently.

According to Ton van den Dungen, other future initiatives—additional components of the expanding CPM program that address other drivers of profitable revenue growth—will include:
- Workplace competencies and skills.
- System of controls – targets, gaps.

SUMMARY

ENECO now has a detailed view of their customers, how they behave, what products they buy and which regions they come from. They are able to determine profitability by customer group, and are thus positioned to achieve the ***profitable revenue growth*** imperative.

So far (through 2005) the total project cost has been €2.5 million, of which €850,000 has been spent on infrastructure. The other costs were the labor to establish an architecture, design, and implement a data warehouse, procure tools, etc. In terms of results, the use of information-based marketing, combined with other approaches, has brought marketing costs down from €22 million in 2003 to €15 million in 2005. ENECO estimates that information-based marketing was responsible for €5 million of this. The Business Intelligence Center of Excellence (BICE) budget is projected to grow to €5 million with a headcount of 25-30 by end of 2007.

In 2005, the company further developed the scorecards, reports, and analysis cubes for the Retail Division. Every employee now has a copy of the Balanced Scorecard and has individual metrics that roll up to the strategic metrics on the company scorecard. Now that ENECO has set up the BI Center at an enterprise level, all new projects require a more formal business case. These typically point to the profit opportunity, not to cost reductions or savings. The focus of the BI Center is business alignment; the BI staff are business-oriented, not IT specialists.

The focus for 2006 is "In Control". The Netherlands has enacted new legislation, Tabaks Blad, comparable to the Sarbanes-Oxley Act in the U.S. The need to comply is driving broader adoption of business intelligence. Risk avoidance is also a driver. New pilot projects and successful deployments demonstrate the economic penalties of poor decisions, indecision, and lack of decision.

For example, ENECO did a risk analysis model to quantify the decision risk on pricing. By projecting the impact of a poor pricing decision, accounting for the probability of the scenario happening and then assuming 15 risks a year, the company was able to demonstrate a €23 million risk associated with inadequate information on which to make pricing decisions.

The continued emphasis on using the reports as everyday tools to manage the business has meant a completely new way of thinking about the business. Decisions are based on facts. The business intelligence team ensures they understand the business issues and develop appropriate and compelling scorecards, reports, and analysis cubes for the business users. At the same time, the business users understand they are accountable for making decisions, adjusting budgets based on changes, and projecting new expectations.

"It's just common sense," Ton van den Dungen says. "If you can get people to see the advantages at the working level, the critical decisions previously made in Finance are pushed to the operational level where better knowledge of the business exists."

ABOUT COGNOS

Cognos, the world leader in business intelligence and performance management solutions, provides world-class enterprise planning and BI software and services to help companies plan, understand, and manage financial and operational performance.

Cognos brings together technology, analytical applications, best practices, and a broad network of partners to give customers a complete performance system. The Cognos performance system is an open and adaptive solution that leverages an organization's ERP, packaged applications, and database investments. It gives customers the ability to answer the questions—How are we doing? Why are we on or off track? What should we do about it?—and enables them to understand and monitor current performance while planning future business strategies.

Cognos serves more than 23,000 customers in more than 135 countries, and its top 100 enterprise customers consistently outperform market indexes. Cognos performance management solutions and services are also available from more than 3,000 worldwide partners and resellers. For more information, visit the Cognos Web site at **http://www.cognos.com**.

APPENDIX: MORE ABOUT THE PROCESS

The Business Intelligence Center of Excellence

In addition to the "In Control" project for 2006, ENECO is building a cross-functional Business Intelligence Center of Excellence (BICE) to oversee consistent reporting across the company. The BICE's mandate is to create one version of the facts for horizontal processes and inter-departmental decisions to ensure consistent, company-wide decision-making. The Center focuses on three elements: governance, architecture principles, and metadata management principles.

The BICE is an excellent example of a top-to-bottom implementation of corporate performance management. ENECO's Balanced Scorecard—with measures of financial, strategic, workforce and customer-related performance—expresses CPM at the executive level, and helps the company understand overall ENECO performance. The architecture and governance models expressed by the scorecarding approach extend CPM through the ranks. This delivers "Operational CPM" that drives the performance of processes across departments and divisions.

Frontline user adoption is the most pressing issue in any such approach. The BICE delivers training programs for this purpose. Otherwise, the remarkable effectiveness of ENECO's strategic steering philosophy would fade over two to three years. Success would be a short-term event.

The BICE team stays in touch with their internal customers, ensuring everything is working properly and that the Center stays aligned with the business. This is a key point. The BICE operates as a full partnership between business and technical people, with the goal to improve business operations and create business value.

There has been some cultural change. Before the introduction of this strategic BI approach, the Finance Manager was responsible for all finance issues. Now, all operational managers have the tools to be responsible for their financial results. Some of the department heads (who report to the Division Managers) are becoming truly creative in terms of seeing what else they can do with the CPM and BI environment. Some managers are now focusing more on the complete management cycle, measuring outcomes and predicting results. Still, many just go from report to report, using what the system provides, but not analyzing data more rigorously. The cultural shift has begun, but is not yet complete.

The CPM Process

ENECO's Strategy Department is implementing a company-wide Balanced Scorecard. This set of KPIs represent 'integrated' responsibilities, such as those across the Retail and Services Divisions. ENECO is currently filling in the missing link to broader integration: the process view across the silos. It is also developing

"ENECO can pursue competitor customers in a more profitable fashion. ENECO targets "look-alikes" of their own most profitable segments."

"Better data about customer use improves demand predictions and reduces "excess / deficit" penalties."

a top-level "umbrella" information structure, under which scorecards will roll up from Departments to Divisions to ENECO Holding N.V. All of this roll-up occurs through Cognos scorecarding software, Cognos Metrics Manager.

The process flow for CPM is as follows:

1. The Finance Department (Corporate Planning & Control) collects all financial reports. An automatic process within SAP triggers the consolidation via SAP SEM.
2. The Strategy Department collects financial and operational Balanced Scorecard data within Excel and feeds these into Cognos Metrics Manager. Where possible, ENECO delivers data to the scorecarding application automatically.
3. ENECO Holding reviews each Divisional scorecard monthly, examining trends, explanations, and corrective actions.
4. ENECO Holding reviews each Division quarterly, focusing on the financial results, and producing and reviewing the financial forecast.

ENECO is using its Balanced Scorecard for March 2006 reviews, through live access to Cognos Metrics Manager.

Workforce and Cultural Issues

ENECO's workforce is unionized, imposing some restrictions on personnel review and compensation practices. However, ENECO is successfully changing the previous silo-oriented culture. This is critical, as the Supplier business can lose customers if the Network side fails to meet customer expectations. It is all part of ENECO's evolution from a 'connections' perspective to a 'customer' perspective.

ENECO has established a code of conduct based on three key values:

- Professionalism
- Reliability
- Entrepreneurship.

These core values are built into the annual personnel review. Individual employee compensation plans comprise:

- Variable salary increases for the staff, based upon performance.
- Salary plus bonus for management, whose performance is measured by their KPIs.

Bonuses typically average about 15 percent of salary:

- 25-30 percent of the bonus is based on personal KPIs.
- 10-15 percent of the bonus is based on ENECO KPIs.
- Profit before interest and tax (PBIT) is a key financial metric.
- Customer satisfaction, where relevant, is a key personal and organizational metric.

"With Cognos Metrics Manager, there is a continually updated view of the performance of management and staff," Ton van den Dungen says. "Decisions can be

made on the basis of the actual performance information from Cognos Metrics Manager, making it possible for all managers and staff to focus on their targets."

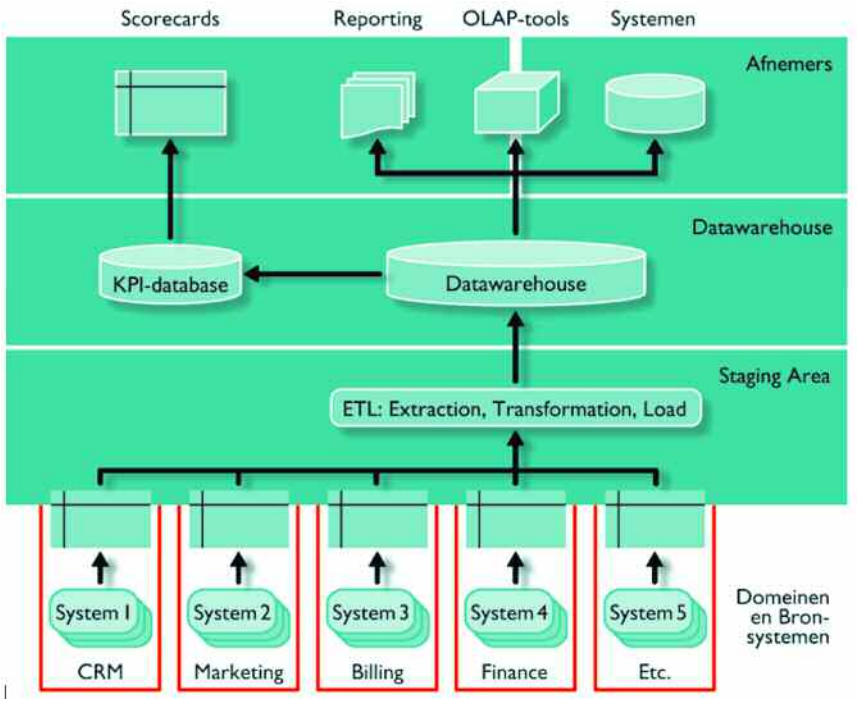
The Solution Architecture

Before the BI and CPM efforts began, ENECO had a Marketing Database with data from the Billing and Contact Databases.

ENECO now has a more systematic, better-architected environment.

- The Data Warehouse runs on SQL Server 2000 in an HP environment.
- Custom ETL is used to pull data from the Siemens transaction environment.
- Data is collected from the Network Division's new custom billing system, based on Oracle (which came via company acquisition). The data flow is thus:

Oracle ' Oracle Warehouse Builder ' ODS ' DW ' Cognos



In the future, ENECO plans for each Division to have its own data warehouse. Together, these data warehouses will comprise the ODS that feeds the Enterprise data warehouse. With this in place, ENECO will eliminate some of the current intricacies of data synchronization. Plus, it will be easier to maintain both business metrics and technical metadata.

Technical Resources

ENECO outsources infrastructure maintenance and the provision of technical services to European-based IT systems provider, ATOS Origin. It maintains its data warehouses internally. The BICE, as noted before manages training, along with other tasks such as release management, bug maintenance, and data quality (done via internal tools).

Printed in Canada
(06/07)

COGNOS®

THE NEXT LEVEL OF PERFORMANCE™