

## REPRESENTATIVE PROPOSALS

- MAJOR ACCOUNT INTELLIGENCE to support sales activity at a North American steel manufacturer.
- CONSULTING SERVICES for a trade council promoting investment opportunities in Asia.
- USER ACCEPTANCE TESTING governing the conversion and rollout of a portfolio performance tracking system at a major international bank.
- ANALYTICS AND PMO SUPPORT at one of North America's largest retailers.
- PROCESS ENGINEERING governing interdivisional processes as part of a software rollout for one of Canada's banks.
- DOMESTIC SECURITY OPPORTUNITY SCAN governing defense and public safety for a global security systems provider.
- SCORECARD REALIGNMENT specific to new product development at a global pharma interest.
- COURSEWARE DESIGN AND CONSTRUCTION pertaining to operational risk management at a major financial services provider.
- ACTIVITY MEASUREMENT AND AGGREGATION for the subsidiary of a Canadian bank.
- MARKET ANALYSIS for a global confectionary manufacturer.
- Realignment and REDEFINITION OF PROCESSES across a leading Canadian retailer.
- VALUE ENGINEERING AND COST-REDUCTION for a global life insurance interest.
- ADVERTISING EFFECTIVENESS and resource allocation for a top-5 North American general merchandiser.
- ACCOUNT TARGETING for a global professional services firm.
- PROJECT MANAGEMENT and process mapping training at a major Canadian bank.
- RECRUITING CYCLE SUPPORT for a pharmaceutical manufacturer.
- CATEGORY ANALYSIS AND FINANCIAL MODELING for a specialty goods retailer.
- ASSET AND INVENTORY MANAGEMENT OPTIMIZATION for a major metropolitan utility.
- TACTICAL RESOURCING of marketing and sales activity for a major North American broadcaster.
- LOBBY SUPPORT for a North American manufacturer of automotive parts.
- OPPORTUNITY SCANNING for a Canadian publishing interest.
- CROSS-SELLING PORTFOLIO STRATEGY for a global insurance carrier.
- SUPPLY CHAIN AND POST-INSTALLATION SERVICE BENCHMARKING for a telecom equipment manufacturer.
- FRAUD AND INVESTIGATIVE COUNTERMEASURES supporting the back-shop of a major financial institution.
- PROGRAM MANAGEMENT OFFICE BUILDOUT at a U.S. bank.

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2003 interim report

s b r g l o b a l

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## CONTEXT

A grim year continues in the U.S. as economic and geopolitical risks heighten. With so much idle capacity and weak foreign demand, businesses are not buying equipment nor hiring staff. Office vacancies are notching up. U.S. factory orders continue their slide. The bankruptcy run shows no evidence of slowing. Sectors such as unregulated electricity, air travel and textiles are struggling from going under. Housing markets in most major cities are decidedly bubbly. Household debt has now climbed to a record 100% of disposable income as consumer confidence has slumped to a 10-year low.

Sobering statistics that have hitherto evaded the radar screen have also surfaced. Auto inventories have reached an 80-day supply—20% above their seasonal norm. Household net worth has dropped 3 years running for a cumulative loss of \$4.2 trillion. The average duration of unemployment has stretched to a 9-year high of 19 weeks. Over 300,000 jobs were lost in February—2.1M jobs in manufacturing alone have disappeared since mid-2000. With the worldwide derivative market in excess of \$105T and significant largely unregulated hedge fund activity, serious financial system risks may exist.

In SBR's GTA market, the condo boom is throwing off cautionary signs—housing starts hit their highest levels in over 20 years with un-sold inventories and speculative investment pronounced. In SBR's GWA market, the invasion of Iraq and public security programs have created a flurry of activity in the professional services arena.

## SECTOR AND CORPORATE OVERVIEW

The downturn in the professional services sector continues unabated. Revenue losses of over 25% remain common across the large practice blocks of most international players. Business gains made tend to be in accounting and audit services, or in public and health sector practices. Yet public sector work is a notorious drain to the bottom line of most consulting firms. Outsourcing remains today's hedge in a tough IT market. As firms continue to struggle in softer, increasingly competitive settings, compensation has met scrutiny with firms striving to better balance take-out against return. Most Canadian consulting operations continued to lose ground to their U.S. counterparts. However, well-positioned niche-focused firms such as SBR are expected to thrive.

In this setting, SBR registered its strongest first quarter in 3 years with revenue up 20% over last year. Hiring was conducted in earnest. A series of spot fixes to business processes and extensions to infrastructure were made. SBR's annual strategic planning cycle was completed. An upswing in revenue allowed the re-launch of programs such as—the Monthly Staff Performance Review, Internal Professional Development, and select staff well-being initiatives (fast trackers, vets, monthly Town Hall meetings).

With the professional services sector in a funk and dynamics expected to worsen, SBR's overall positioning continues cautious. Emphasis remains with recurrent cost reduction, productivity improvement, heightened utilization. These initiatives accompany an aggressive financial and customer service temper.

## STRATEGIC BUSINESS AREAS

In BUSINESS DEVELOPMENT key process metrics sank to their lowest levels in 3 years. A scheduled functional reset did not materialize, in part stymied by limited recruiting success. Consequently SBR entered March, its key selling season, handicapped. Only 4 new accounts were landed. Sales success delivered less than 20% of all business captured. A series of housekeeping initiatives were conducted. Business development also remained a critical recruiting priority. At quarter's close, over \$1M across some 25 proposals stood outstanding. The following programs were revamped—key account strategy development, lead identification, telemarketing workstation functionality, subscription management, competitor intelligence, sector targeting and prioritization, sales based industry profiling, website content.

HUMAN RESOURCES received 1,800 applications and interviewed 160 candidates for 20 positions. Eighteen hires were made with the principal focus operations and sales personnel. A 13-session internal HR professional development program was deployed across Q1. The return of former staff continued at a record pace adding seasoned strength to key business areas.

ADMIN SERVICES stabilized the business. This unit's focus remains – contract admin and portfolio management, accounting, facilities, standards and compliance. Build-out of a new general ledger and financial reporting system continued. The focus of facilities management was on commercial leasing and general maintenance.

## BUSINESS UNIT ACTIVITY

### Operations

Q1 saw revenue targets met through solid anchor account positions in retail, banking and insurance. With the focus justifiably on project delivery and customer service, little effort was spared to extend project management infrastructure and methodology.

With the bulk of revenue driven from referral and extension business, operational strength remained key to Q1 success. All elements of project delivery are subjected to continuous improvement. Every week over 100 recommendations for business change are received from staff, with one third implemented within 9 months. This same progressive attitude and methodology is put into play when meeting project commitments.

Business unit definitions were slightly altered based upon sector and service predisposition. Account priorities were realigned accordingly.

### Command, Control, Communications, Computers, Cybernetics Intelligent Systems / C<sup>5</sup>I

C5I continued its shift to 3 lines-of-business/LOBs. Project delivery swept across all targeted sector concentrations, with banking and retail leading. The unit delivered 40% of business revenue. Included were the following projects—

- operational risk management courseware construction and extension;
- demand-side segmentation driving security service offerings in the mid-sized enterprise market;
- supply chain performance measurement and tracking;
- retail lending platform systems reset, including project management and related administrative support;
- project portfolio assessment for the program office of a national merchandiser;
- extranet benchmarking for a life insurance interest;
- weather risk derivative and hedging strategy development.

Assignments conducted by C5I continued to have an unusual systems application dimension.

### Industrial Engineering and Technical Services / IETS

For IETS Q1 results were shallow. However success was made in resetting this unit's staff and sector priorities. Engagements delivered included—

- R&D performance measurement for a biotech interest;
- market segment targeting to govern consumer catalogue and flyer distribution;
- account strategy development for an auto sector interest.

Key staff from this unit were seconded elsewhere—in this, IETS

accommodated what might otherwise have been staff shortages. The sector focus of IETS remains—health sciences, products and services; automotive; mining and metallurgy; food and beverage. The unit held the business' strongest outstanding proposal position at Q1's close with over 10 targets in negotiation.

### Operations Support Services / OSS

OSS continued its growth in staff and revenue having met all budget forecasts YTD. Activities included—

- HRIS rollout support across a global banking interest with an emphasis on process engineering and project management support;
- M&A due diligence resourcing in the home service retail business;
- competitor intelligence in the general merchandising sector;
- insurance company integration and related value engineering.

Projects tended to exercise a high level of client contact while dealing with complex organizational and financial issues. Activities represented over 35% of revenue with the unit generating 90% of this volume through extensions or referral business. OSS delivered the strongest backlog position of any unit for Q1.