

**DENovo™**

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**Budget Optimization Services  
(BOS™) for  
Governments and  
Quasi Government Agencies**

**June 15, 2009**

*Building client profitability, one customer at a time™*



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De Novo is an international management and marketing consultancy. We operate through a variety of subsidiaries in the United States, Canada, Mexico and the United Kingdom. Our regional offices include:

- Wilmington, Delaware (USA)
- London (UK)
- Toronto (Canada)
- Mexico City (Mexico)

We have been engaged by business leaders throughout the world to initiate and execute rapid business process improvements. We have formulated strategies to reverse negative trends and drive sustainable revenue growth and operational effectiveness. We believe these best practices can be applied to the public sector with the same success. In light of rising budget deficits and a need to align spending with revenue collection, new ideas and approaches need to be embraced.

***“The public sector needs to think outside of the box to solve new challenges with new solutions.”***

### Finding New Revenue Sources In A Down Economy

Government revenues in the current economic environment are being challenged. The impact of sizing revenues and costs to adjusting demand is a painful process in the private sector. It results in higher unemployment, reduced inventories and curtailed investment. The effect on the public sector is increasing demand for services with a shrinking tax base from which to fund it. The paradox is raising taxes in a climate of an already stressed tax base.

De Novo can work with governments to bring new thinking and fresh ideas to solving what may appear on the surface to be overwhelming challenges. De Novo believes its experiences and results are directly transferable to the public sector. Every action creates a reaction. Like in business—Decisions and outcomes cannot be framed in a vacuum. There are both consumer and competitor responses. Governments too have both constituent and competitor responses to tax policy. Various levels of local, county, state and federal government are all competing for tax dollars. States are competing amongst themselves for jobs and attracting investments and sources of new employment. Understanding how each level of revenue is impacted by such responses and how to achieve a degree of optimization or equilibrium is well understood and practiced in business and is applicable to government. De Novo can help navigating this maze while delivering results against the odds.

***“The public sector can and should learn from the private sector to develop innovative revenue generation and cost containment strategies.”***

### 3.0 How De Novo Can Help

De Novo has helped many organizations reverse fortunes and implement substantial revenue generation and cost containment improvements. We believe the best practices we have applied in industry can be directly adopted in the public sector with the same results. It is all about understanding the drivers of revenue and costs and developing ideas to optimize the drivers. We are so confident of our outcomes we often put a portion of our fees at risk in exchange for a gain share on results. In other words, we have a history of investing in our own advice.

Should De Novo be engaged to implement Budget Optimization Services (BOS™) audit and implementation, it would begin with baselining all potential sources and uses of funds. We would process map a Service Blueprint identifying all the touch points with constituents. Fail points, recovery strategies, cost mitigation and revenue opportunities would be surfaced, prioritized and actioned. De Novo would utilize a range of proven techniques to gain insight, collaboration, buy-in and enactment to ensure successful implementation. Underlying everything we do is a culture of constructive challenging of norms and creative ideation. Finally, our view is if you can't measure it—don't do it. We work with clients to develop a dashboard to monitor and measure results and adapt strategies accordingly to ensure planned benefits are delivered.

***“Thought leadership without action is useless—At De Novo ‘we bridge thought and execution®.’ ”***

## 4.0 Our Credentials: Why Engage Us

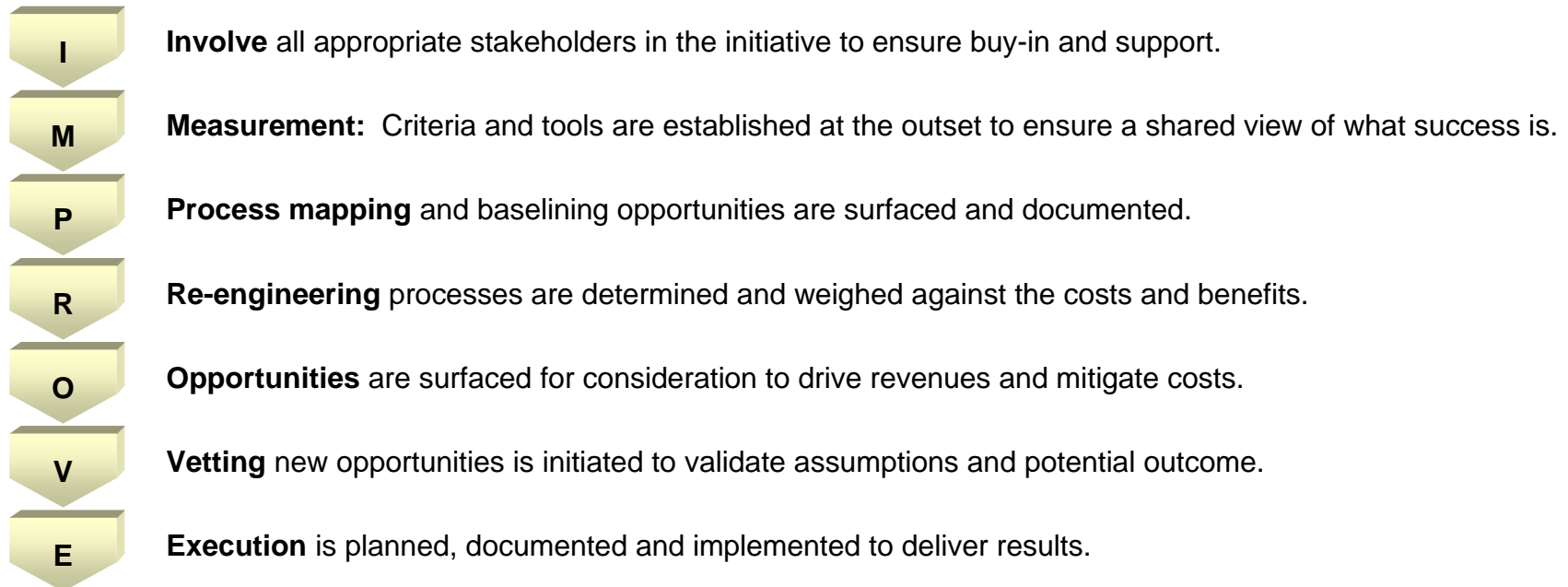
We have helped credit card issuers, banks, insurance companies, airlines, telephone companies, pharmaceutical companies and a wide range of other businesses improve results in face of increased competition and declining sector growth. The following is a sample client list:





## 5.0 Our Approach: Frameworks That Work

As referenced in the Introduction, De Novo consultants utilize a variety of proprietary tools to generate insights and solutions. Our engagement starts with reaching across an organization to construct a schematic of all relevant revenue or cost reduction touch points that ultimately could reveal opportunities or fail points. With this baseline we work with our clients to formulate a revenue equation identifying all of the underlying drivers to yield and costs. Thereafter, we facilitate brainstorming sessions to capture initiatives to stimulate improvements to each driver of revenue. The initiatives assumptions are then audited, validated, monetized and prioritized based on contribution, timing and ease of implementation. We utilize a change process entitled “**IMPROVE**”. An engagement is initiated and structured within the following phase-gates:



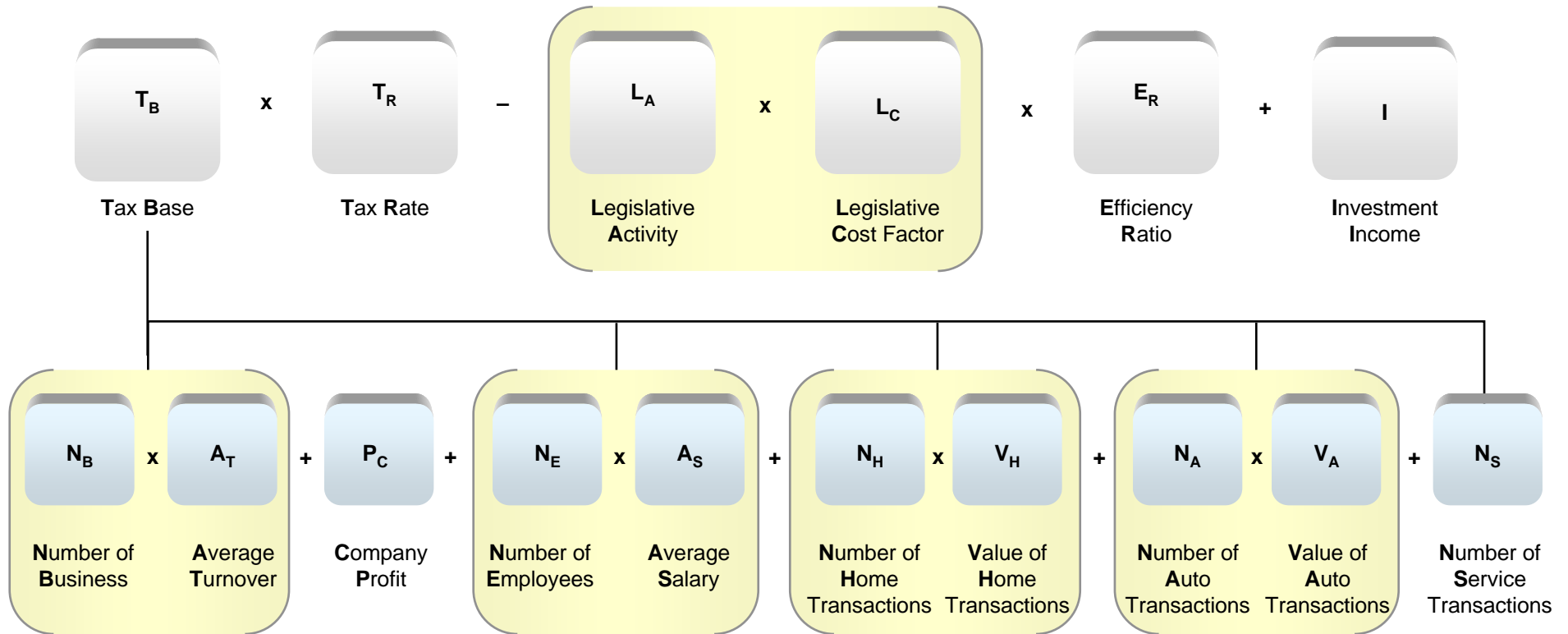
In Section 6.0, a sample Revenue Equation is illustrated for a state government. Within each component of the equation, which in and of itself drive revenue or reduce costs, a wide range of initiatives can be developed to influence overall net revenue collection.



### 6.0 Illustration: State Revenue Key Drivers Matrix

$$N_R =$$

**Net Revenue**





## 7.0 Outcomes: A Sample of Private Sector Results



**Royal Bank of Canada:** Led efforts in re-engineering their credit business resulting in two share points of growth and increasing profitability by 50% in three years.



**CompuCredit:** Retained to lead growth initiatives resulting in turning a \$20 million capital position into a \$2 billion market cap within five years.



**AXA Sun Life Direct:** Retained to reverse their decline in market share. The result was a 10 point share improvement in one year. However, more significantly, a substitute to a channel partner responsible for 50% of their growth was identified and implemented to mitigate revenue dependency risk.



**RSA Insurance:** Retained to increase revenue through change initiatives resulting in improving short-term revenue by £100 million (\$174 million) and position the largest general insurer in the UK for 7% growth in an otherwise flat market.



## 8.0 Contact Information

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If you have any questions or require additional information, please feel free to contact:

William Keenan  
Chairman and CEO  
De Novo Corporation  
800 Delaware Avenue, Suite 410  
Wilmington, DE 19801  
302-234-7401 office  
302-898-0805 mobile  
+44 (0) 7900 582258 UK mobile  
[wkeenan@denovocorp.com](mailto:wkeenan@denovocorp.com)