

MSD KEY AREA PAPER
1994

1. MSD Mission

To enhance the Company's competitive position by:-

- Increasing operational efficiencies and timely decision making through measurably better and more compatible information systems.
- Harnessing the most appropriate technology and designing new business practices to enhance BATCo's effectiveness.

2. 1994 and Beyond

BATCo's aim is to become the leading tobacco company by building brand values and growing profit year on year.

- Increasing value of overall Brand Portfolio
- Developing price leadership strategies
- Becoming lowest cost provider
- Streamlining organisation structures
- Developing top-class management

These strategies will impact all functions, including IT on which the impact will be two fold; firstly, supporting the business to create and subsequently achieve the radical savings and secondly on continuing to improve its own productivity, service and professionalism.

The major challenges to I.T. will derive from:

- Business Improvements
- Technology Changes
- Management of IT Globally
- Value for Money

Each of these is discussed in turn in the following four sections. For a comprehensive view on MSD's direction throughout BATCo, this paper should be read in conjunction with the latest version of IT Best Practices, published in 1993.

3. Business Improvements

IT is an essential and critical weapon against competition, but to be used effectively, the IT strategy must be integrated with the business strategy. A key element of this integration is ownership of projects by business managers and the provision of full-time quality project managers from line functions.

The business improvements focus on five key aspects:-

- globalisation, international brands and international logistics management
- business process and organisational structure flexibility
- reducing cycle times and responsiveness in the total supply chain

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- new performance measures to monitor achievement
- management of the external environment of competitors, governments and excise.

The IT/IS Strategy and the Key 1994/95 actions and projects are explained, and how they support specific aspects of the business strategy, in the next sections.

3.1 Globalisation/Rationalisation

Strategy

The global aspects of business strategy are to build international and regional brand values, whilst maintaining strength of distributed OpCo's close to the consumer and to become the lowest cost provider on a global basis.

To be the lowest cost provider all costs and cycle times in the Total Supply Chain from 'seed' to 'consumer', whether under the direct control of BATCo or managed by third parties, must be critically challenged and replaced with streamlined, simplified processes. The optimal set of integrated processes to operate on an international stage need to be defined and those which do not constitute BATCo's core expertise should be outsourced. This will not be achieved without a radical approach and co-ordinated direction of all activities around the world. Independent functional improvements such as 5% reductions in functional costs will not be sufficient. MSD's role here is to help in the analysis and modelling of the business processes.

The supporting IT/IS strategy is to ensure:

- Faster and more comprehensive internal and regional communication.
- Provision of information systems and databases with update and access facilities across national and functional boundaries.
- Identify and enable opportunities to move to common business processes across OpCo's and simplify processes and eliminate waste.
- Develop global operational model for servicing markets.

Problems/Issues to be considered are:

Reliability, availability, security, flexibility and cost of current communications. Wasted management time in raising questions and receiving answers to and from OpCo's. Wasted effort in routine information production in case of need. Common definitions of processes.

1994/5 Actions/Projects

- Develop and implement flexible, scaleable, cost effective global network providing standard communications facilities such as Lotus Notes, throughout 1994.

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- Common systems cannot be implemented unless OpCo's adopt the same way of performing business activities. Throughout 1994/5 we will continue to identify where processes can be rationalised without loss of local competitiveness. Specifically we will:
 - Complete implementation of BPCS and CHAMELEON, implementing common processes and support business improvement towards MRPII Class 'A' status.
 - Develop TM & D business plan and benefits case for Field Force system for customer data by August 1994. Review objectives, cost, benefits and risks for business plan by September 1994.
 - Develop Phase 1 system for REMARK/MARKSMAN and implement system in BATGTD, based on changed business practices and new accountabilities by September 1994
 - Agree common data definitions throughout BATCo to enable quick, simple and secure information exchange from and to anywhere in the world and reduce unnecessary paper flows. Agree key data items and definitions by end 1994.

3.2 Flexibility

Strategy

The business strategy will require organisational structures which are both simple and easy to change to respond to competitive actions or to grasp opportunities for rationalisation. International logistics and global operations will become increasingly critical.

The IT/IS strategy will be to:

Ensure that information systems and technology solutions are designed to enable the company to adopt any required structural change easily and quickly without loss of control or increasing costs. Ensure that information systems are flexible in operation, easy to maintain and based on common data designs.

The problems to be considered are:

- Lack of common business processes and approach throughout BATCo, which hinders common systems development.
- Lack of common data/information definitions.
- Balance between central dictate and decentralised decision-making.
- Reusable code and the effective introduction of rapid development techniques will be addressed where appropriate.

1994/1995 Actions/Projects

- Implement common Sales and Marketing system for Belgium and Holland by September 1994.

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- Implement common manufacturing and distribution system for Belgium and Southampton by August 1994.
- Implement common system to support regionalisation policy set by Latin America RBU throughout 1994.
- Develop common methodology for effective Sales and Operational Planning processes to balance demand from a group of markets and supply from one or more production units by end 1994.

3.3 Responsiveness

Strategy

This aspect of business strategy is to reduce the cycle time between identifying competitive opportunities to implementing appropriate response, whether these be marketing opportunities, cost reduction or speeding up any aspect of the supply chain to the consumer.

The IT/IS strategy will be:

To review, in conjunction with senior management, business processes and, wherever possible, recommend changes which will eliminate waste, duplicate activities or reduce costs and time.

To help identify and support implementation of common business processes around the group to support synergy gains, structural flexibility and implementation of best practices.

The problems/issues to be taken into account are:

- Unclear accountabilities across functions, RBU's and OpCo's for some part of supply chain.
- Development of Best Practice for all aspects of internal and external logistics. Inadequate performance measures.
- Forming strategic partnerships with third parties.

1994/5 Actions/Projects

- Implement integrated manufacturing systems in accordance with overall Project TEST deadlines.
- Review purchasing, paying and supplying of materials to cut activity and costs through application of EDI, contractual agreements and information exchange with key suppliers to Southampton by December 1994.
- Review Southampton activities to simplify processes and automate, where justified, to achieve MRPII Class A and reduce costs, and incorporate agreed actions arising from the Booz-Allen study.

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- Develop in-market sales and inventory levels forecasting models for RBUs' export markets by end 1994.

3.4 New Performance Measures

Strategy

To support the business strategy of developing and monitoring new performance measures to reflect current critical factors such as consumer satisfaction, total supply chain management and world class staffing.

The IT/IS strategy will be:

To continue to develop information systems as demanded to collect data and report on agreed performance measures. On occasions provide modelling or "what if" capabilities to evaluate effectiveness of proposed new measures.

The problems/issues to be considered are:

- Clarification of accountabilities within and across business areas.
- Inadequate performance measures.
- Critical issues to be defined so that required measures can be identified.
- Common data definitions on which to base measures.

1994/5 Actions/Projects

- Develop and report MRPII Class 'A' performance measures, throughout 1994 as agreed by each OpCo and RBU.
- Support for PQRS, BATPROBE throughout 1994.
- Identify and implement tools for managers to access operational information and produce their own performance reports.

3.5 Environment/Excise

Strategy

Given a business strategy of trying to manage and influence the external environment of governmental action, lobbyists, excise and duty levies.

The IT/IS strategy will be:

To provide information databases to ensure compliance with legislation and consistent approach in presenting of cases around the world and to counter and challenge competitive threats.

The issue of insufficient information on where, how and what is required, except for statutory and voluntary obligations will be addressed.

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1994/5 Actions/Projects

- Remark/Marksman (see 3.1 above)
- Develop an excise information database for use by OpCos and the centre as a basis for influencing excise changes.

4. Technology Strategy

Strategy

New software and hardware and telecommunication facilities are becoming available at ever increasing rates and lower costs. These are developing so rapidly that, at present, there are no "de facto" international standards. On the other hand, the new facilities offered cannot be ignored as they are necessary to satisfying the business imperatives described above.

The IT/IS strategy, in this environment will be:

Develop technology standards for BATCo which ensure speedier systems development, lower local support costs and systems integration as required. The technology will be based on a mix of client/server and AS/400 to gain the full productivity benefits from new technologies whilst preserving the investment in existing systems. The BATCo IT strategy will be consistent with the BAT Industries' High Level IT Policy.

1994/5 Actions/Projects

- There will need to be an element of dictate from the centre, after consultation with OpCo's of approved products, technologies and I.T. suppliers presence and quality within the regions.
- The I.T. Best Practices paper, published last year, will be the source of latest approved products and technologies. The paper will be maintained by the Strategy and Control Section of BATCo MSD, with participation from all MSD's. It will be mandatory for all OpCo MSD's to adhere to the Best Practices. An audit program will be agreed with each RBU and International Audit for 1994/1995.
- Ensure full value from existing technology investments. New technologies will only be adopted if essential for business improvement.

5. Management of IT Globally

Strategy

We will continue to seek ways of improving co-operation and synergy throughout BATCo to avoid re-inventing the wheel and supporting BATCo globally with reduced unit costs.

This will require a clear commitment from Regional Directors and RBUs on the need for a greater degree of control, consultation and timely involvement on staffing and procedures from the centre.

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1994/5 Actions/Projects

We will focus on:-

- World Class Staffing
- Regional use of scarce IT skills
- Common IT/IS procedures and standards
- Implementation of IT Best Practices
- Ensure all MSD's are commercially focused.
- Increase awareness of OpCo management on value added by IT and how to manage and exploit IT by continuing and following up the successful Business Systems Workshop programme.

In the U.K. we will seek ways to reduce internal MSD bureaucracy and focus on strategic activities. Non-strategic activities will continue to be identified and outsourced throughout 1994.

Tighter project control standards will be adopted by July 1994 for user project managers and MSD project leaders to build on the improvements in project management implemented in 1993.

Service performance targets will be agreed with each function and regularly monitored. The balance between service provided and cost of that provision will be set by business needs and priorities and monitored monthly.

The operation of the I.T. Security Policy will be monitored and revised as appropriate. A procedures manual will be developed for use by all OpCo's and Head Office by September 1994.

The role of ITSG and Functional Steering Groups will be developed further to ensure best use of IT resources and skills and greater integration with critical business issues.

Opportunities will be sought to position commercially aware staff in business areas to build relations and ensure the quality of services provided.

6. Value For Money

Improved procedures for benefit analysis and achievement will be included in the project management and control standards. Whilst it is clear that the accountability for achieving the benefits lies with the functional management, MSD contributes by ensuring a consistent approach to detailed benefits analysis and initial approval and review of projects.

Reporting of benefits will be developed for the ITSG during 1994.

Ensure the delivery of value added from outsourced activities introduced during the year.

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