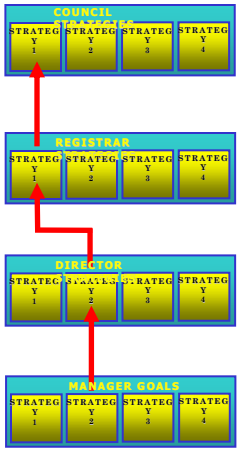
THE GOVERNANCE ALIGMENT PROGRAM™

"... governance must mean that every human, organizational, technical and financial resource increasingly supports and contributes to the achievement of our objects as defined in the Professional Engineers Act in a fashion that is:

- *Demonstrable*
- *Measurable,*
- *Efficient and effective, and,*
- *In compliance with our principles, policy directives and constraints"*

Enterprise Governance thus must focus on *optimized alignment* ... of strategies, goals and tactics, accountabilities, performance measures and budgets to the overall strategies of the Enterprise.

Such Enterprise Governance structures can be viewed as a compendium of *Governance "Chains".*



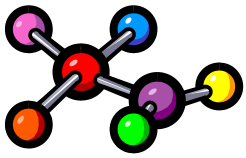
A *Governance Chain* begins with a single Board (in PEO's case, Council) strategy. That strategy is linked to a single objective within a subordinate organization by an assessed contribution level that the subordinate objective makes to the Board strategy. The Board and subordinate goals are thus considered "linked" through the level of support that the subordinate objective makes to the Board strategy.

In turn, the subordinate objective is similarly "linked" to an individual goal within a unit subordinate to it. The "linkage" of individual objectives continues down through the enterprise organizational structure until the lowest managerial level of the enterprise is reached. *The resulting "Chain" is thus comprised of individual unit goals linked together by assessed contribution levels from the Board level through the organization to the lowest managerial level.*

The critical value and myriad of applications of Governance Chains has long been recognized. Historically, several methodologies have been developed to develop, document and utilize Governance Chains.

These methodologies have, however, all traditionally confronted two overwhelming challenges - *complexity* and *magnitude*.

1. **Complexity**: Within the last 3 decades, organizations have evolved to encompass complex non 'line" elements within their more traditional structures – committees, task forces and groups, projects, common services units, etc. These elements add considerable complexity to an



organization in that their goals contribute both to those of their immediate superior and potentially to those of any other organization in the enterprise at any or multiple levels.

2. **Magnitude:** As Governance Chains link individual goals and each unit typically has at least 5 or 6 goals, the numbers of chains escalates quickly.

(For example, an enterprise with a Board of Directors, 12 V.P.'s, each with 12 Directors, and in turn, each with 12 Managers – and assuming that each level has at least 6 goals...

... Would have more than 3 million Governance Chains! Additionally, if all these units had contributions to unit goals outside their organizational "line" the numbers of Governance Chains can escalate into the trillions!)

This complexity has historically constrained the application of governance chain methodologies ... until recently.

In 2002, J. A. Harcourt & Associates developed PC technologies to enable the documentation and analysis of Governance Chains for any organizational unit. For the first time, enterprises the size of General Electric worldwide could be rapidly modeled, assessed and optimized. These technologies and methodologies are collectively called the "Governance Alignment Program™ (**GAP**™)" and are applicable to private sector companies, publicly traded companies, government, not-for-profit, crown corporations and the whole range of special interest entities.

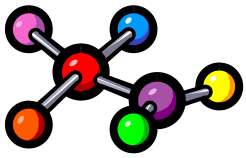
Using the Governance Alignment Program™

1. **Documentation and entry:**

Individual unit goals and strategies can be readily entered via an organizational structure metaphor within the **GAP**™. The contribution that each of these goals makes to each of the superior's goals can then be assessed and entered or modified using a standardized valuation schema which is user adjustable. Contributions to goals of units outside the "line" organization can be similarly assessed and entered.

The **GAP**™ immediately assembles all the Governance Chains, calculates both the value of individual goals and the aggregate value of each Governance Chain in terms of contribution to, and alignment with Board strategies. 'Line" and 'non-line' calculated contribution and alignment values are determined and saved separately. All values are saved for subsequent analyses.

2. **Strategies analysis**



The **GAP**™ automatically enables viewing of both best and worst strategies in terms of their contribution to enterprise strategies and objectives. **GAP**™ assesses contributors either across any managerial level within the enterprise, across all levels, or within any single organizational unit or "line" as requested.

On demand, the **GAP**™ identifies opportunities for enhanced strategy alignment or contribution, specifying both the nature and extent of the potential enhancement.

Additionally, the **GAP**™ assesses organizational synergies and opportunities where overall contribution and alignment can be enhanced by moving strategies to other units, assembling multiple units into "shared services" organizations, changing reporting relationships, etc.

As with all analytical capabilities within the **GAP**™, these analyses are automatically updated when additions, changes or deletions are made to organizations, strategies, goals, or contributions. This capability enables the rapid assessment of impacts when such changes are made and permits "what if" scenarios to be entered and assessed.

3. Governance Chain analysis

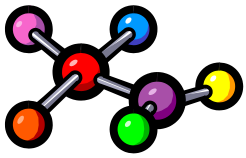
The **GAP**™ performs full analyses on all enterprise Governance Chains identifying best and worst chains in terms of overall contribution to and alignment with Enterprise strategies. Chains can be reviewed fully (with all contributing elements from Board to Manager displayed) or within any specified levels (i.e. only Board and V.P.) Both the overall value of the chain and the value of each chain component are displayed for review.

The **GAP**™ performs assessments on all Governance Chains automatically identifying opportunities, the nature of the opportunity and suggests changes to individual Chain elements to optimize the overall alignment with and contribution of the Chain to enterprise strategies.

4. Organizational Unit Performance Analyses

The **GAP**™ facilitates entry of individual performance metrics for each unit objective for all organizational units at all levels of the enterprise. Additionally, **GAP**™ records actual unit performance at the objective level relating the each assigned metric. (Performance is recorded using standard Hay performance assessment protocols built into the **GAP**™.)

The **GAP**™ enables automatic assessment of unit performance – at either the overall unit level or the individual objective level. The **GAP**™ analyses best or worst performers in terms of the *calculated impact of their performance on the achievement of Enterprise goals*. Such analyses are performed individually within the context of direct performance impacts within their line organizations,



"team" performance impacts on organizations outside their "line" organization, and aggregates of both.

As with other analyses, the **GAP**™ automatically assesses both the performance and performance impacts against averages for the organizational level, identifies opportunities for performance improvement, the exact type of improvement and magnitude required.

5. Project Analyses

The **GAP**™ readily enables the entry of individual Capital Projects, the individual objectives that each project supports, and the level of support anticipated upon project completion. Additionally, the **GAP**™ enables the assignment of standard American Project Management Institute risk components (built into the **GAP**™) and the anticipated level of each assigned risk that is anticipated.

The **GAP**™ then determines the overall priority of each project based upon its calculated contribution to Enterprise objectives, offset by its overall costs and risk levels.

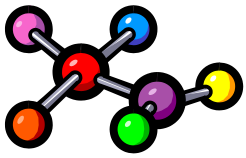
Aggregate project risk is calculated based upon North American risk impact assessment studies embodied within the **GAP**™ (and changeable as industry risk profiles evolve.) Risk assessment of individual projects is automatically performed against both industry averages and the average risk of the overall Enterprise project portfolio.

The **GAP**™ thus provides a pragmatic, objective and consistent alternative to traditional "cost – benefit" analyses that focuses on cost, measured contribution to enterprise objectives and risk.

6. Budget analyses

The **GAP**™ permits entry of overall Capital, Expense and complement levels available to the Enterprise level along with any specified assignment rules (i.e. "Committee only", "line only", "all', etc.). Additionally, the **GAP**™ permits the assignment of special funds for identified special purposes or units only.

The **GAP**™ then calculates and assigns funds and complement to each unit at each level of the enterprise based on the *calculated overall contribution of that unit to overall Enterprise strategies. The* **GAP**™ *thus creates an "ideal" budget that aligns unit funding directly and objectively to contribution … an interesting assessment for comparison purposes against proposed budgets.* From a governance standpoint, the **GAP**™ thus permits alignment of budgets with governance elements.



In Summary …

GAP™ enables the documentation, analysis and optimization of enterprise alignment of strategies, objectives, contributions, projects, budgets and complement thoroughly, quickly, objectively and consistently at all levels of a large and complex organization.