

The Earnings Capability Index - ECI™ on the Company Ökoring GmbH and its Implication on the External Communication

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Mart Kivikas

Tel.: +49/(0)9104 / 826 - 331

Fax: +49/(0)9104 / 826 – 332

E-Mail: mart.kivikas@wissenskapital.info

wissenskapital.info

akwissensbilanz.org (also in English)

incas-europe.org (English)

Key Questions for Business Success

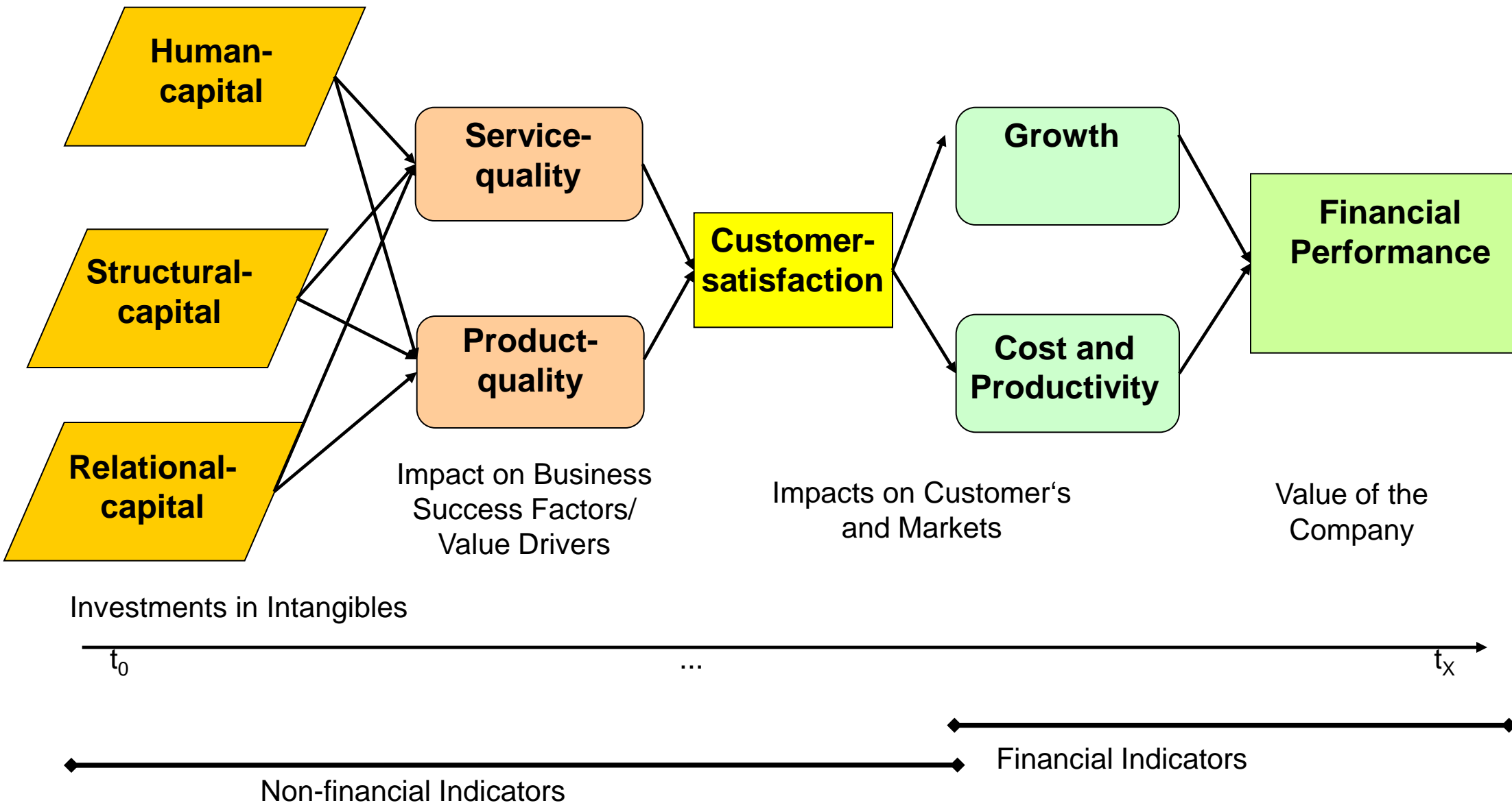
1. How can I keep and improve my competitive position?
2. What do we do differently and better than our competitors?
3. How can I avoid making a wrong decision? How support and find new innovations?
4. How can we manage quality and service as well as production in our value chain?
5. What can I as a leader have real impact on?

Is the World flat?

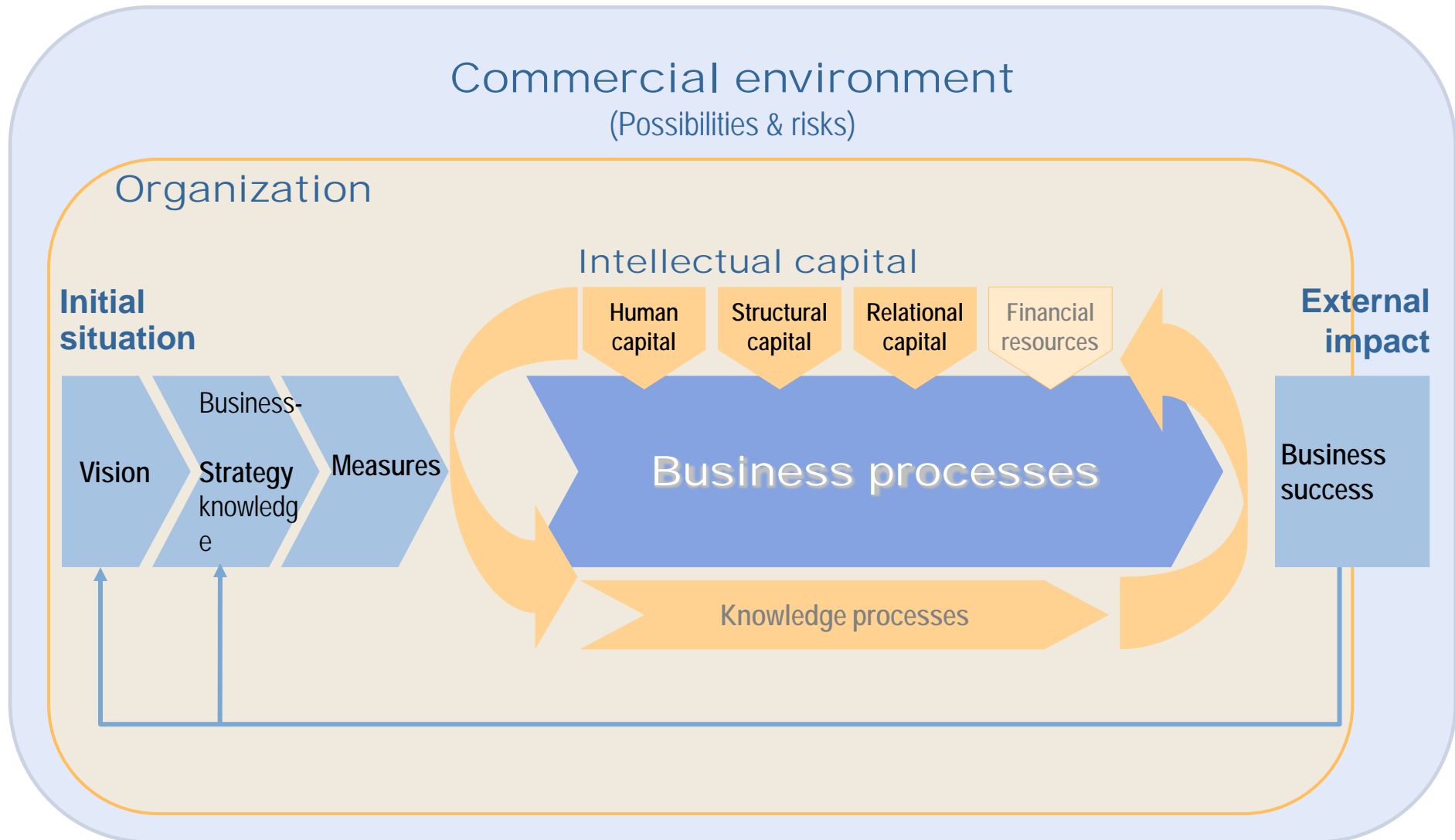
$$3 > 2$$

- We base our analysis on historical and quantifiable data
- We miss important facts due to high level of aggregation
- Easier to cut costs than to create long term customer or employee relations
- One dimensional perspective – no system dynamics
- Shareholder value instead of Stakeholder value

The Process of Sustainable Value Creation



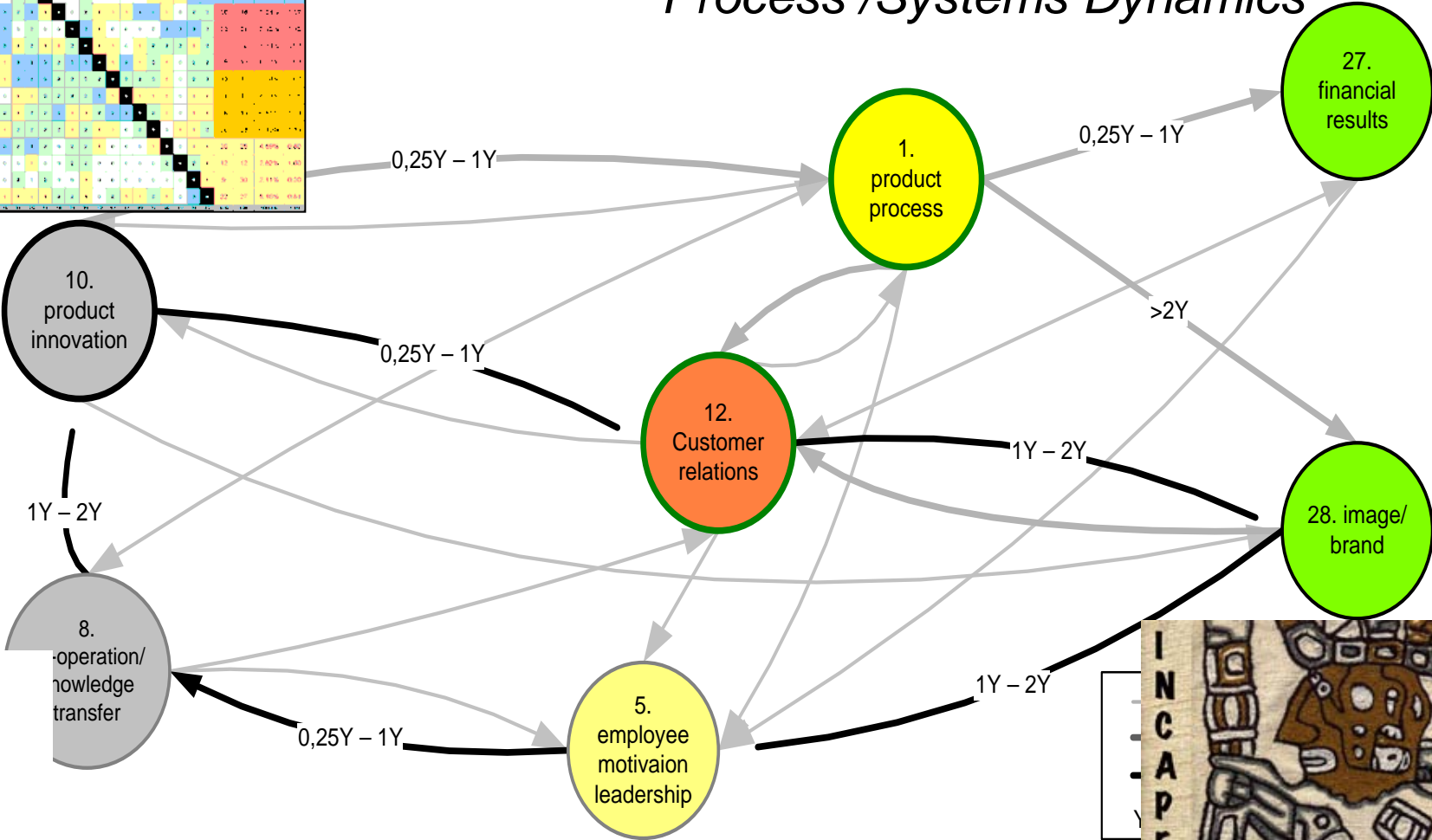
The framework of the German “Wissensbilanz”



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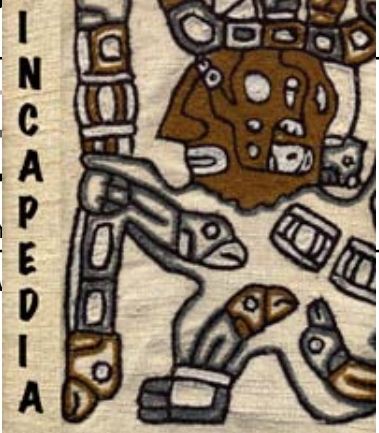
INCAS IMPACT MATRIX		IC1	IC2	IC3	IC4	IC5	IC6	IC7	IC8	IC9	IC10	IC11	IC12	IC13	IC14	IC15	IC16	IC17	IC18	IC19	IC20	IC21	IC22	IC23	IC24	IC25	IC26	IC27	IC28	IC29	IC30	IC31	IC32	IC33	IC34	IC35	IC36	IC37	IC38	IC39	IC40	IC41	IC42	IC43	IC44	IC45	IC46	IC47	IC48	IC49	IC50	IC51	IC52	IC53	IC54	IC55	IC56	IC57	IC58	IC59	IC60	IC61	IC62	IC63	IC64	IC65	IC66	IC67	IC68	IC69	IC70	IC71	IC72	IC73	IC74	IC75	IC76	IC77	IC78	IC79	IC80	IC81	IC82	IC83	IC84	IC85	IC86	IC87	IC88	IC89	IC90	IC91	IC92	IC93	IC94	IC95	IC96	IC97	IC98	IC99	IC100
IC1	IC2	IC3	IC4	IC5	IC6	IC7	IC8	IC9	IC10	IC11	IC12	IC13	IC14	IC15	IC16	IC17	IC18	IC19	IC20	IC21	IC22	IC23	IC24	IC25	IC26	IC27	IC28	IC29	IC30	IC31	IC32	IC33	IC34	IC35	IC36	IC37	IC38	IC39	IC40	IC41	IC42	IC43	IC44	IC45	IC46	IC47	IC48	IC49	IC50	IC51	IC52	IC53	IC54	IC55	IC56	IC57	IC58	IC59	IC60	IC61	IC62	IC63	IC64	IC65	IC66	IC67	IC68	IC69	IC70	IC71	IC72	IC73	IC74	IC75	IC76	IC77	IC78	IC79	IC80	IC81	IC82	IC83	IC84	IC85	IC86	IC87	IC88	IC89	IC90	IC91	IC92	IC93	IC94	IC95	IC96	IC97	IC98	IC99	IC100		

Process /Systems Dynamics



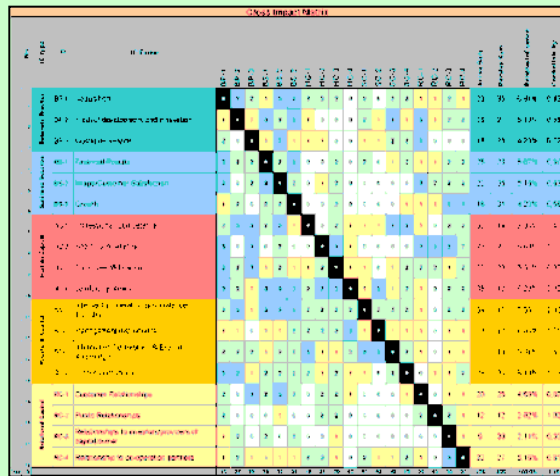
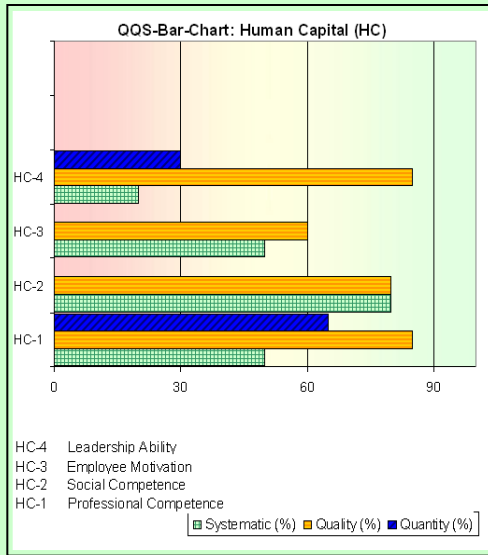
Software...

Taxonomy.



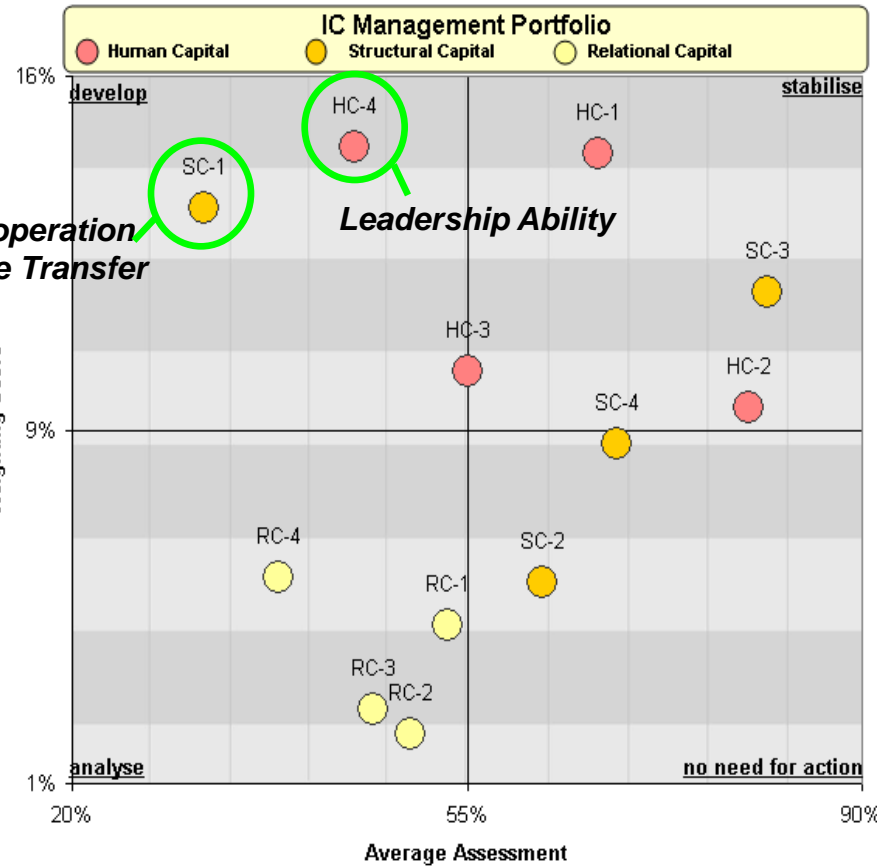
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Result: Priority Map for Investment or Intervention



Internal Co-operation & Knowledge Transfer

Leadership Ability



HC-1 Professional Competence	SC-1 Internal Co-operation & Knowledge Transfer	RC-1 Customer Relationships
HC-2 Social Competence	SC-2 Management instruments	RC-2 Public Relationships
HC-3 Employee Motivation	SC-3 Information Technology & Explicit Knowledge	RC-3 Relationships to investors/providers of capital/owner
HC-4 Leadership Ability	SC-4 Processinnovation	RC-4 Relationship to co-operation partners

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Earnings Capability Index ECI™
(Zukunftsfähigkeitsindex ZFI™)

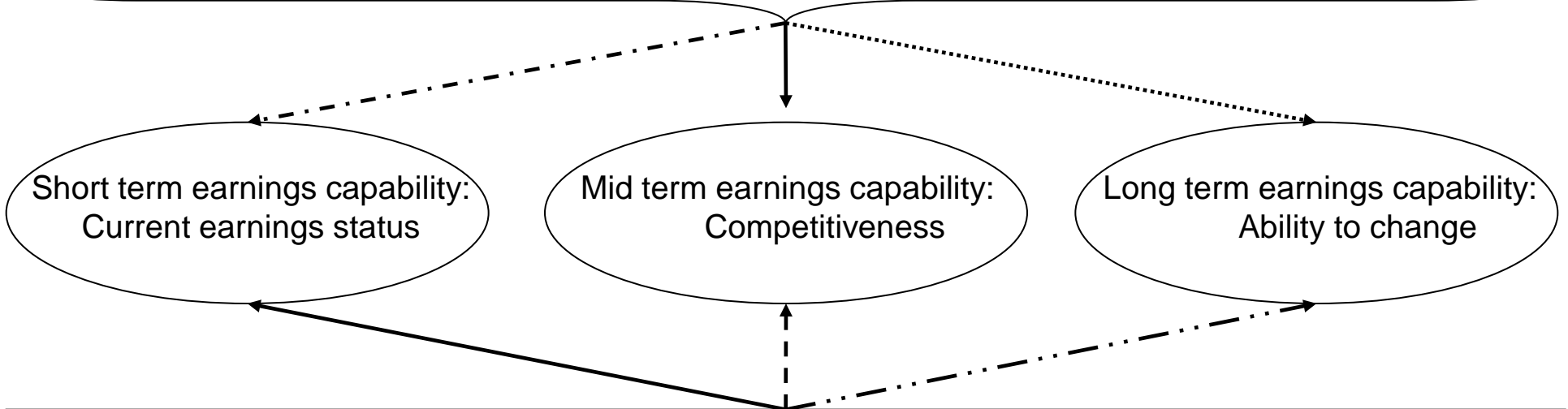
ECI™

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- Financial data
 - Quantitative indicators

- Future earnings capacity
- Qualitative indicators

Steps	Criteria	Sources
1. Current financial situation	Profitability/Cash	Annual Report, Bankratings, BSC
2. Competiveness	Customer segments, branch, competitors, structural- and relational capital	Business environment analysis, Intellectual Capital Statement, BSC
3. Ability to change	Innovation capability, fixed vs. Variable costs, human capital	Intellectual Capital Statement, BSC
4. (Future) Earnings Capability (steps 1 to 3)	Earnings Capability Index™	Analyse of steps 1 to 3.
5. Management action points	Activity plan	ECI report, BSC
6. Implementation (in business operations)	i.e. CRM or HR development	i.e. job and process descriptions, customer survey
7. Follow-up, controlling	Verification of index	Actuals vs. Plan, KPI (adjusted)

Intangibles		
Employees, Who contribute with their knowledge and competences	Internal Processes, i.e. efficient processing of the production of goods or services, internal requests, logistics etc.	Networks, including customers, suppliers, investors and cooperation with other companies
Business Success Factors		
- Motivation - Qualification - Leadership	- Product cycle time - Quality of the processes - Processes of communication - Risk management	- Customer satisfaction - Customer structures - Investor relations - Suppliers



Key Performance Indicators (KPI)		
Financial indicators; - Cost / Income Ratio - Return on Equity - Return on Capital Employed - Return on Investment	Cashflow indicators; - Equity ratio - Debt equity ratio - Solvency - Cashflow margin	The systematic of business success; - Development of profitability - Business development - Development of cycle times - Customer acquisition

Questions (extract) – 6. Customer potential

Do you have a business strategy to keep and improve your market position?

Does this strategy include all parts of the company? Can you based on this find a specific sales strategy?

Do you have different product/services in different market phases (the BCG matrix)?

Are you acting on different markets?

Which are your key competences? Which ones are strategically not so important?

How do you get reliable market data, data about competitors?

How do you assess strategic strengths and weaknesses from your competitors?

Skala	Beurteilung hinsichtlich Zukunftsfähigkeit
90-100	ausgezeichnet
75-89	sehr gut
60-74	gut
50-59	befriedigend
40-49	ausreichend
30-39	nicht ausreichend
20-29	kritisch
0-19	sehr kritisch

The Earnings Capability Index (ECI)TM for Ökoring GmbH

Earnings Capability Index (ECI)TM
= Forecast on Business Success
and Profitability

Current Earnings

Cost / Income Ratio		
Value	0,0 %	130
Score	65	
Weight	2	

Cash		
Value	0,0 %	110
Score	55	
Weight	2	

Profitability		
Value	0,0 %	45
Score	45	
Weight	1	

Earnings sustainability		
Value	0,0 %	104
Score	52	
Weight	2	

Weighted Sum		
Weight short term		70 %
Weight mid term		15 %
Weight long term		15 %

Short term EC forecast	57
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Competitiveness

Custome Value		
Value	0,0 %	122
Score	61	
Weight	2	

Market Position		
Value	0,0 %	130
Score	65	
Weight	2	

Quality and Systematic Relational Capital		
Value	0,0 %	45
Score	45	
Weight	1	

Quality and Systematic Structural Capital		
Value	0,0 %	110
Score	55	
Weight	2	

Weighted Sum		
Weight short term		40 %
Weight mid term		40 %
Weight long term		20 %

Mid term EC forecast	48
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Ability to Change

Innovation and Growth Capability		
Value	0,0 %	156
Score	52	
Weight	3	

Payroll Flexibility		
Value	0,0 %	150
Score	75	
Weight	2	

Quality and Systematic Human Capital		
Value	0,0 %	75
Score	75	
Weight	1	

Interdependency Analysis HC, SC and RC		
Value	0,0 %	130
Score	65	
Weight	2	

Weighted Sum		
Weight short term		20 %
Weight mid term		25 %
Weight long term		55 %

Long term EC forecast	55
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Future Earnings Capability based on classical financial data

Current Earnings		Competitiveness		Ability to change	
Cost / Income Ratio		Customer Value		Innovation and Growth Capability	
Value	0,0 %	Value	0,0 %	Value	0,0 %
Score	0	Score	0	Score	0
Weight	1	Weight	1	Weight	2
92		100		95	
Accrued Earnings		Customer Potential		Payroll Flexibility	
Value	0,0 %	Value	0,0 %	Value	0,0 %
Score	0	Score	0	Score	0
Weight	2	Weight	2	Weight	1
100		100		50	
Return on Equity		Market Penetration		Process Efficiency	
Value	0,0 %	Value	0,0 %	Value	0,0 %
Score	0	Score	0	Score	0
Weight	1	Weight	2	Weight	1
98		0		100	
Short term EC forecast		Mid term EC forecast		Long term EC forecast	
91		67		84	

Earnings Capability Index

Earnings Sustainability		Quality and Systematic Relational Capital		Quality and Systematic Human Capital	
Value	0,0 %	Value	0,0 %	Value	0,0 %
Score	0	Score	0	Score	0
Weight	1	Weight	2	Weight	2
71		72		67	
Quality and Systematic Structural Capital		Interdependency Analysis HC, SC and RC			
Value	0,0 %	Value	0,0 %	Value	0,0 %
Score	0	Score	0	Score	0
Weight	1	Weight	1	Weight	2
71		30			
Weighted Sum		Weighted Sum		Weighted Sum	
92		64		67	
Weight short term	80 %	Weight short term	40 %	Weight short term	5 %
Weight mid term	15 %	Weight mid term	40 %	Weight mid term	50 %
Weight long term	5 %	Weight long term	20 %	Weight long term	45 %
Short term EC forecast		Mid term EC forecast		Long term EC forecast	
87		76		67	

Earnings Capability forecast based on classical financial data and indicators = 242 (= 91 + 67 + 84)

Earnings Capability Index (quantitative and qualitative indicators) = 230 (= 87 + 76 + 67)

→ Difference: -12 Punkte = -5%