

"NEW MODELS, MEASUREMENTS AND MAPS"

Felix Barber

Measuring and managing intangible values in today's economy

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CV

FELIX BARBER

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The Boston Consulting Group (BCG)

- **Worldwide Practice Area Leader of Organisation Practice (Organisation Design, Change Management, Human Resources, Networks) 1999 –**
- **Developed 'Workonomics' approach to Linking Human Resources and Shareholder Value. Currently in regular use by BCG in client work to assess company performance from a people perspective**
- **Founded and lead Zurich office 1989-98**
- **Previously active in London and Munich offices**
- **Client focus primarily on Consumer and Service industries**

Education

- **MA Philosophy, Politics, Economics Oxford University**

'INDUSTRY' AND 'PERSONAL' VIEWS

INDUSTRY VIEW

An increasing share of company value is created by 'intangibles', for example by employees and customer relationships

A company's capital is the source of its value, so if 'intangibles' create value we should try to capitalise them in the balance sheet

We should consider and value 'Human Capital' and 'Customer Capital'

PERSONAL VIEW

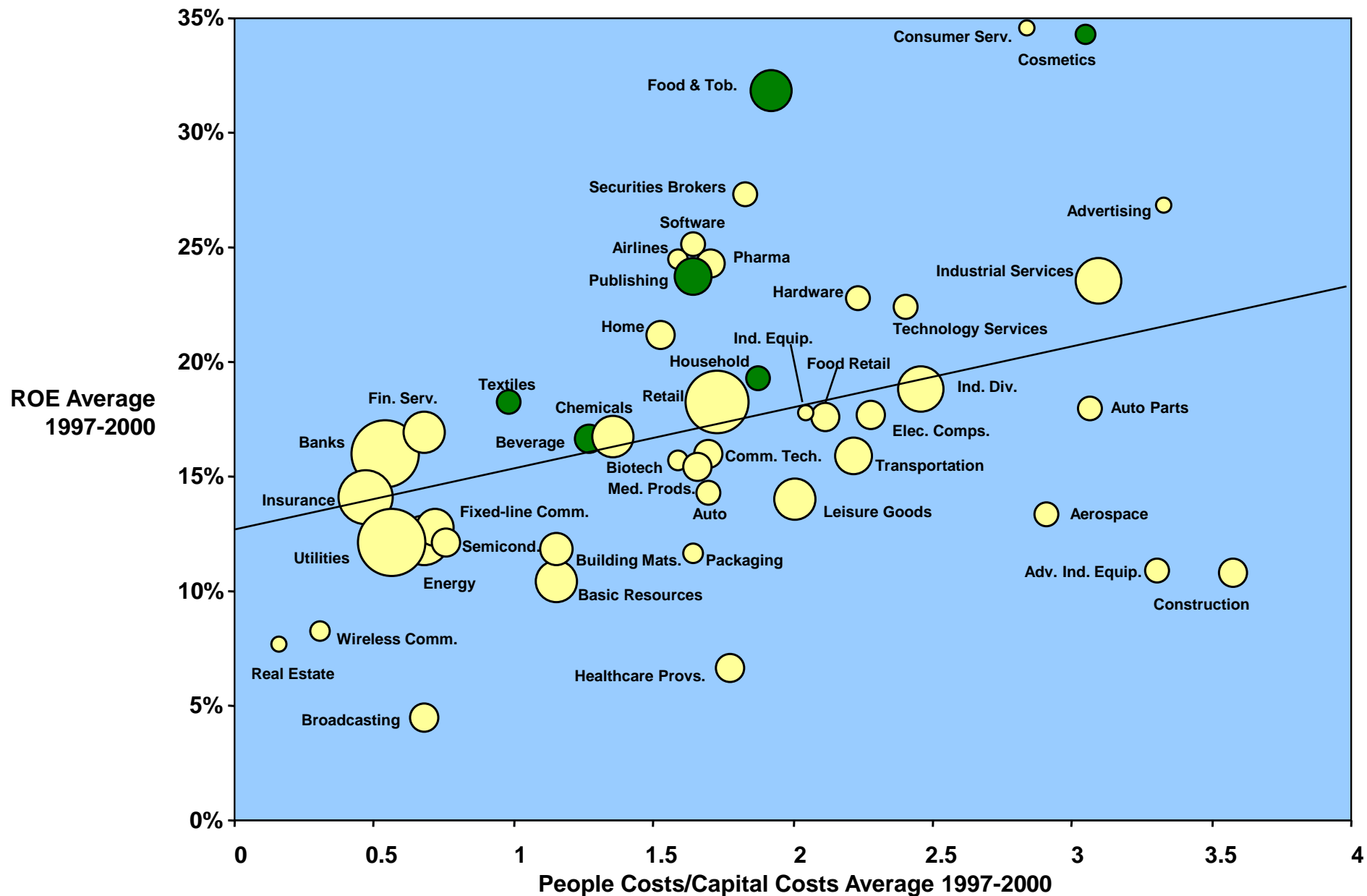
Many things besides capital create value for companies

Companies do not own employees or customers

Instead of seeking to capitalise employees and customers as a way of recognising their value, we should ask and answer the same questions about them as we ask and answer about capital

PRESENTATION

PEOPLE AND CUSTOMERS STRONGLY IMPACT PERFORMANCE



MEASURE PEOPLES' PERFORMANCE IN PEOPLE-TERMS

Capital Driven: Traditional Metrics

Return on capital

Cost of capital

Balance sheet/Balance sheet structure

Balance sheet changes

Plant and equipment utilisation

Capital investment plan

Capital gearing (debt/equity ratio)

Capital gains

Long/short term financing

Employee incentives ensure alignment

People Driven: Workonomics Metrics

Productivity

Employee cost

Workforce/Workforce structure

New hires/attrition

Workforce utilisation

Workforce development plan

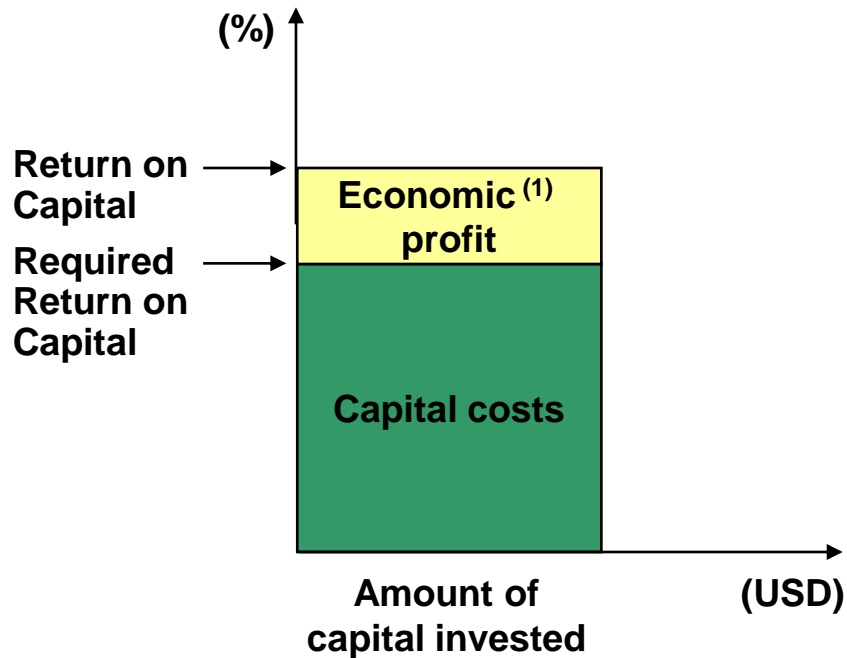
Employee gearing (fixed/variable compensation)

Long term contingent compensation (e.g. options)

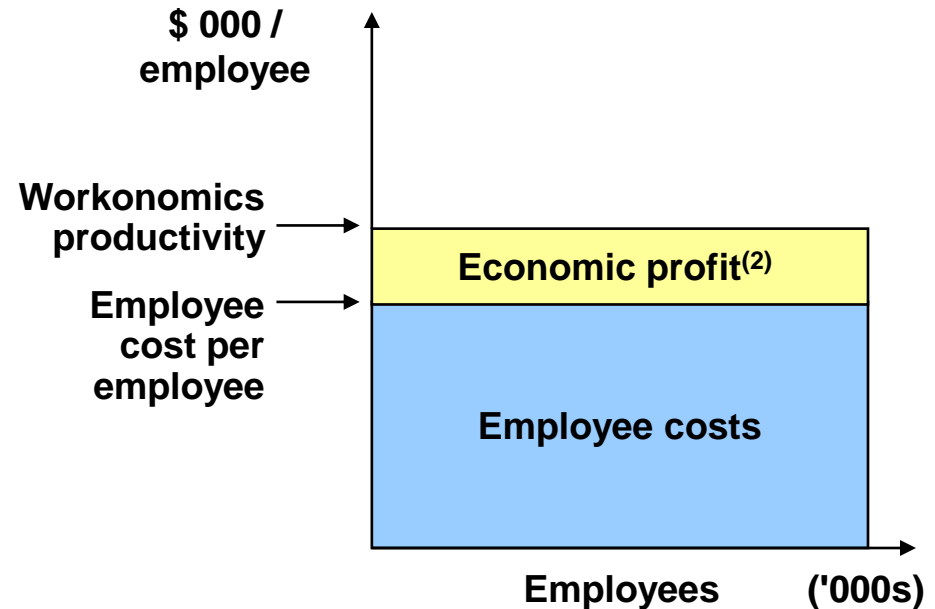
Employee contracts (golden handcuffs)

ECONOMIC PROFIT LINKS CAPITAL AND PEOPLE PERSPECTIVES

**Capital perspective:
Return on capital above
cost of capital**



**Employee perspective:
Workonomics productivity
above employee cost**



(1) Usually calculated on post tax basis to be comparable with (post-tax) capital costs

(2) Usually calculated on pre-tax basis to be comparable with (pre-tax) employee costs

AVAILABLE LEGAL FORMS MAY BE TOO LIMITING

<u>Legal form</u>	<u>Value creation</u>	<u>Ownership</u>	<u>Risk</u>	<u>Profit/ Residual income</u>
Stock corporation	Capital investment	Equity	Equity	Equity
Partnership	Partners skills, capabilities and relationships	Partners	Partners	Partners
Cooperative society	Customer purchases	Customers	Customers	Customers