

Financial or Business (=Non-financial) Indicators?

***A step towards a reporting system focused
on business indicators - not financial.***

It can be done!

Assessing a company by financial data . . .

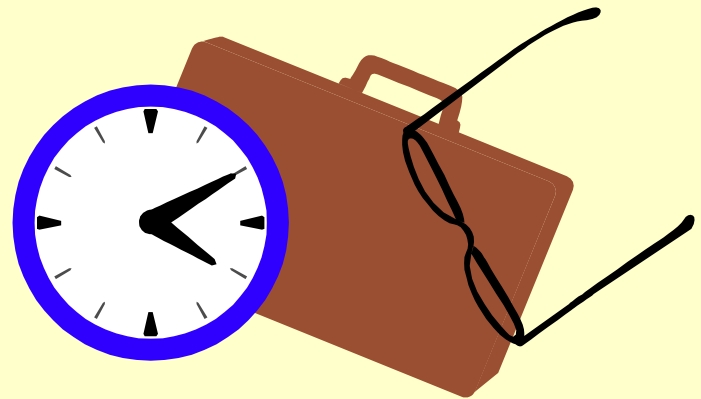
is like using X-rays
to choose your partner!

Life - even business life -
has more dimensions!



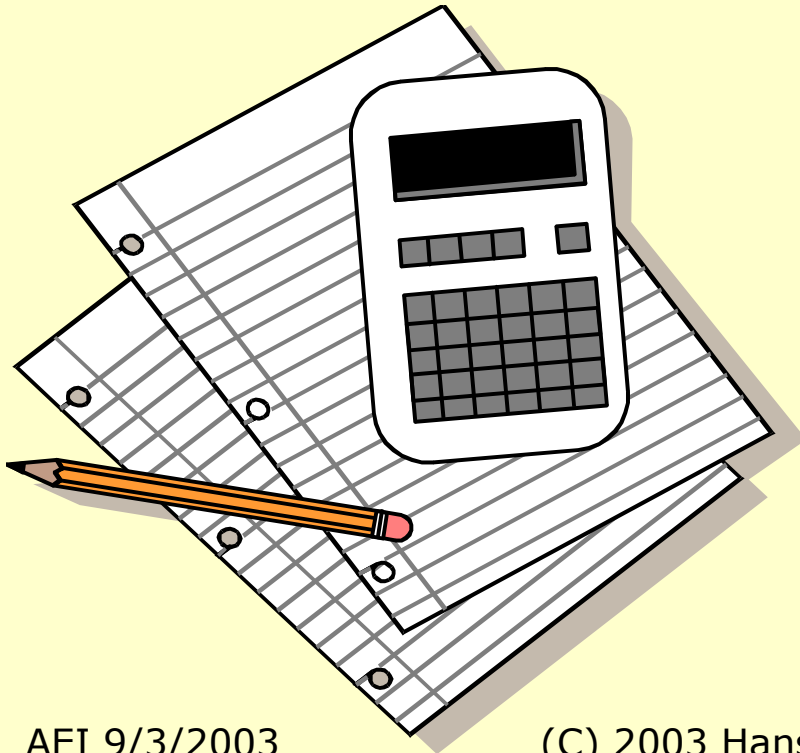
Financial/Business data have different **time perspectives**

- Financial data reflect the past
- Business data reflect the present



Financial/Business data have *different origins*:

Financial data come
from accounting



- Business data come from the business situation



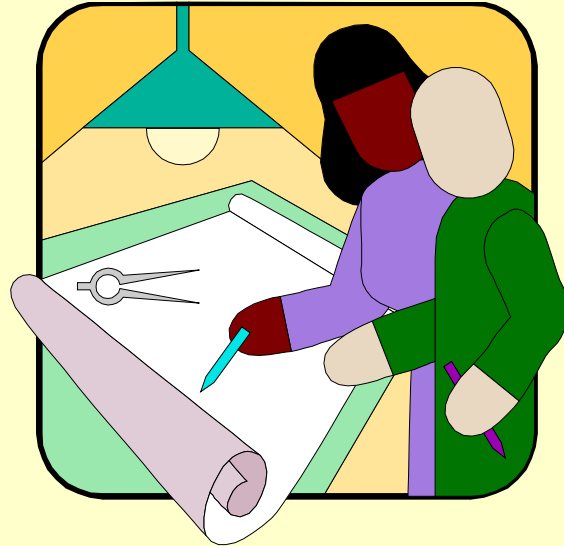
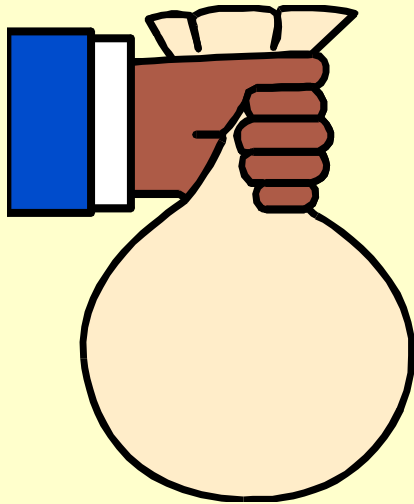
Financial/Business data use **different metrics**

- Financial data use only monetary units
- Business data include broader success factors



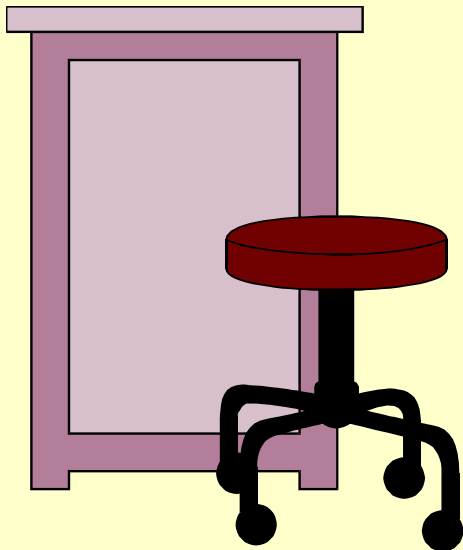
Financial/Business data feature different **value drivers**

- Financial data show only physical and cash-related items
- Business data reflect other value drivers, incl. people and relationships



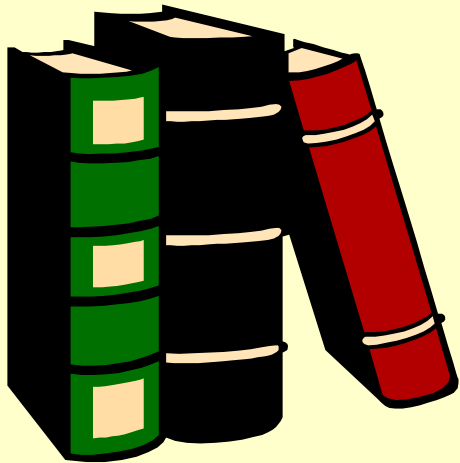
Financial/Business data view the company from a **different perspective**

- Financial data show the company as a legal unit (“box”)
- Business data show the company in its context



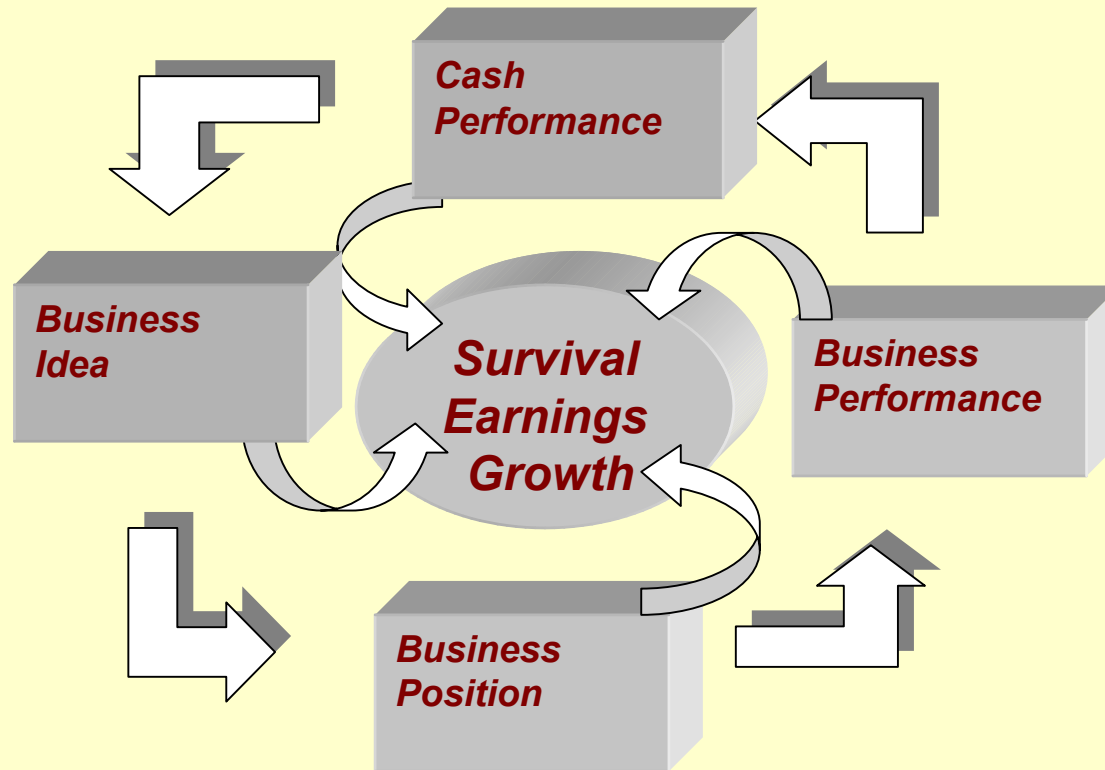
Financial/Business data have different **functions**

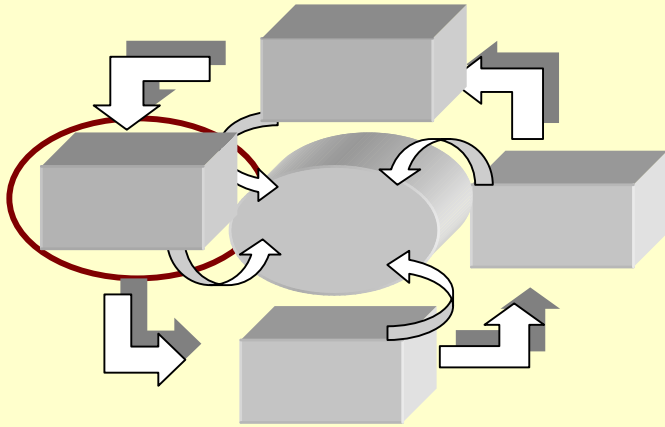
- Financial data serve legal and tax-related purposes
- Business data serve as a basis for strategic decisions



Business success factors can be defined, structured and measured.

- ***Baseline Reporting*** combines financial and business data in a systematic, comprehensive, neutral and repeatable way.
- ***It uses four bases - business fundamentals:***

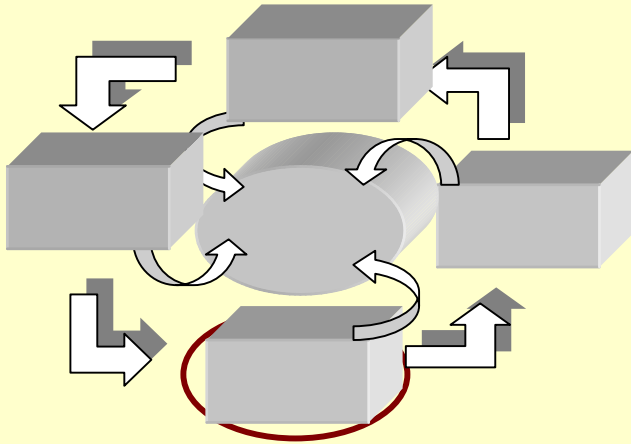




"Home Base"
***Business Idea:
The Key Statement***

- # **The Business Idea is the key statement against which all company strategies and success or failure factors are measured**
- # **Answers Peter Drucker's question:
*"What business are you in?"***
- # **Expresses the essence of a business in terms of**
 - a perceived need in a defined customer group
 - board and management ambitions
- # **Is generated in a structured 21 point "Outside - in" process**

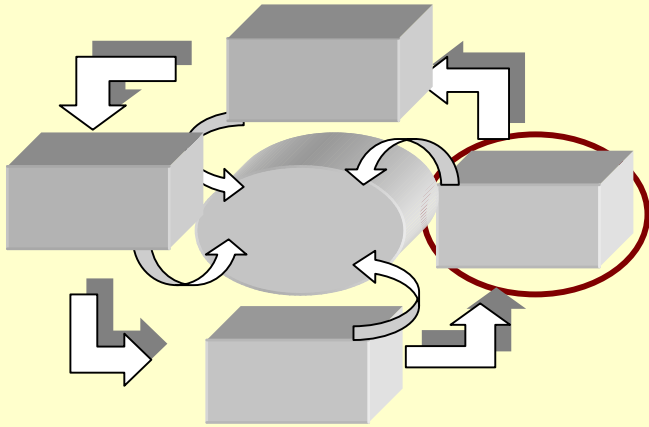
Why? Without a clear definition of why and how the company intends to make money there is no way to assess the company at all.



"Second Base"
**Business Position:
Freedom of Action**

- # Shows the company in its context
- # Shows any strategically significant limitations to the company's freedom of action
- # Answers the crucial question: *"Who pulls the strings?"*
- # Defines all strategic relationships in one of four categories
- # Measures these relationships and classifies them in three strength categories
- # Is generated in a structured, computer-supported interview process
- # Measures (!!!) Freedom of Action

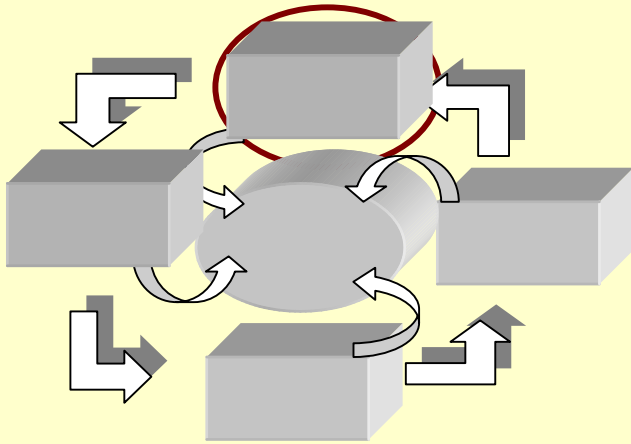
Why? Freedom of Action is the single most important condition for survival, earnings and growth.



"Third Base"
**Business Performance:
Crucial decision-making**

- # Recognizes that most of the decisions that influence a company's success or failure are made *outside* the company
- # The company does not control this decision-making, but it can influence it
- # Lists five decision-making groups that are crucial to a company:
 - Employees
 - Customers
 - Investors
 - Public opinion-makers
 - Leadership
- # Suggests measurement factors and methods in these five fields

Why? Success in these fields paves the way to company survival, earnings and growth!

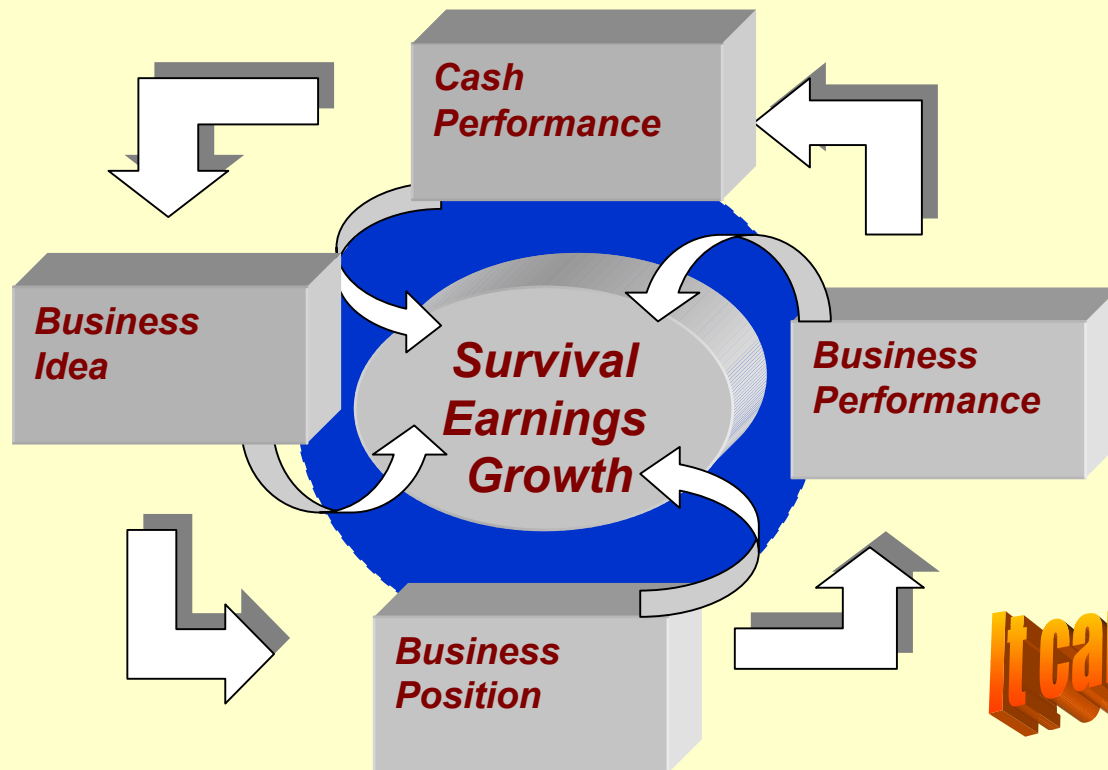


"Fourth Base"
**Cash Performance:
More than traditional numbers**

- # Links "Baseline Reporting" to traditional, accounting-based reporting
- # Starts from Cash Flow - more significant and less exposed to manipulation than Earnings Statements and Balance Sheets
- # *Cash Performance* goes beyond traditional Cash Flow statements
- # Defines and monitors two new ratios, Charge and Focus, that link Cash Performance to company strategies

Why? Cash Performance sums up the company's progress towards survival, earnings and growth.

The four bases are easy to accept as leading business indicators toward company Survival, Earnings and Growth



Together, they can show the way to a new, relevant reporting system!