



**INTELLECTUAL CAPITAL REPORT 2005**

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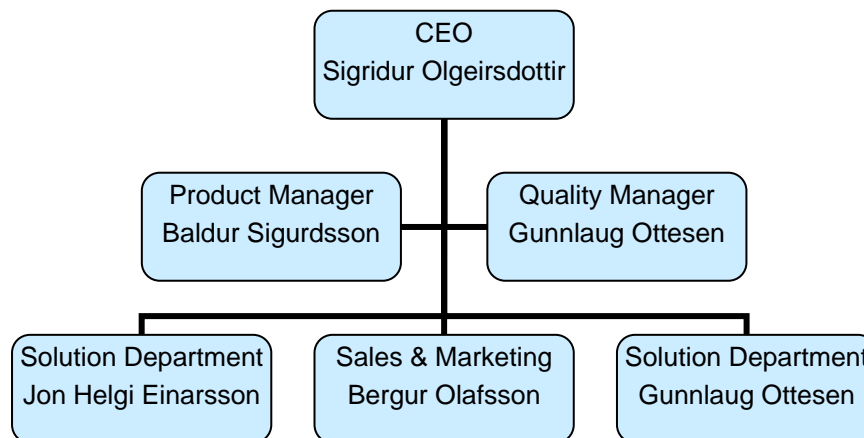
## Introduction

This report is the first IC-report for Ax Business Solutions. The main focus was to keep it simple but also to include the IC-indicators and measurements that describe the most important companies values that are not part of the annual financial report. Ax has for some years used several indicators to monitor and measure the business without formal or public reporting. With the PIP project and the IC-report we see the benefit and opportunity to benchmark and to compare our business with other software companies and be able to provide our shareholders with knowledge about other values than financial values, values that are critical in a company that build their business on intellectual capital.

## A short historic overview

Ax hugbúnaðarhús was established on September 1<sup>st</sup> 1999 when Hugbúnaðarsvið Tæknivals hf., Kerfi hf. and a part of Skýrr hf. merged. In December 2000 the Danish software company, Columbus IT Partner AS bought about 98% of the corporation. Thus, Ax became a part of the international company, Columbus IT Partner. On August 1<sup>st</sup> 2003 Kögun hf. bought all the stocks in Ax and an Icelandic company therefore again owned the company. At the same time, Ax sold their subsidiary in Denmark to Columbus IT Partner.

Ax has 55 employees, almost everyone with university degrees and more than three years of work experience.



**Ax's organizational chart**

The company's main revenue comes from software sale, consultancy, support and programming service.

Ax's business focus is to provide and service ERP solutions (Enterprise Resource Planning), management information systems and solutions for the utility sector.

Within ERP Ax provides own products, TOK for small companies and Alvís for medium sized companies. TOK is one of the most known ERP systems in Iceland with more than 3000 customers. Alvís is based on IBM technology, a robust and solid ERP system. Ax has the last 3 years invested in developing windows version of the products. Alvís Windows version was released in 2003. TOK payroll was released in 2004 and TOK accounting year 2005.

Ax also provides international brands like Microsoft Dynamics AX from Microsoft where Ax is the largest Dynamics AX provider in Iceland.

As an ASP solution Ax offers TOK plús, which is base on Dynamics Ax and customized for small and medium sized companies.

Ax is a Gold Certified Partner of Microsoft.

Ax is a distributor for the Cognos BI (Business Intelligence) solutions in Iceland. Cognos is a leading brand within MIS (management information systems) in Iceland and is used by several large organisations.

Within the utility sector Ax is in partnership with WM-Data in Sweden, who are leading on that segment in the Swedish market. Ax has achieved a leading position in Iceland with solutions for the utility sector and will continue to focus and grow in that segment.

## **The mission, vision and strategy**

**The mission:** Assist companies and institutions to improve business results

**The Vision:** Be the number one software company both in service and consultancy, known for reliability, innovation, professionalism as well as outstanding service

### **Strategy:**

- To excel in collaborating with and being a service partner for companies in the area of business solutions and management information.
- To ensure quality by using defined methodology in all projects.
- To maintain proactive relationships with the customer by consulting and informing of novelties and new possibilities to improve profitability
- To be on the forefront in relations to new solutions and technology.
- To put the client always first.
- To build on business relations with our customers based on future collaboration and mutual benefits

### **Employee Strategy:**

- To ensure job security with a profitable business.
- To create an environment where employees can evolve in their work by addressing diverse projects.
- Employees will influence the company's mission and business.

- The flow of information within the company is good.
- To promote work initiative and ambition.
- An emphasis is placed on employees continued education and uptrend.
- Information and knowledge is accessible to all employees.
- To maintain good work moral.
- Equality between women and men will be secured and every employee will be valued based on their own premises.
- To enable employees to harmonize family and work life.
- Harassment and persecution will not be tolerated.

## **Our values**

### **Innovation:**

- Towards the client. We put emphasis on consulting and take an initiative to point out solutions for the client. Thus helping the client to take advantage of opportunities and achieve success.
- Towards ourselves (each other) there is vitality in our culture, we are driven by the need to succeed and take an initiative to improve things that can be done better. We take the incentive to improve and keep up our own competence as well as take part in improving other employee's competence.

### **Reliability:**

- We uphold our promises. Professional knowledge and competence, defined work processes and the self-discipline and tenacity that are needed to follow them are the key elements in gaining clients' trust and each other's trust. Moreover, we earn respect by behaving with integrity and demonstrating confidentiality.

### **Collaboration:**

- Inwards; to make better use of the knowledge, learn from each other, help each other and promote a unified performance so the client's experience will always be that we make up a single company.
- Outwards; because collaborating with the client brings us to the best solution. Collaboration demands unity where mutual respect amongst employees as well as between employees and the client is required.

## **The strategic value management**

### **Employees**

Through employee's satisfaction survey which is conducted yearly we monitor employee satisfaction, set goals for improvements where actions are registered in our quality system.

Employee performance evaluation meeting is conducted in September and October every year. The result from these meetings is used to set goals for next year; financial goals, education, training and personal improvement.

Knowledge management is conducted with committee plans education and training built on results from employee performance evaluation meetings, employee survey and special survey sent to all employee to get an overview of the need.

Employees are responsible to get product or expert Certifications offered by our partners.

### **Quality system**

Quality committee meetings are held twice a month were all registered tasks for improvements are monitored.

Workflows and working procedures are defined in the system.

### **Customers**

Through customer satisfaction survey, which is conducted yearly we monitor customers satisfaction, set goals for improvements where actions are registered in our quality system.

Through the quality system all customer claims are registered and processed by the quality committee.

Every second year Ax and sister companies conduct a market survey to see the trend, competition and market share.

### **Partners**

Some of the partners offer certifications and education of their products. Ax goals are to achieve and maintain certifications that are important for the business.

## Human capital

As a knowledge company, one of the most important factors for succeeding in a competitive market is fully qualified personnel. Where in this case qualified means well educated, strong and happy people who gets it's drive from complex tasks and our values.

The number of employees at the end of 2005 was 55. The average age is close to forty that indicates strongly the high experience we have. The gender

ratio is quite fine compared to similar companies and has not been raised by force.

The education level in the company is very high and in the year 2005 employees have conducted 12 Microsoft Dynamics AX certifications and one IPMA certification for Project Management.

One of the tools we use to know how personnel feel at work is to take part in an employee satisfaction survey executed by Kögún group and we have been part of from 2004. The survey consisted of 35 questions (35 closed and 8 open) grouped into 6 categories. The answer scale was from 1-5 and we had a 94% response rate in the survey in 2005. We got the results from three different angles i.e. Ax, departments (solution department 1, solution department 2 and other) and average number of years with company (less than 1 year, 1-3 years, 3-6 years and more than 6 years).

Employees at Ax – basic indicators	2005
Number of employees	55
Average age	38
<b>Gender distribution</b>	
Female	45%
Male	55%
<b>Gender distribution of managers</b>	
Female	40%
Male	60%
<b>Education level</b>	
University education	67%
Certified Degrees	13

### Employee satisfaction survey – some of the results

Employees at Ax	2005
Employee satisfaction	4,0
Atmosphere (team spirit)	3,8
Working conditions	3,9
Clear roles and responsibility	4,4
Encouragement and feedback/rewards	3,4
Executive visibility	4,5

Scale from 1-5 (higher number the better)

The quality committee evaluated the results and defined some improvement projects and tasks to be done in 2006.

## Structural capital

To meet Ax's future vision it is extremely important to build and maintain Ax's structural capital.

In the year 2004 a simple, user friendly and graphical quality manual was implemented. The manual identifies all processes and procedures that are

needed for production, implementation, support and quality control at Ax.

In 2005 a special emphasis was put on follow-up with the employees to support them to use the quality manual.

In 2005 internal audits (process reviews) were conducted by Ax for internal purpose to estimate the use and usability of the quality manual.

In 2004 quality committee meetings were started twice a month. The quality committee has among other things the following tasks: monitoring all improvement tasks, monitoring claims, monitoring customer and employee satisfaction, monitoring quality objectives and establishing yearly new quality objectives.

Structural capital	2005
Quality system	Yes
Process reviews	Yes
Internal reviews	Yes
External audit	No
Formal complaint process	Yes
Call centre / online service	Yes
Goal review in accordance with set goals and customer satisfaction	Yes
Formal innovation process	Yes
New employee training	Yes
Flexible working hours	Yes
Clear areas of responsibility	Yes
How often are strategy and goals reviewed	Annually
Employee participation in strategy and goals reviews	Yes

Management review of the quality system is held yearly to ensure its continuing suitability, adequacy and effectiveness.

Project management is the core process where all employees register their hours every day in a structured way.

Cognos is used to monitor the business key indicators and is one of the critical success factors for the business.

Most of the communication towards employees is active use of the intranet, monthly staff meetings and regularly department meetings.

IT systems	2005
Intranet	Yes
Project Management system	Yes
Document handling	Partly
CRM system	Yes
Human resource	Partly
Knowledge Management	Yes

## Relational capital

Customer support and new opportunities are important for Ax. To improve customer support Ax has developed different service level agreements and conducted a special process in the quality manual for each of them.

IMG have conducted customer satisfaction surveys for Ax from 2003. The purpose is to measure and learn how Ax customer experience and value the service, support and products that Ax offers.

In 2005 the survey was performed on the Internet and by telephone calls.

The survey consisted of 30 questions (32 closed and 7 open).

The answer scale was from 1-5 and the response rate was 51,4%.

The quality committee is responsible for setting goals to improve where result are under target. The committee defines tasks or projects to improve our service.

The result is evaluated every year.

Relational capital	2005
Customer satisfaction	3,6
Employees attitude	4,3
Innovation	2,7
Competence	3,8
Recommend the company to others	79%
Is service better or as good as that of the competitors?	79%

Scale from 1-5 (higher number the better)