



**METODICUM
INFOSERVICE**



**Intellectual Capital Report
2005**

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Why Intellectual Capital Report

“Nordic harmonized Knowledge indicators: Putting IC into Practice” or PIP, is a three year project on the development and deployment of a framework for assessing intellectual assets in the ICT industries of the Nordic countries.

Progress and Benefits

The aim of this project is to produce a framework for measuring IC performance indicators and reporting Intellectual Capital in the IT sector of the Nordic countries, with a special focus on small and medium enterprises, as well as forming a strategic baseline for managerial business models.

The benefits of the project are significant.

Firstly internally; as a tool for knowledge management and selecting the right indicators to follow up on management challenges. Secondly the IC reports link to the investors: the IC report had enabled at least one PIP company to achieve a lower interest rate by producing an IC report that clarifies the companies value creation potential.

Internal activities

A successful workshop was held in Reykjavik in May 2005. All the companies, involved in the project were able to attend and give an overview of their experience and effect of participation in the Project. There the partners gave an overview of the experience with participating in the project. Interestingly indicators relating to structural capital were proving to be the most problematic. It was decided to hold the next meeting in Copenhagen in October. The companies agreed to put more effort into the alignment of the selected indicators to strategic management challenges

Dissemination activities

The project is already being acknowledged as a model for similar initiatives in Germany and Scotland where the PIP indicators have been used as a base for a similar initiative and the PIP management team selected to evaluate the government run IC project of the Scottish Intellectual Assets Centre.

One PIP related conference was held in Reykjavik in March with 150 attendance. – Similar ones are soon to follow in the other participating countries.

The PIP management team was invited to participate in the Intellectual held in Bruxelles on the 6th and 7th of June. At the workshop a presentation was given of PIP and its rationale. Further more the team was invited to The first World conference on Intellectual capital for Communities: Nations, Regions and Cities, Paris: organised by the University of Marne-La-Valée and the World Bank June 20

The PIP management team was also invited to participate in the European TrendChart Workshop “Valorizing the Innovation potential of the firm” held in Brussels on 27 and 28 September 2005.

Business Concept

The business concept of our company is to develop and sell favourable products and services for health and profitability in the working life

Presentation

Introduction

Metodicum and InfoService are part of the same group and will be joined according to the company merger plan during the year 2005. We have therefore chosen to jointly present the companies, simultaneously that we have chosen to present an annual report for the value of the companies current human capital.

Presentation

Metodicum has since the seventies been a leading company in Sweden when it comes to measuring health, work environment and capacity for work in companies and organizations with scientifically validated and reliability tested questionnaires. Based on our 30-year-old experience, our company has a great number of products and services to choose from considering different needs. All information is saved in our reference databank, witch contains millions of answers from carried out surveys. This provides unique possibilities to comparisons with data and benchmarking. Metodicum focuses the change of work on to what is developing and strengthening the organization and the person as an individual and as an employee.

InfoService has since the eighties developed IT-systems for health and work environment. In the early nineties the activity was complemented with personnel, business- and social economical competence, The Economy of the Employment. The activity was expanded with social insurance sphere training and conference activity. We make the modern systems SAM Managing Occupational Injuries and SAM Rehabilitation. The later system is to be used regarding the entire sick leave process.

Based on the model Health Accounting, of witch our finance consultant Thomas Aronsson is the originator, the companies have developed it further. It describes the employees health and makes it visible in business economically measurable ratio. Health investments based on the Health Accounting result increases the company profit. This year we were involved in two greater development projects for Health Accounting, witch are supported by AFA* and VINNOVA* by almost six million SEK. The participant companies are staking a similar amount to value the Health Accounting. Our main office is located in Degerfors. This year a branch office has been established in Gothenburg. The activity of the companies is based on an extensive and close cooperation between independent consultants all over the country.

*AFA, acts, through supporting research in projects, to improve people's health, work environment and quality of life

*VINNOVA, Swedish Agency for Innovation Systems, integrates research and development in technology, transport and working life. VINNOVA's mission is to promote sustainable growth by financing RTD and developing effective innovation systems.

Human Capital

People and competence	Number		Procentage	
	Jan - jun 2005	Jan - dec 2004	Jan – jun 2005	Jan - dec 2004
Number of employees	10	16		
Gender distribution				
- females	4	5	40%	31%
- males	6	11	60%	69%
Average number of years in service	5,1	4,0		
Average age	43,2	41,5		
Rookie rate	0	2	0%	12,5%
Staff turnover	0	6	0%	

2004 was a turbulent year for the company. The first half year it was part of, in which it was the main business, in a noted, public company. During this period one branch of business was sold and our personnel were decreased.

The business field that was sold was prosperous and activated three persons. One person followed it, one was relocated to another business field and the third person took over the tasks of the most recently hired employee. One employee started in agreement his/her own business and left sales for working within the consulting area. After a successful rehabilitation an employee made a transfer to another company and also another person requested resignation. The tasks were distributed among the personnel. Many of the employees also worked part time. The newly hired started at the end of the year.

During the summer 2004 the company was purchased back to the original owner. It is since then under reconstruction through creating prosperity for the presented Metodicum Health Closure below. The Metodicum Health Closure presents among others the number of employees per hours worked and personnel turn over in compensated positions, which are a more adequate manner, see below.

The health of the personnel is part of the human capital. Even if we control over hours worked and over-time, which creates the possibility for us to create comparable indicators, we have chosen not to do this. The reason to this is that we yet not have succeeded in agreeing to any good such indicators internally. Our intention is to find such indicators.

Metodicum Health Accounting is a model and method that shows and describes the health of the personnel in business economical, measurable, business ratio. Metodicum Health Accounting supports businesses that see the efforts of the personnel as a resource for the organisation and its active fields. Metodicum Health Accounting is therefore a part of the organisations business- and activity strategy and gives regular economical:

- Leadership information.
- Management information
- Control information
- Information about the health situation of the personnel

Metodicum Health Accounting is a standardized, quality assured and between departments and between companies and organisations a comparable method. The Metodicum Health Accounting measures economical right things with low uncertainty. The Metodicum Health Accounting is used for mapping and activity statement of the health and work environment of the personnel.

The outcome of the business ratio has a high applicability to the respective department and is comparable over time between departments within the company, between companies, between different lines of business and between different sectors within the labour market.

Metodicum/InfoService	Number		Key number	
	Jan - jun 2005	Jan - dec 2004	Jan – jun 2005	Jan - dec 2004
Hours worked	7 155	12 792		
Sick leave rates – hours ¹	69	821	0,9	6,4
Sick leave - cases ²	4	10	5,6	7,8
Rehabilitation cases ³	0	1	0,00	0,78
Returns ⁴	0	1	0,00	0,78
Staff turnover ⁵	0	1	0,00	0,78
Index ⁶			1,9	0,5

1. Sick leaves rates calculated as (hours of sick leave/hours worked * 100).

2. Sick leave cases (new sick leave cases/hours worked * 10 000)

3. Rehabilitations cases (sick leave cases lasting more than 28 days/hours worked * 10 000)

4. Returns (fully return after a sick leave more than 28 days/sick leave periods more than 28 days)
(Rehabilitations cases who return fully/sick leave cases lasting more than 28 days)

5. Staff turnover (turnovers that will be replaced)

6. Human capital health index, calculated as you can see on the next page

As you can see in the table above, the company will have about the same amount of working hours based on year. The different, six lesser employees and even though the same hours worked depends on part-time employees, employees parts of the year and that one employee was staying at home, caring for her child, during 2004. Hours worked is therefore a better measurement than the number of employees. Hours worked is also the personnel achievement that is supposed to maintain the activity, and therefore it is useful in comparing measurements both internally and externally. Hours worked is also an important but often missed part in the traditionally economical account, which is necessary for follow up, evaluation, budgeting and management of its indicators.

For a personnel turnover in Metodicum Health Accounting to happen, it is a necessity that the tasks have been taken over by the newly hired person. Cut backs or as in our case phasing out of a branch of activity is therefore not influencing the indicator.

During 2004 we had for our company very high sick leave rates and cases. Nearly all of the extremely absences were in the beginning of the year. As the manager of the business I do not have the correct answer, but I can guess. The employee had under nearly two years worked under the pressure of creating increasing revenues. What happened at the end of 2003 and in the beginning of 2004 was that the former board of direction appointed a new consultant that studied the business and intended to create additional prosperity. The consultant was investigating incorrectly and created a sales budget per result area. The sales budget was a paper product based on information instead of possibilities per activity area. The budgets respectively were also to be fulfilled; it was not the common result of the personnel that counted. This person took therefore away the work delegation and driving force of the personnel. The outcome was lower revenues and higher sick leave with a stress related rehabilitation case. It can be noted that all short sick leave incidents that occurred, were, as I experienced them, due to illness. An "epidemic", which I have never experienced before. It can neither be explained from external factors as for example flue epidemic. One question mark must be put for reason and effect and how the frustration expresses itself.

As mentioned above, the company is under reconstruction. The personnel is therefore still under hard pressure to produce and earn money, which does not come from the coming core of business. The employees have to use their imagination, be very effective and to create profits from odd activities. The numbers have improved since 2004. Benchmarking with our own databank shows that the number is balanced or better compared to corresponding size and type of activity for the first five business ratios. Our target, budget, for sick leave cases during 2005 are yet 5, 0 cases per 10,000 hours worked. It has already been exceeded. The reason to this is known and will be taken care of.

The human capital based index has approved from 0,5 to 1,9. That is good but not good enough. See below:

Enskilda frågor		Jan – jun 2005	Jan – dec 2004
1.	I feel tired while working	0,24	0,40
2.	My tasks are monotonous	0,68	0,96
3.	My job is interesting	0,72	0,73
4.	I am bothered by neck, shoulder and back pain/stiffness	-0,11	0,32
5.	Can you decide for yourself how to organize and implement your tasks?	0,55	-0,28
6.	Do you worry about not coping with your tasks?	-0,12	-0,52
7.	Are you bothered by urgency and narrow time margins at work?	-0,03	-0,09
8.	Do you work against the clock so that you do not have time to chat with co workers/clients/customers/patients/users or to not even take a sufficient break for a meal/lunch?	0,76	0,43
9.	Does the stuff management make notice of, which in you opinion is, a great effort?	0,11	-0,23
10.	Do you get the opportunity of developing you special skills or knowledge in you works?	0,15	-0,11
11.	Have you felt committed and/or spirited in your work during the past three months?	0,05	-0,31
12.	How does the co-operation in your working team function? (Do you for example get help from your co-workers if you would need it?)	-1,08	-0,80
	Index	1,9	0,5

On the positive side, it is therefore noted that the right of self-determination has increased, and that it has taken place, even if there are marginal differences, still there are positive ones in the majority of the subject's fields.

Parallel to the development of our sphere of activities and to create acceptance for the areas on the market, we have the task in strengthening our inner cooperation. This is in such a manner that the common result is the target, but yet in order that each employee has a subject field as a specialization. The co-operation within the group should therefore have become better. This has not happened. Furthermore is the area the one that

differs from the national average value. The reason and our program to increase the co-operation will be looked in to.

We have highly set goals on our productivity connected with our health and work environment. Overall we believe that the productivity, compared with the best ones in our database, for equivalent type of activity and size of the company becomes significantly better. Together, and from comparisons, we have decided to have at least reached index 3,5 until one year from now.

Structural- and Relational Capital pro sphere ration of activities

Questionnaires

From being nearly alone working with questionnaires within the health market and work environment, we have a great number of competing firms today. Our customers are also able to purchase a question nary system at a reasonable price for most parts. What makes us distinct are our scientifically produced and tested questions, our reference databank that enables the customer to compare itself with the national average value or with other preferred references, and also that we have computer systems and competence for statistical analysis and guarantees to the answers. To build a reference databank similar to ours takes many years, if it is even possible with today's diversified market. We have lately therefore focused our marketing on it and to establish our potential for principally existing customers.

Structural Capital

We measure how high percentage of our customers is making comparisons. Compared to last year, we have in the past six months doubled the number of customers that uses comparison material from our databank.

The number of customers that elected references in percentage:

Jan-jun 2005	Jan-dec 2004
46,7%	21,4%

Relational Capital

We measure the number of returning customers. Also here we see more than redoubled returning customers.

The percentage of the total customers

Jan – jun 2005	Jan – dec 2004
67,7%	29,2%

The SAM system

SAM as in (systematiskt arbetsmiljöarbete) systematic work environment work is a solely web based IT-system with the latest interface. It exists in three freestanding modules to smartly matter manage occupational injuries, sick reports and reports that one has recovered from one's illness and rehabilitation cases. The market is in construction and the pricing is based on an earning profit by consecutive return per employee and customer. Break even for the payment is reached after five years, i.e. we have strong reasons to maintain the customers that once have started using the SAM system.

Structural Capital

We have chosen to measure the number of employees that have the right to use the SAM system.

The number of employees that have access to the system

Jan-jun 2005	Jan-dec 2004
47 018	31 018

Relational Capital

We measure the number of returning (ongoing) customers.

Not a single customer has chosen to leave the SAM system after purchasing it.

Jan – jun 2005	Jan – dec 2004
100%	100%

Conferences

When we apprehend that there is a demand of broader information within our areas of interest, we then arrange conferences. The conferences often have a political direction, e.g. what changes within the social security system involve the employer and the society. They often end by a hearing. During 2005 we have accomplished a “political” conference and two out of three conferences under the same theme, the field of rehabilitation. In the field of rehabilitation we have again raised the role of the sick-pay period and the doctor. The later has among others resulted in a doctor’s certificate for the employers, which is currently being roughly discussed in media. The next conference puts focus on persistent work. To quote Professor Jan Forslin: “a paradigm change in organizing and leadership”. It ends by the preference of the Ericsson Company, how they have changed from structure to values and information. The conference will among others show that what most of us see in clear leadership, in our time, creates more problems than what it solves them.

Referencing to this work, our next conference shows how important it is to choose timeless indicators for the intellectual capital. The productivity index, actually the detailed surveys in the Metodicum health closure, has remained for over 25 years. We appraise them as timeless.

Structural Capital

We measure the number of participants.

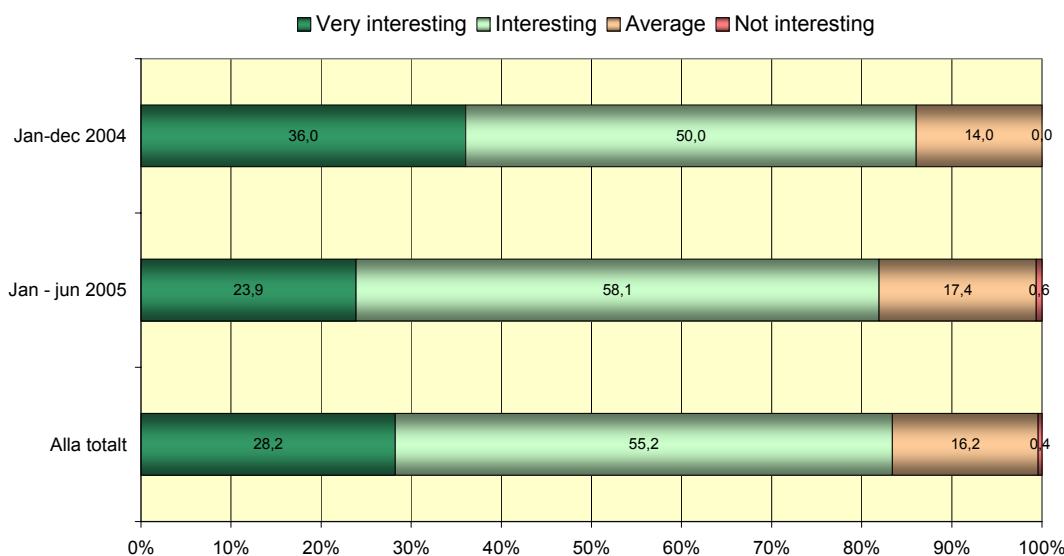
Jan-jun 2005	Jan-dec 2004
267	447

Relational Capital

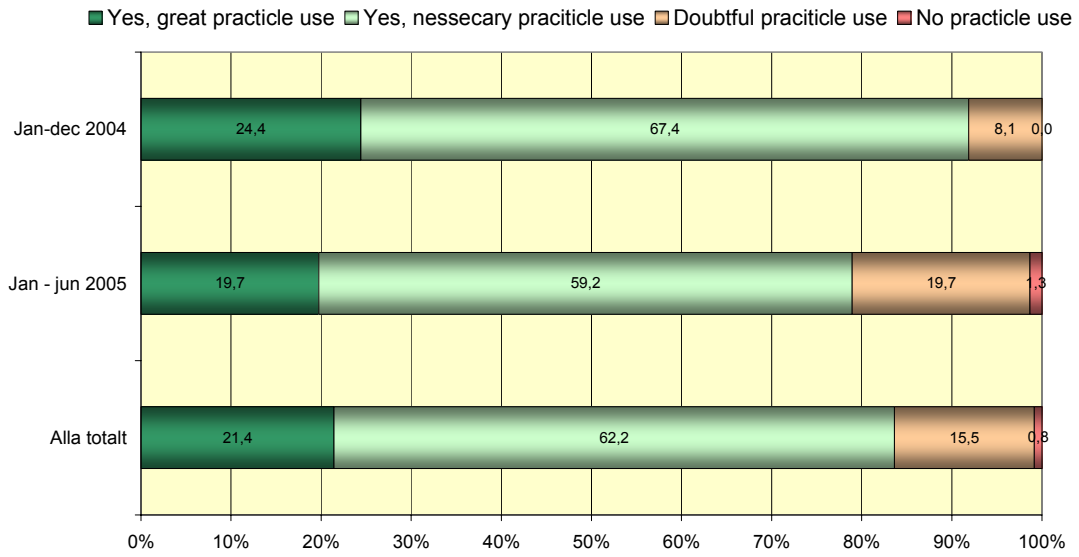
Jan – jun 2005	Jan – dec 2004
25,8%	19,4%

Our customers also answer an evaluation survey at the end of the conference. It shows:

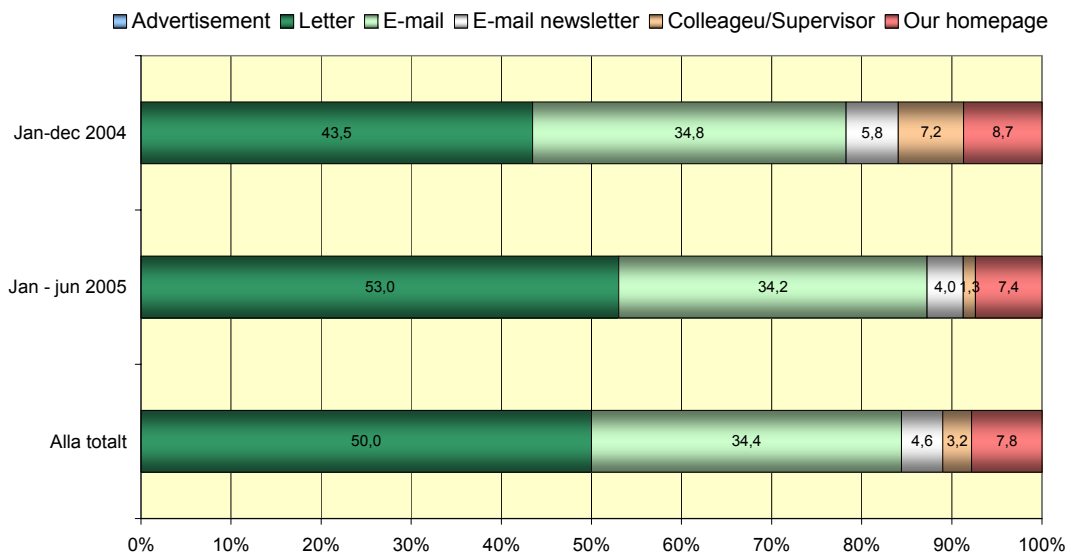
1. What is your opinion about the contents of the conference?



2. Will you be having practice use of the content?



5. How did you find out about this conference??



The training/seminars

In our linguistic usage the training gives knowledge and seminars competence. It always includes our own knowledge and competence areas and has almost always narrow, i.e. with greatly depth. They do not have to be profitable. We see them as a door opener for our sphere areas. During 2005 we have changed focus in our training compared to last year, 2004. This year we prioritise to introduce and to currently get the customer to carry through the Metodicum health accounting.

Structural Capital

We measure the number of participator days.

Jan-jun 2005	Jan-dec 2004
137	222

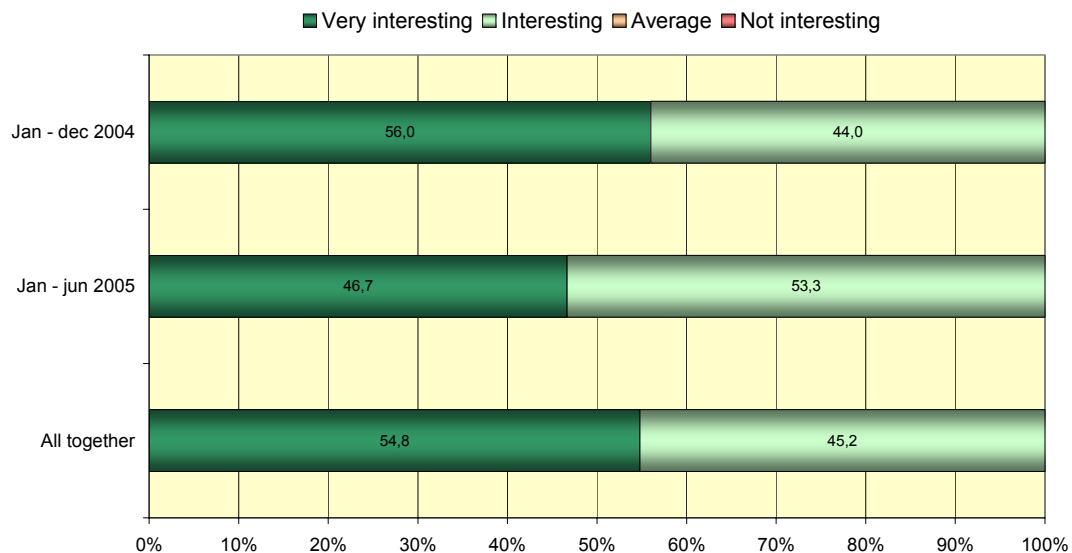
Relational Capital

We measure returning customers.

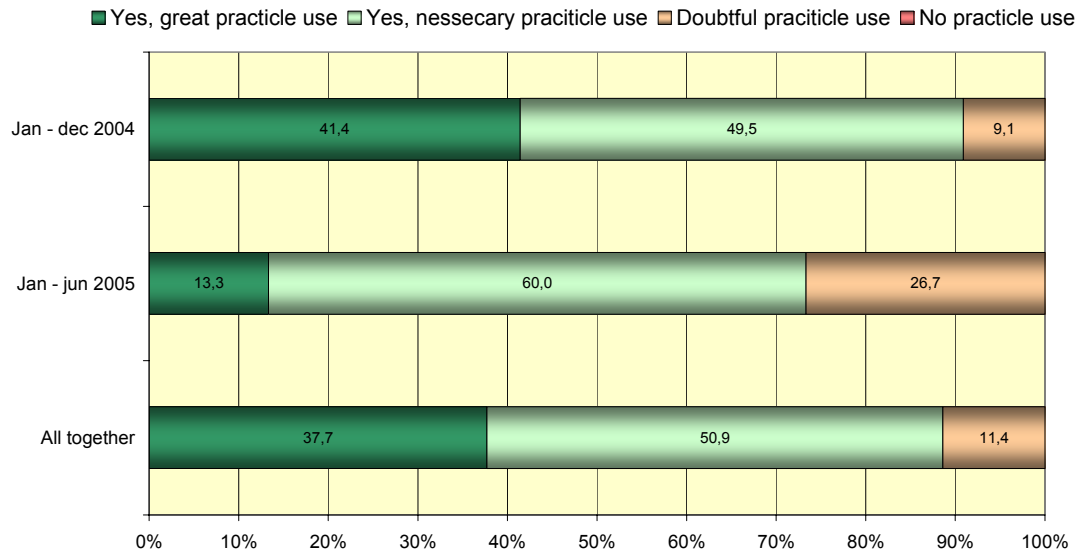
Jan – jun 2005	Jan – dec 2004
28,6%	24,1%

Our customers also answer an evaluation survey at the end of the training/seminars. It shows:

1. What is your opinion about the contents of the education?



2. Will you be having practice use of the content?



Health accounting

We presuppose that changes in the employee's health and work environment has its power in a down-up condition. That this is in the local workplace/result division that changes or initiative to better health and work environment happens. Which is evident, in among others ,the part human capital, becomes the statistics for a smaller group, as a business, often misinterpreted when basic data is not being used properly. The errors are sometimes not solvable, which can be the case for a total presentation of a large organisation.

The business economical, comparing and the workplace directed view, puts the corresponding demand on input to the Metodicum health accounting, which counts for another economical account. The basic data in the Metodicum health accounting is collected from the organisation's HR- or corresponding system. Such systems are created to foremost handle the employee's salaries with adherent laws and agreements. The HR-systems are therefore often in lack of the financial stringency that would be necessary for the Metodicum health accounting and to describe the human capital of the organisation. We have therefore created the system Health accounting online, HBO. By mechanically increase the quality according to a set norm and to let responsible manager add, change and authorize the personnel data, HBO produces sufficiently good data.

The system Health accounting online has been available on the market since a few months back in time. Last years data has "manually" been registered into the system. The first quarter of this year is to be registered. Many companies make their health closure at the end of the year. This is the reason to that our measurements are "behind".

Structural Capital

We measure the number of employees included in the Health accounting online.

Jan-jun 2005	Jan-dec 2004
638	2 211

Relational Capital

We measure the number of ongoing customers.

All customers have chosen to continue using the Metodicum health closure.

Jan – jun 2005	Jan – dec 2004
100%	100%

Conclusion/remarks

The future

Businesses/Activities are more and more knowledge intense, and this is the reason to why the focus principally is directed towards the human capital, but also towards the relational- and structural Capital.

Our business areas are based on personnel economy. We have therefore only from this aspect had usage of the knowledge and competence that we have gained from projects.

The work in the PIP-project has given us new angles of approach to follow up and to strengthen our business in required direction.

Our apprehension has become stronger by the project, which traditionally economical information has to be completed with this type of information, to be able to give a true picture of the business and the activity.

Degerfors, the first of November

Lars Törnqvist
Vd