Bijlage 10

The Key Indicators Defined

1. **Average age**
   The average age of all employees and the average age of revenue people respectively. (See below for definition of revenue people.)

2. **Average number of years employed, revenue people**
   The same definition as for average number of years employed, but counting only revenue people.

3. **Average number of years employed**
   The total number of years employed for all the staff, divided by the number of employees.

4. **Average professional experience**
   The total number of years revenue people have been in the profession, divided by the number of revenue people.

5. **Big customers**
   The proportion of big customers is the number together accounting for 50% of invoice as a percentage of the total number of customers.

6. **Capacity utilisation**
   The total number of hours charged for as a percentage of the total number of chargeable hours for revenue people.

7. **Challenging assignments**
   See under “Challenging assignments” in Chapter 4 for a detailed description.

8. **Customer relations, duration**
   The length of time that relations have existed, divided into periods of less than 2 years, 2-5 years and more than 5 years.

9. **Customer structure**
   The most suitable way of describing customer structure is to give the percentage of sales to, or value added for, the largest 3, 5 and 10 customers. The number of customers accounting for 50% of total sales can also be given. (See under Big Customers.)

10. **Customer turnover**
    Customer turnover is the proportion of the year’s total sales that go to new customers. It is given as a percentage.

11. **Education**
    The personnel should be divided into those with: a) Compulsory schooling b) Upper secondary schooling c) An academic degree d) A master’s degree or doctorate.
12. Educational costs
The cost of both internal and external education should be shown. The method of calculating internal time should be stated e.g. if it is at the same value as to an external client or at salary cost only. (See also under Chapter 3).

13. Employees
The average number of full-time staff during the year. Freelances or subcontractors are not included. Time worked is converted to full-time in accordance with norms laid down by the National Social Insurance Board.

14. External costs
Payments to suppliers outside the company. Also called out-of-pocket costs. (See also Internal costs.)

15. Individual capital, in years
The total number of years all revenue people have been in the profession.

16. Interest cover
This can be shown in different ways: a) Profit after financial items plus interest costs, divided by the interest costs. b) The same as above but with profit adjusted for exchange rate differences and any undisclosed change in the value of assignments in progress.

17. Internal costs
Computed personnel costs and computed costs that have not required payment from the company.

18. Liquidity reserve
The number of months the cash will last if present and on-going assignments are completed and no new ones received.

19. Liquidity
Liquidity can be calculated in different ways. a) Current assets minimum* stock-in trade and advances to suppliers, divided by current liabilities. This is called the acid test ratio. b) Current assets divided by current liabilities, called the current ratio. Note that adjustment should be made for any unreported value of assignments in progress.

20. New employees
The proportion of new employees is the number of revenue people employed for 1 year at most at year-end, as a percentage of the total number of revenue people.

21. Organic Growth
The company's increase in sales as a percentage, adjusted for acquisitions.

22. Profit per revenue person
Value added divided by the number of revenue people.

Profit
In this book profit is always taken to be after depreciation and financial items, but before extra-ordinary items. This concept is used as it gives the best idea of the company's sustained profit.
23. **Profit per employee**
   Profit divided by the total number of employees.

24. **Profit margin**
   This can be measured in two ways
   a) Profit as defined above, in relation to sales.
   b) Profit in relation to value added.

25. **Repeat purchases, proportion**
   Current invoicing to customers the company had the previous year, divided by total invoicing in the current year.

26. **Research and development costs**
   Both internal and external R&D costs should be given in total. Suitable key figures are R&D as a percentage of value added and of sales. The method of calculating internal time should be stated, e.g. if it is at the same value as for an external client or salary cost only. (See also under Research and Development in Chapter 4.)

27. **Return on capital employed**
   Profit after financial items plus interest costs, as a percentage of the average balance sheet total.

28. **Revenue people, proportion**
   The total number of revenue people as a percentage of the total number of employees.

   **Revenue people**
   Those who are active in the know-how company’s actual production. The people who plan, produce, process and present the product in demand by the customer. The dividing line between revenue and non-revenue people is difficult to draw. It is natural for staff who are directly involved in customer work to be included among the revenue people even if they are not professional in the main know-how field, e.g. sales and other marketing staff. On the other hand, personnel working in departments serving the know-how company as an organisation, e.g. the accounts and personnel departments, caretaking etc., are not included. The grey zone that can arise from staff doing mixed work should be dealt with so that time spent doing work for customers is counted as such, the rest as internal work.

29. **Sales**
   This is always taken to be invoiced sales excluding cost outlays passed on.

30. **Sensitivity to defection**
   The effect on profit if 10 people leave. Alternatively, if an entire profit centre leaves.

31. **Solidity**
   Solidity can be measured in several ways:
   a) Reported equity + 50% of reported untaxed reserves, as a percentage of the balance sheet total.
b) Reported equity+ reported untaxed reserves, as a percentage of the balance sheet total.
c) As a) but adjusted for goodwill and the surplus value of real assets, as a percentage of the balance sheet total.
d) As b) but adjusted for goodwill and the surplus value of real assets, as a percentage of the balance sheet total.

In each case, adjustment is made for any reserve in work in progress and any difference between book value and the mathematical value of pension undertakings.

32. Staff turnover
The number of people of different categories who have left during the year, as a percentage of the average number of employees of the same category. Internal staff turnover should also be shown, i.e. how many in different categories have moved within the company.

Staff who did not complete their upper secondary schooling or completed only individual courses, should be counted under compulsory schooling. Those who did not complete an academic degree, or completed only individual academic courses, should come under upper secondary schooling. Those studying for a doctorate should be placed in category c).

Suitable key figures are:
a) Educational costs as a percentage of sales, or of value added.
b) Education days per employee and education days per revenue person.

33. Value added per revenue person
Value added divided by the number of revenue people.

34. Value added per employee
Value added divided by the total number of employees.

Value added
Value added is operating profit before appropriations, with the addition of labour and leasing costs. Leasing costs (depreciation and interest) are included to get a proper comparison between companies using leasing finance and those using loan finance. Labour costs can be worked out on a standard basis as salary +50% social security charges. All benefits that can be attributed to an employee, such as use of a car, free lunch etc., are included in labour cost.

35. Veterans
The proportion of “veterans” is the number of revenue people employed for at least 3 years at year-end, as a percentage of the total number of revenue people.