



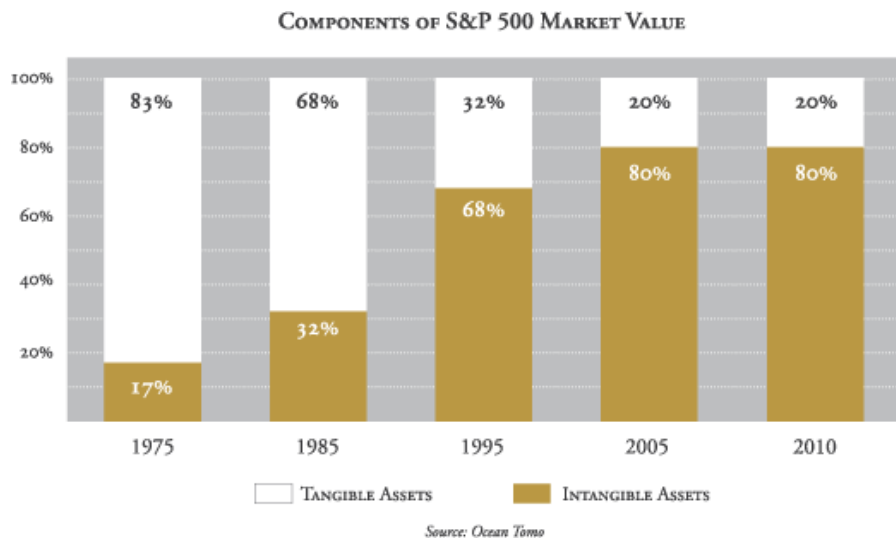
Do You Know Which Intangibles Are Driving Your Organization's Results?

Case Study of a Software and Services Firm

Background

Today, 80% of the value of the average business is intangible. Corporate intangibles include smart people, good data and processes, trusted networks, effective cultures and sound business models. This intangible capital is the key driver of corporate growth, profitability, valuations and reputation for businesses today. Yet few businesses have a consolidated view of their intangible strength and outlook.

Getting good information about intangible capital is complicated by the fact that every organization has a unique set of intangibles. There's no single framework or set of metrics that are applicable to everyone. That's why Smarter-Companies created the ICounts processes—to enable people and teams to identify, measure and optimize their own unique set of intangibles. This paper describes the ICounts™ methodologies and shares a real-life example of a company that sells its own software products as well specialty services to middle market hospitals.



1 – Identify

The ICounts process begins with an inventory of the organization’s intangibles. The inventory methodology is a simple set of questions that address the basic characteristics of the organization. The answers can be recorded as a list, as a free-form drawing or, as shown here, in the ICounts Canvas. The Canvas is handy because it shows on one page how intangibles work as a system to create the foundation for an organization’s business model. This maps all the basic assets of the organization—and how they work together to generate profit from the value the company creates for its customers and stakeholders.

The ICounts Canvas shown below identifies the value proposition the software company offers its customers and the key processes, competencies, partners, knowledge, culture and IP that support the value proposition. Guides at the bottom of the canvas make clear how each of these elements has a direct connection to the financial results of the company’s operations as well as its valuation and reputation.

Peers Software providers to hospitals				
Competencies Integration solutions .NET programming Industry platform Interoperability standards Healthcare experience	Processes Software delivery Professional services Support Project management Software lifecycle	Value Proposition Ensure that the 50-75 software packages running in the average hospital work seamlessly together 24/7. Offering includes software sold individually or as a suite and services for integration/ installation of software	Brand(s) [Company Name]	Customers IT departments of middle market hospitals in the U.S.
Production Partners Software platform co	Knowledge/IP Five software products Scripts for integration		Partners-Channels Hardware providers Software consultants Other software co.'s Industry organization Trade shows	
Culture Can-do attitude Entrepreneurial Team spirit	Tangible Assets Computers/servers Office furniture		Stakeholders Patients Doctors Nurses Employees	
OpCosts + Tangible + Intangible Capex		Profits	Revenues	
Reputation and Valuation				

2 – Measure

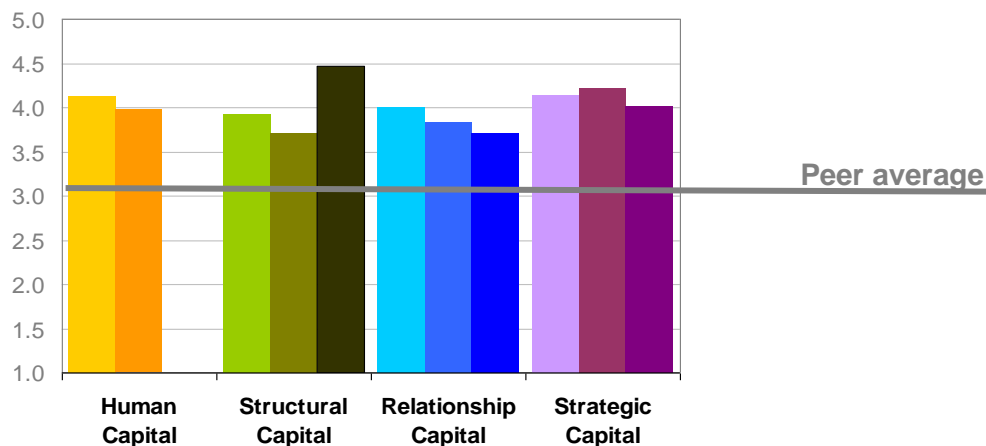
Once the intangibles are identified, it is important to measure their effectiveness. Most companies measure these items in a piecemeal fashion using a combination of gut feel, financials and performance indicators. In contrast, the ICounts process measures them all at the same point in time using a consistent set of measures. This makes it possible to get a single view of all the workings of the intangibles system.

ICounts use stakeholder feedback to perform the measurement. This is especially powerful because stakeholders are on the receiving end of the value proposition—if they aren't happy this year, the financials won't show good results next year. To tap into this powerful information source, stakeholders are asked to compare each of the organization's intangibles to those of its peers. The rating scale used in these questions is as follows:

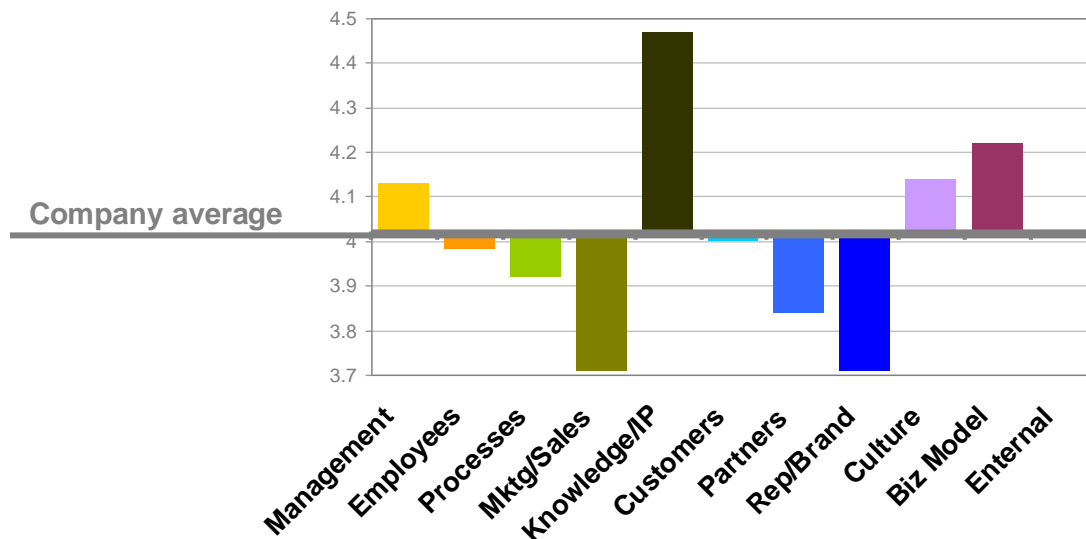
Best	5	4.5 – 5.0
Above Average	4	3.5 – 4.4
Average	3	2.5 – 3.4
Below Average	2	1.5 – 2.4
Worst	1	1.0 – 1.4

The groups who are asked for feedback include management, employees, customers, suppliers and external experts—the process gives equal weight to both internal and external stakeholders. This 360° view of an organization is tabulated and provided in full detail in an ICounts Graphs Report.

The high level view of the results is summarized in the Graphs shown below. The External View shows how the stakeholders think the intangibles of the software and services company compare with those of its peers (average is 3.0):



This company shows strong performance when compared against its peers. But a company like this can't afford to rest on its laurels. It needs to ensure its continued success. And the team wants to continue to grow. To go deeper and find opportunities moving forward, it is helpful to turn to the Interval View:



This view shows the data distributed around the company's average score (in this case, 4.02). This view is helpful for teasing out the areas representing the most significant strengths and weaknesses of the organization.

3 – Optimize

The full Graphs report includes detailed data for each category and question. Issues where there is a significant difference in the rating averages among the different stakeholder groups are also highlighted as these differing views usually indicate a current or future challenge for the organization. The final picture is rounded out with confidential excerpts from stakeholder comments gathered during the process. These comments provide nuance and detail to the scores.

In this case, there were a number of specific issues highlighted as key risks and opportunities:

Key risks to current business	Key opportunities for the future
Brand consistency	Strong technology
Sales processes	Growing market
External partnership development	Project management offering
Project management processes	Co-innovation projects
Management depth	

The findings led to a number of initiatives to mitigate the risks and leverage the strengths and opportunities available to the company. In this case, the report was used to fuel profitable 27% revenue growth over the following two years as the company was able to:

- Restructure its sales efforts
- Kick off a new project management offering
- Leverage its technology with a new co-innovation services project with key customers
- Create a new management dashboard
- Win a new bank line
- Begin to cultivate prospective external partners/investors

Other users of the methodology have used it to launch new business lines, fuel greater innovations, make their businesses more scalable by creating stronger processes, and improve revenue by telling their story to the market more effectively.

Many of the introductory ICounts tools are open source and free for use by anyone from the Smarter-Companies website. However, you may want to consider using a trained ICountant to help facilitate the process and/or to get access to the ICounts Graph.

For more information, please contact

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