

‘VCDD Tree’ in integrated report



PwC Consulting LLC
Kimio Katsuyama

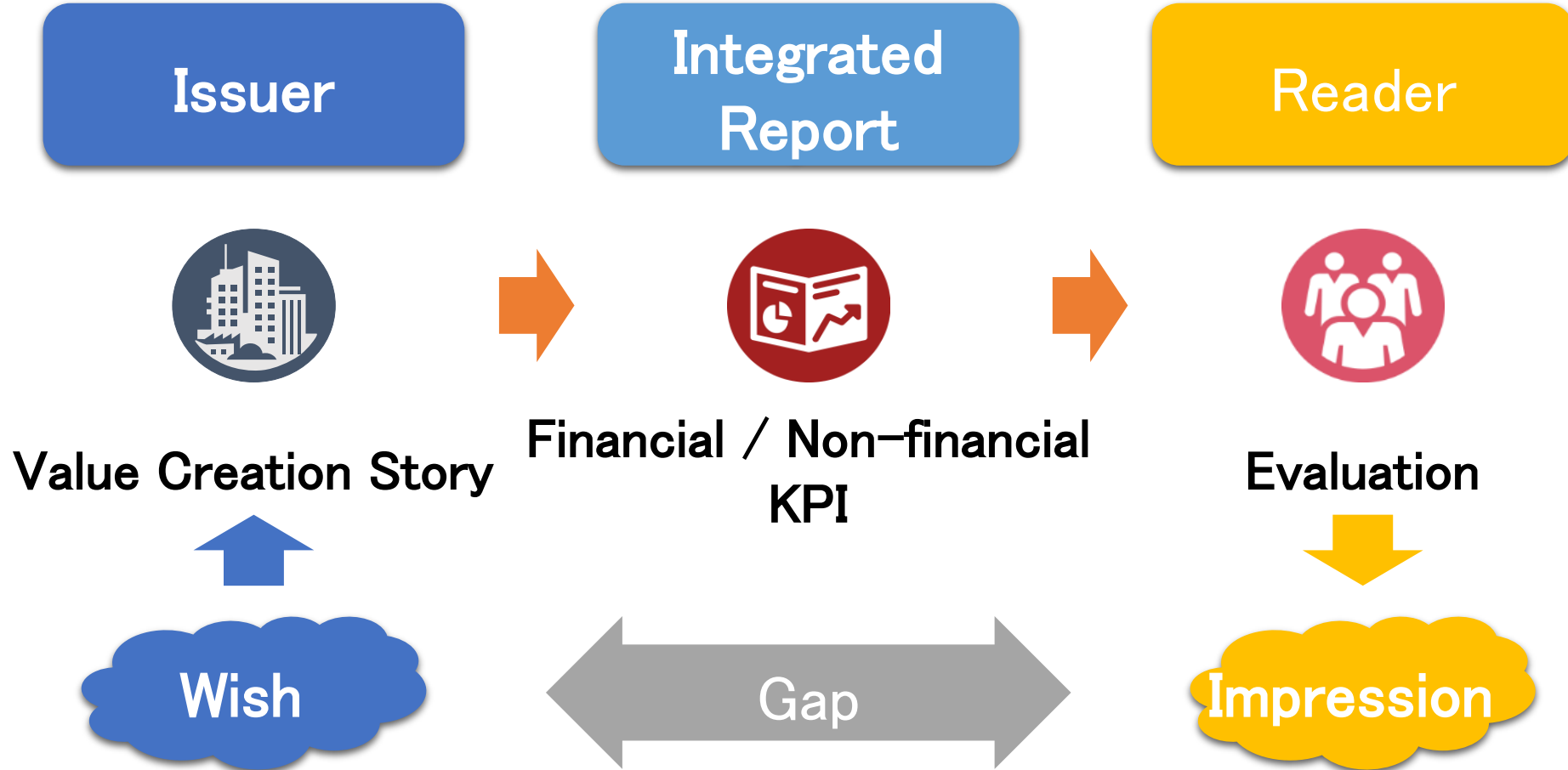
**Information and Knowledge for All:
*Towards an Inclusive Innovation***

The World Conference on Intellectual Capital for Communities

UNESCO, July 3&4 2017

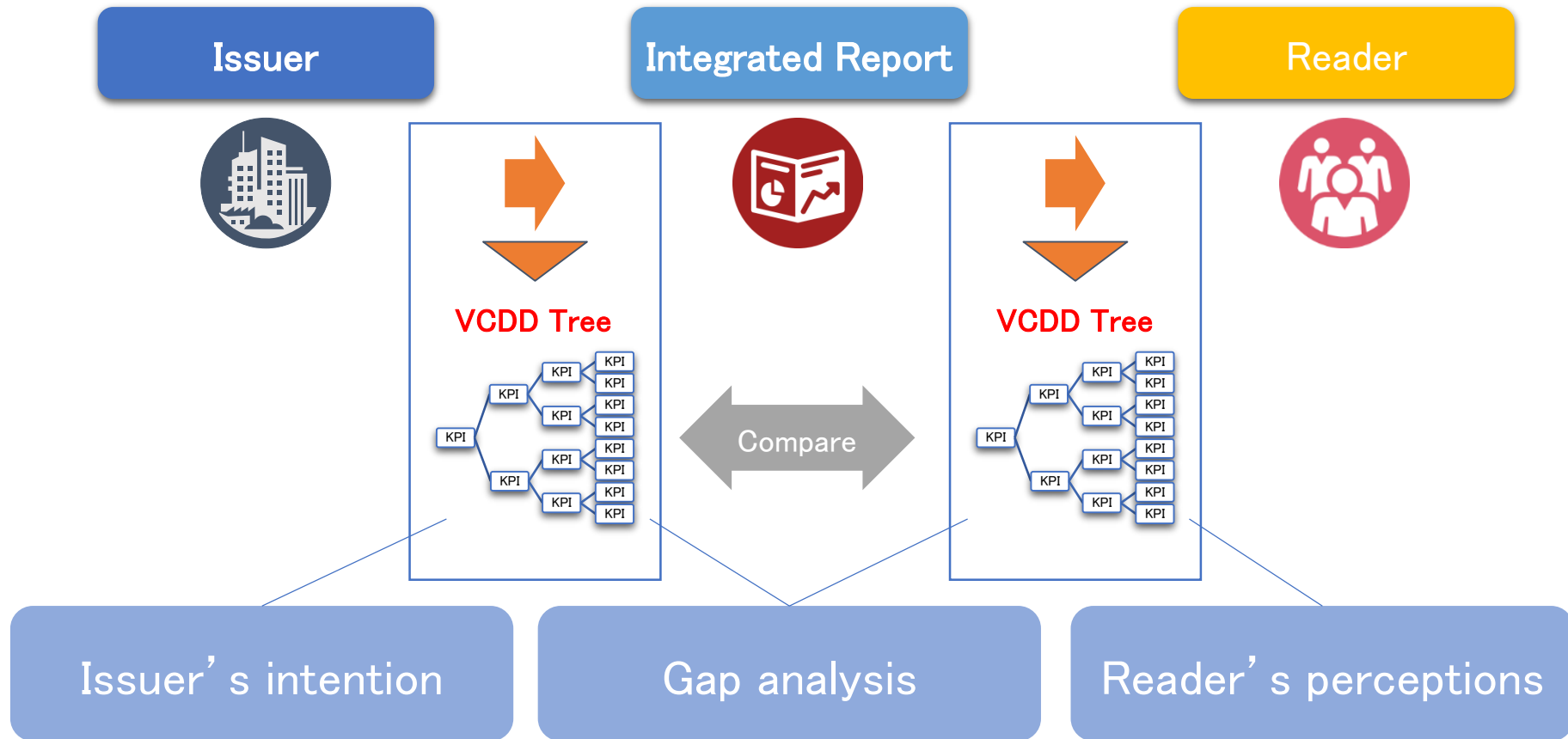
What is VCDD (Value Creation Driver Discovery)?

Create KPIs that convey “Value Creation Story”



VCDD research process

Find drivers which form “Value Creation Story” using VCDD Tree

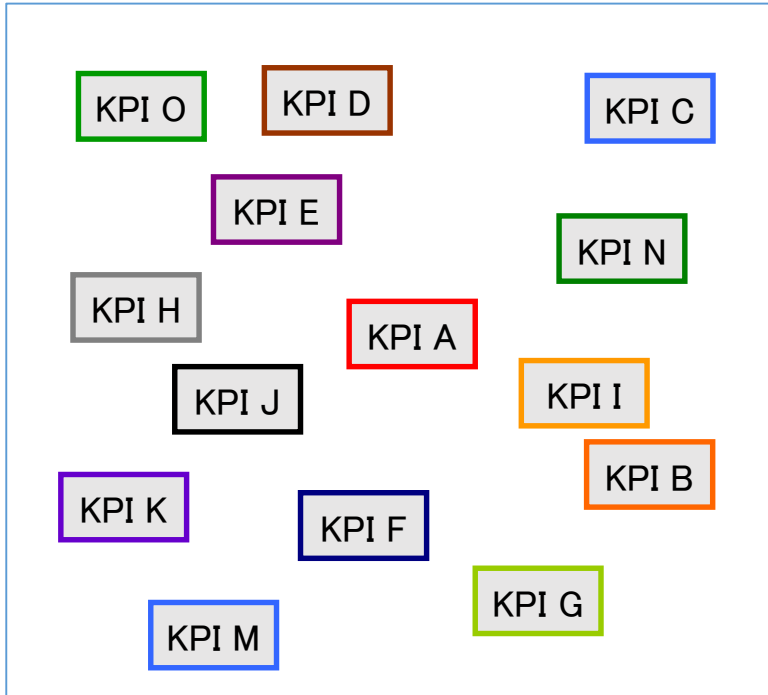


Search and analyze principle base by VCDD Tree

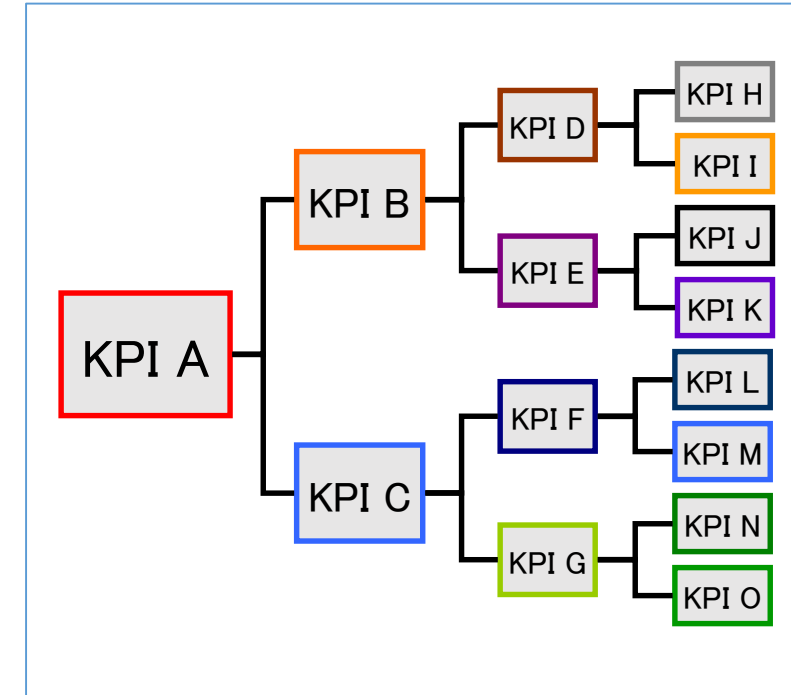
Visualize relationship of each KPIs

Understanding the relationships clarify issuer's intention

i.e. Scattered KPIs



i.e. VCDD Tree



Why VCDD Tree?

- Knowing the relation between KPIs
- Mechanism of value creation can be expressed logically
- Enables numerical approach by quantifying index

How to create VCDD Tree

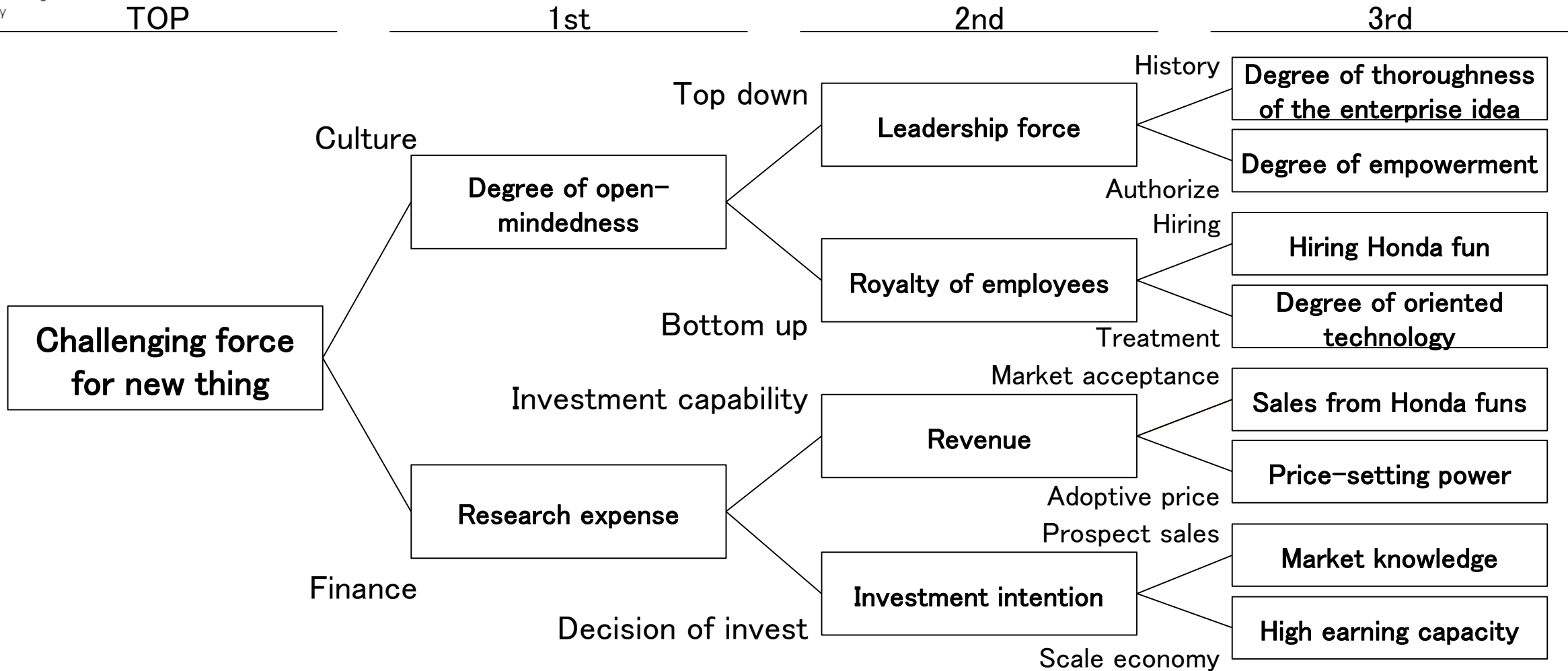
5 steps in creating VCDD Tree

| Step | Outline | Description |
|------|--|--|
| 1 | Define prime KPI | The KPI which becomes a pillar in the value creation story is made the top and it's made the biggest appeal point. |
| 2 | Pick up two sub-KPIs which contribute to prime KPI | When it is contributing to an index of dominance, 2 done KPIs are chosen. Don't decide only 1 and don't become more than 3. |
| 3 | Utilize qualitative indicators as well as quantitative indicators | The KPIs which can be measured quantitatively is desirable, but its can be also used something important which can't be quantified aggressively. |
| 4 | Does not have to be MECE (Mutually Exclusive and Collectively Exhaustive) | It comes off and to give priority to an appeal of a top KPI over expressing without exception, may be adopted only a necessary KPI and used it more than one times. |
| 5 | Revisit only when strategy changes | To express value creation of an enterprise basically, there is no nature which is frequently changed. It will by considered to change expression method in a case with big reformation strategy. |

Examples of VCDD Tree (1/2)

VCDD Tree of Honda

personal
viewpoint

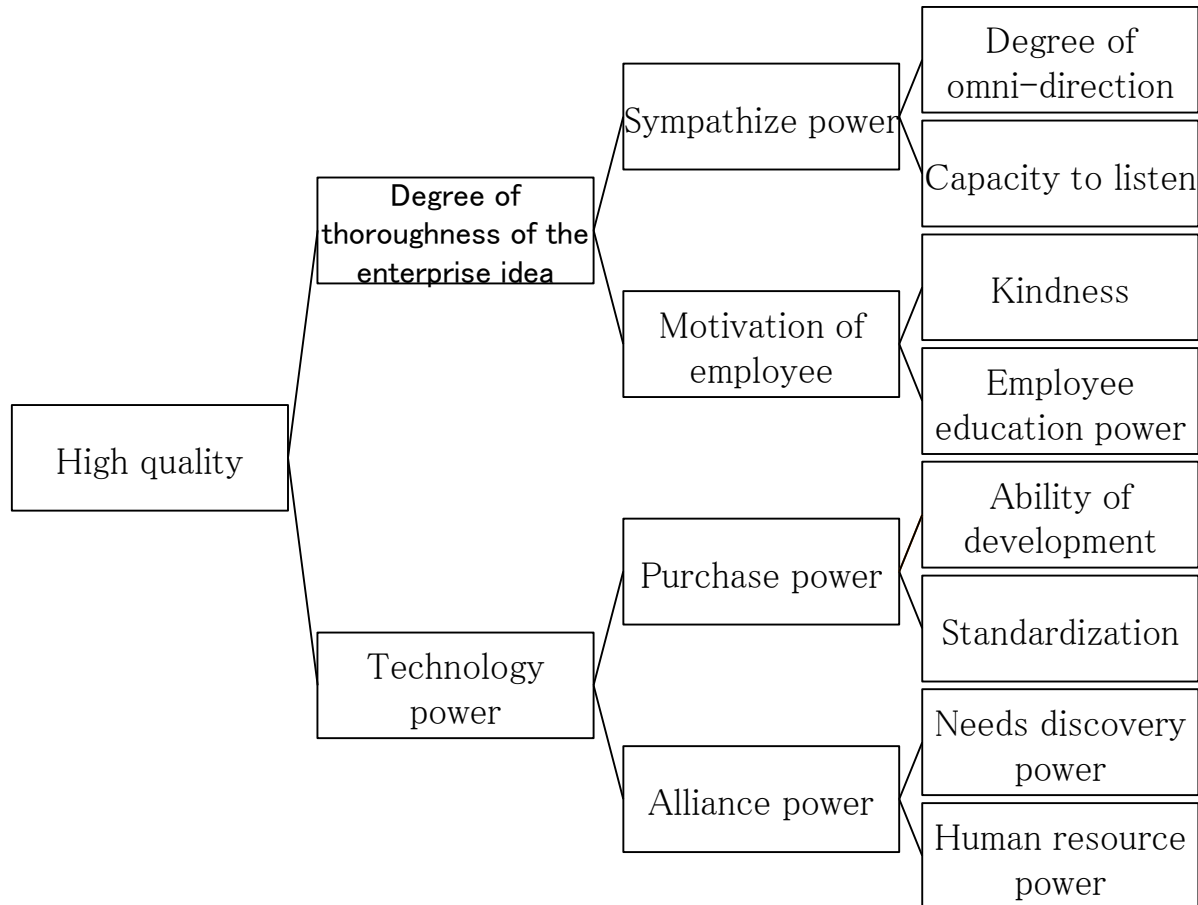


Examples of VCDD Tree (2/2)

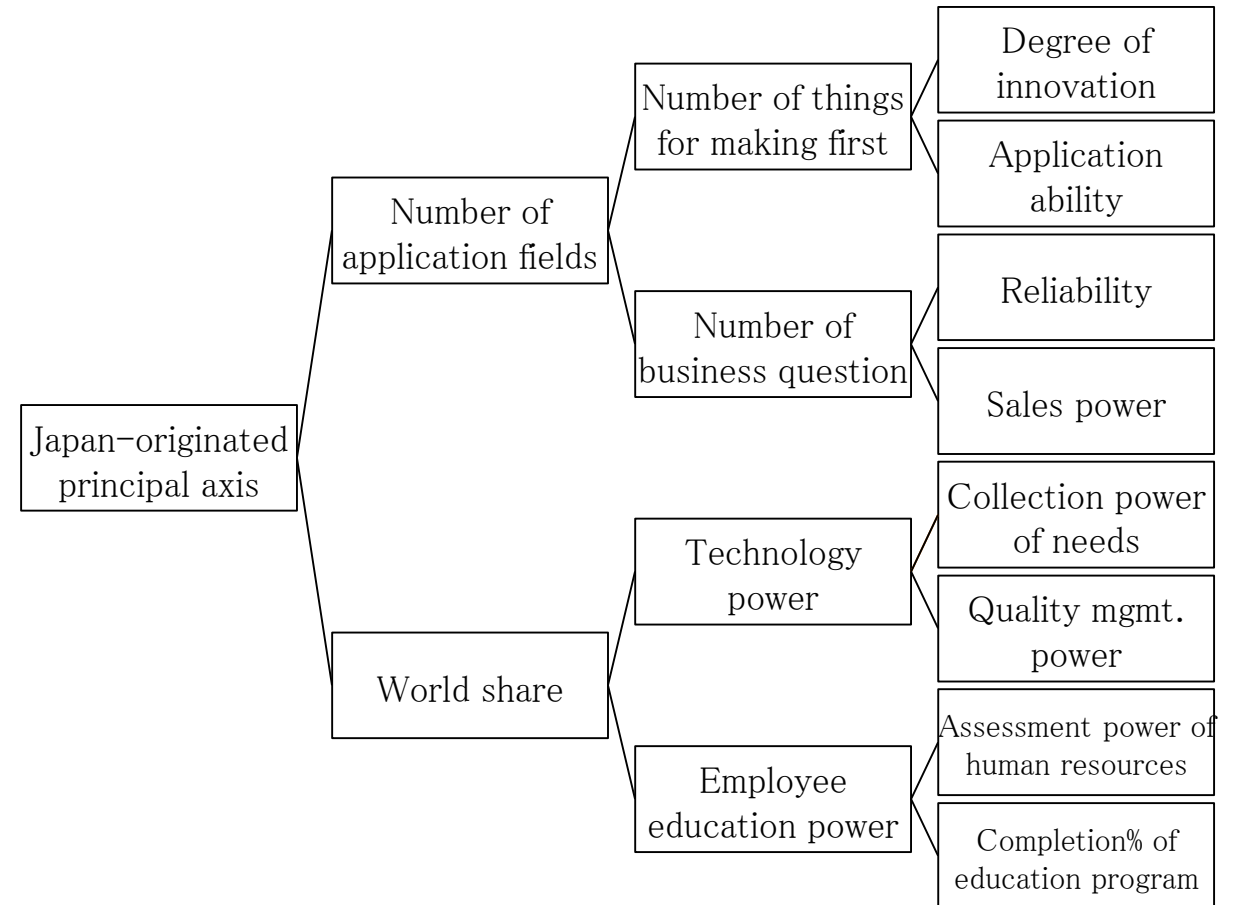
ITO EN and NSK

personal
viewpoint

ITO EN



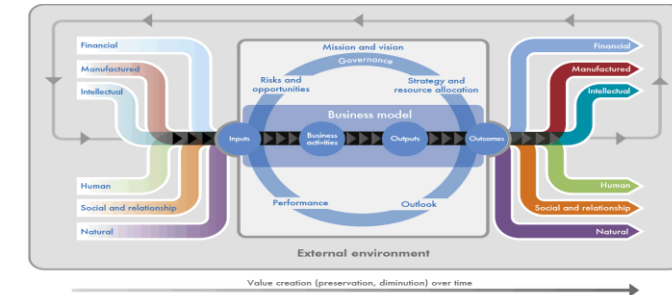
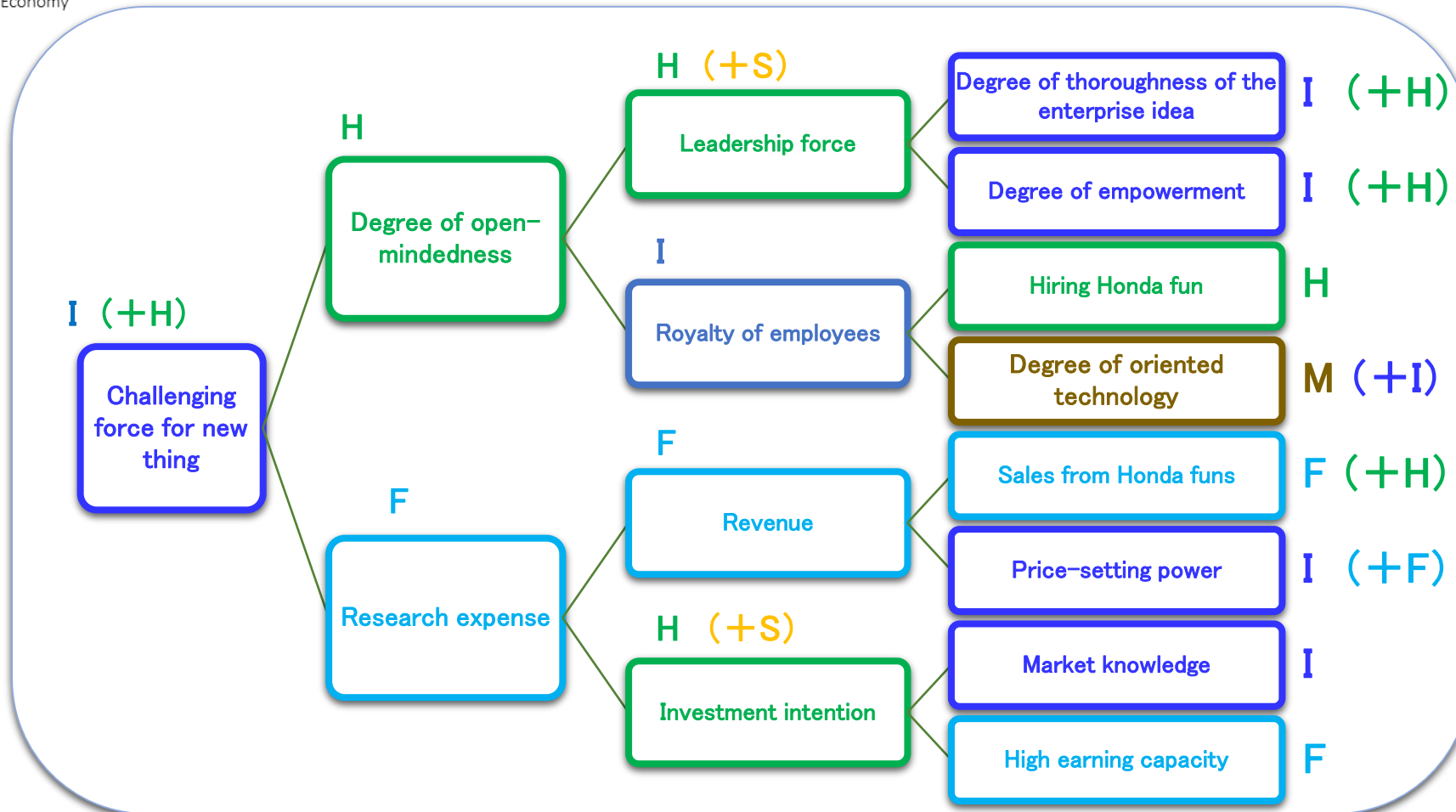
NSK



Mapping with 6 Capitals

6 Capitals IIRC shows

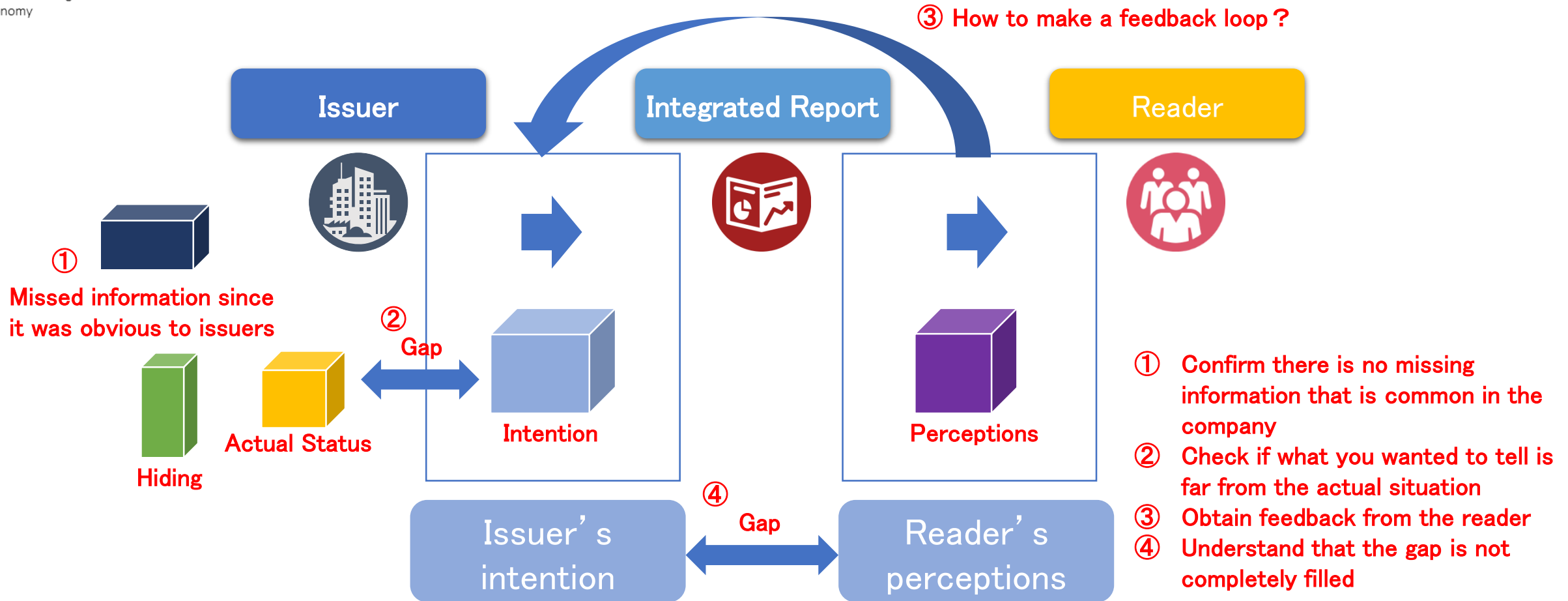
personal
viewpoint



F: Financial Capital(Aqua)
M: Manufactured Capital(Brown)
I: Intellectual Capital(Blue)
H: Human Capital(Green)
S: Social and Relationship Capital(Orange)
N: Natural Capital(Purple)

Our learning by VCDD research

Four findings



VCDD Tree can show Connectivity

VCDD create 「□ × □」

Financial KPI and Non-Financial

Financial KPI × Non-Financial KPI
= Integrated KPI



Value and Value

Value × Value = a story of value creation

Integrated KPI and a story of value creation

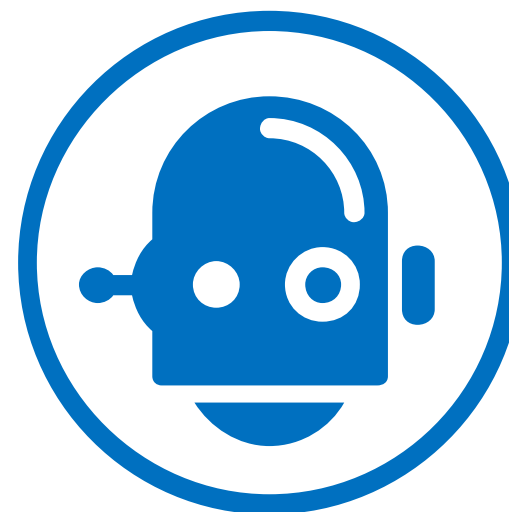
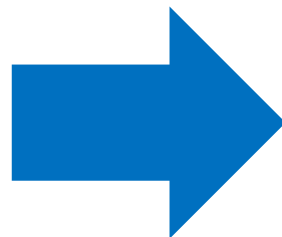
Integrated KPI × a story of value creation
= Integrated Reporting

The concept of VCDD2.0

From Human to Machine



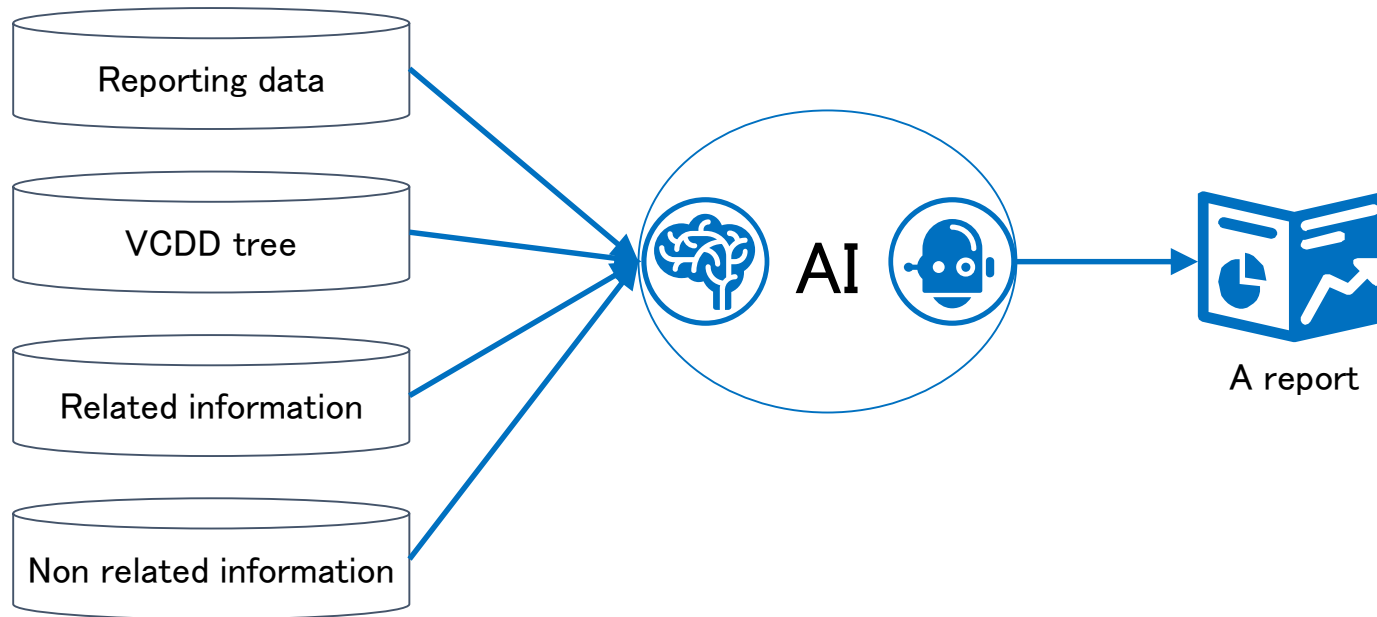
1.0



2.0

Future vision by utilizing AI

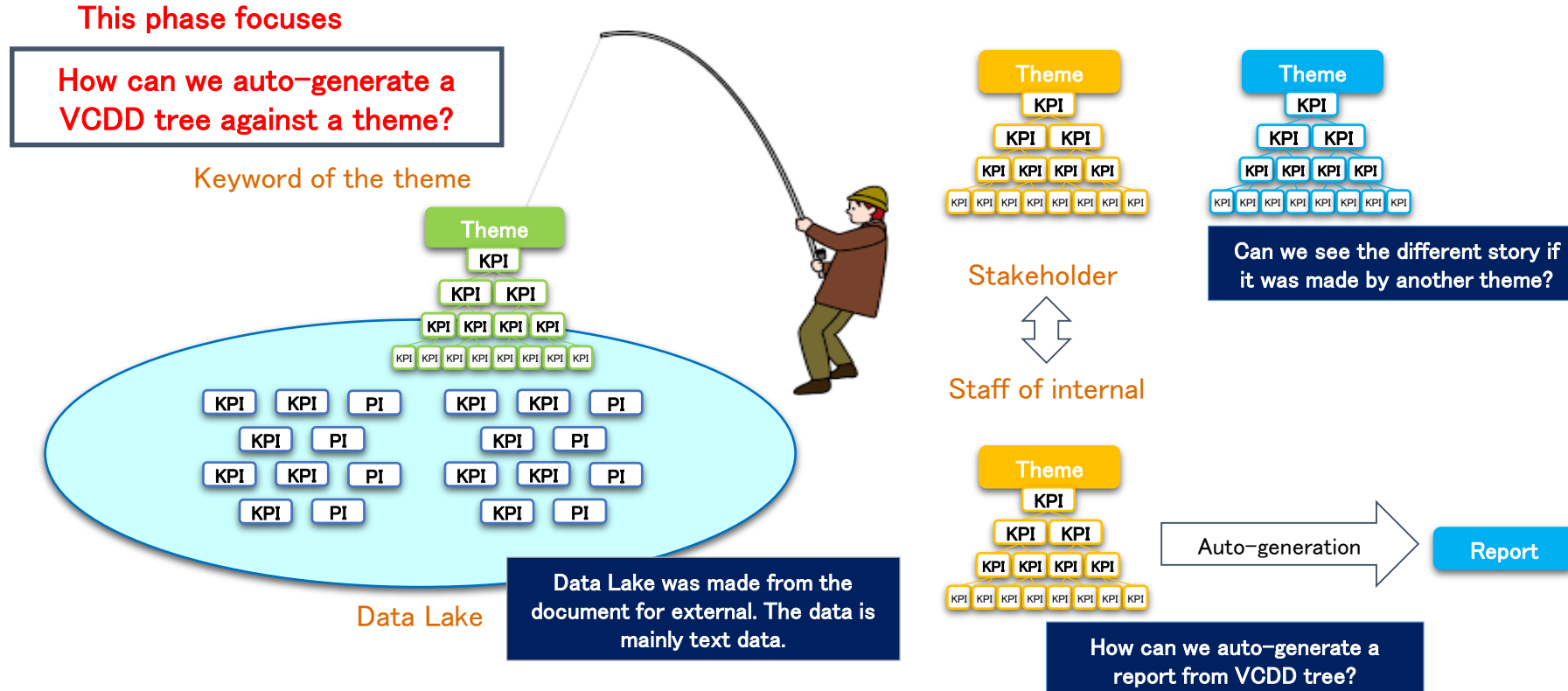
We will consider a mechanism for AI to automatically create a report



The model of auto-generation reporting is made from utilization of the big data and VCDD tree integration.

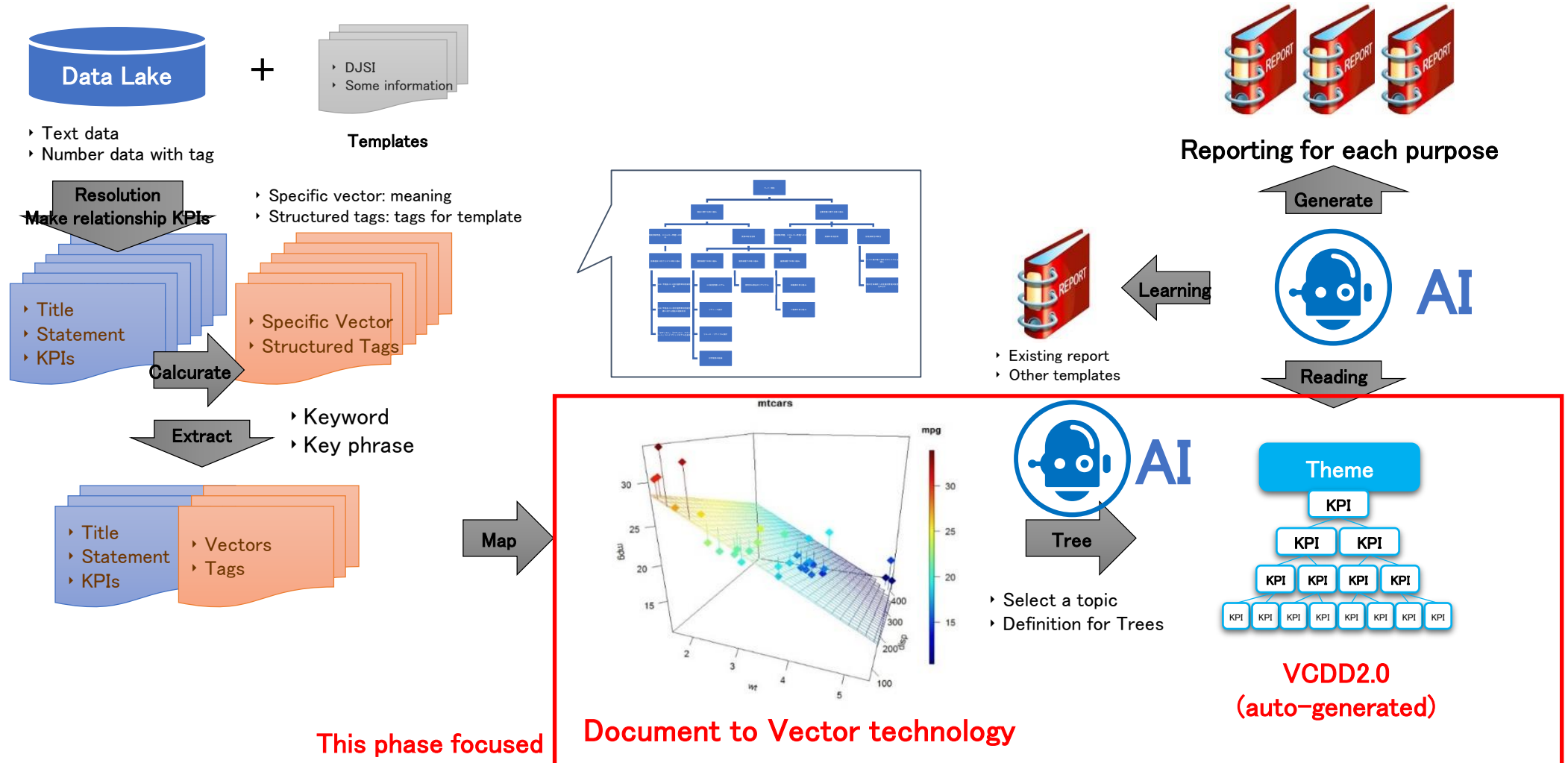
The concept for first trial of VCDD2.0

Image of fishing a VCDD tree with a theme as a bait



The mechanism of auto-generation for VCDD tree

The picture of the auto-generation process



Future aspect

Reporting will be changed in the future

- Communication changes along with technology evolution
 - ✓ Paper
 - ✓ Web
 - ✓ Movie
 - ✓ Application (as smart phone)
 - ✓ Pull → Push
- Adjust management according to the evolution of technology
 - ✓ Big Data → Decision
 - ✓ AI → Change Management (As Integrated Thinking)

W I C I
the world's business reporting network