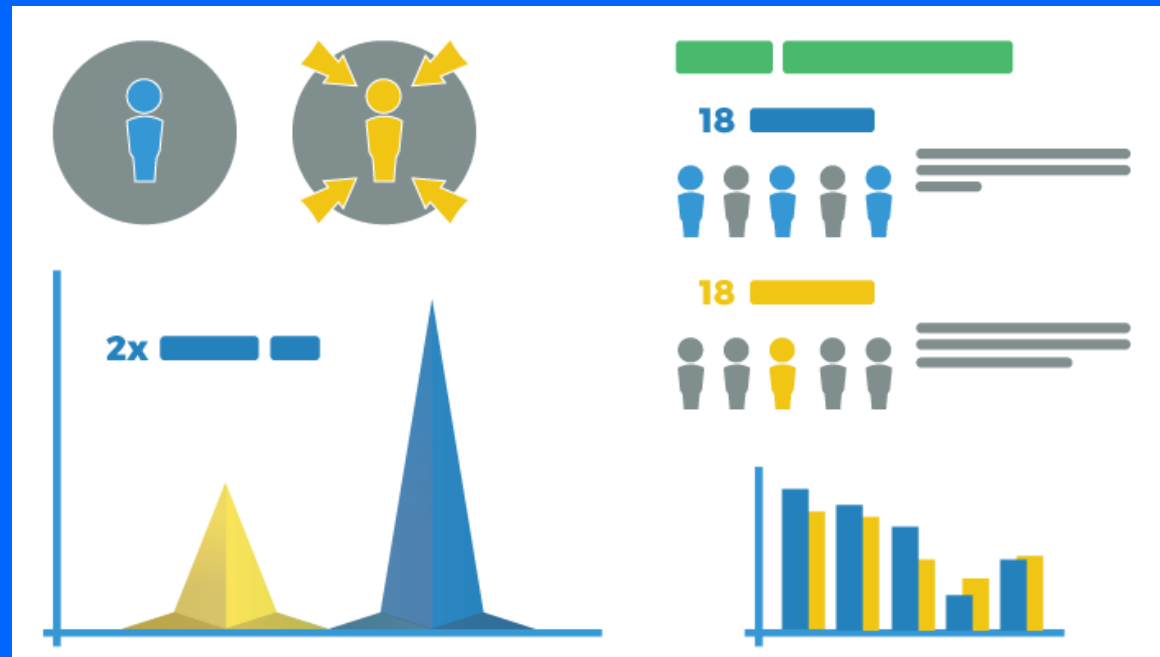


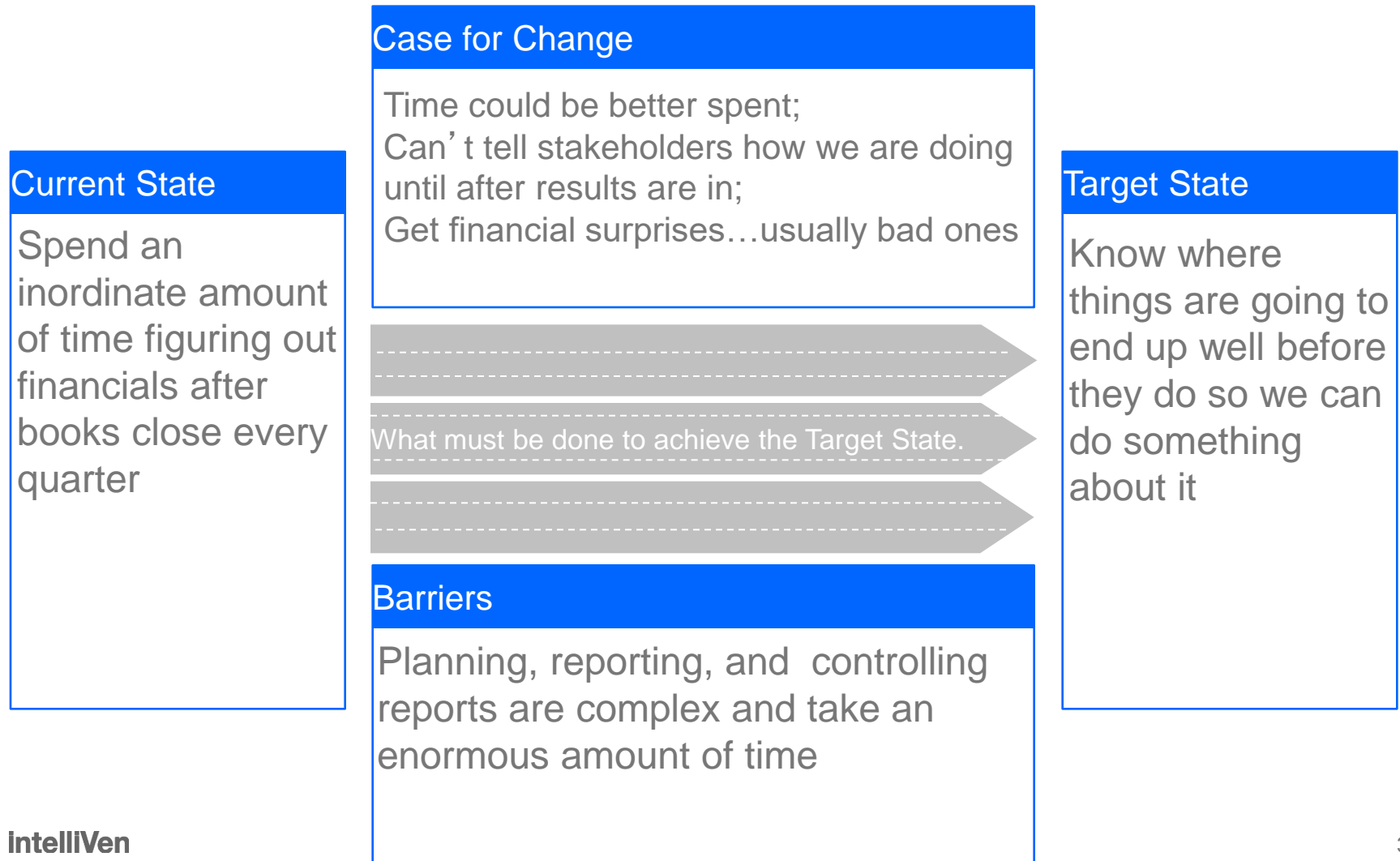
# Leadership Accountability



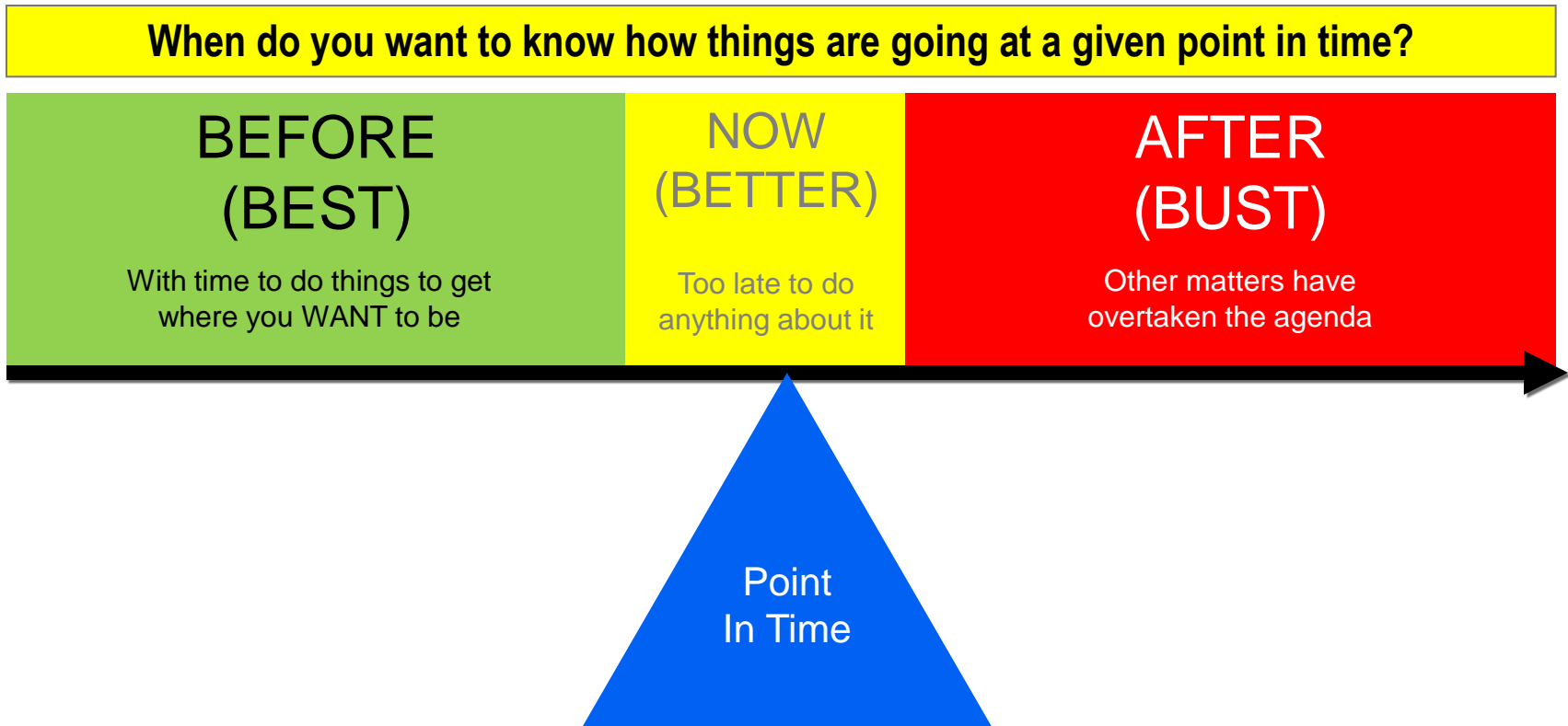
# To be accountable, a leader needs to convey:

- Where the organization has been.
- Where the organization was expected to be now.
- Where the organization is now.
- Where the organization aims to go in the long run.
- Where the organization is headed next.

# Many early-stage organizations struggle to know when to know where they are financially.



# To be successful and in control of operations, it is important to know how things are going.

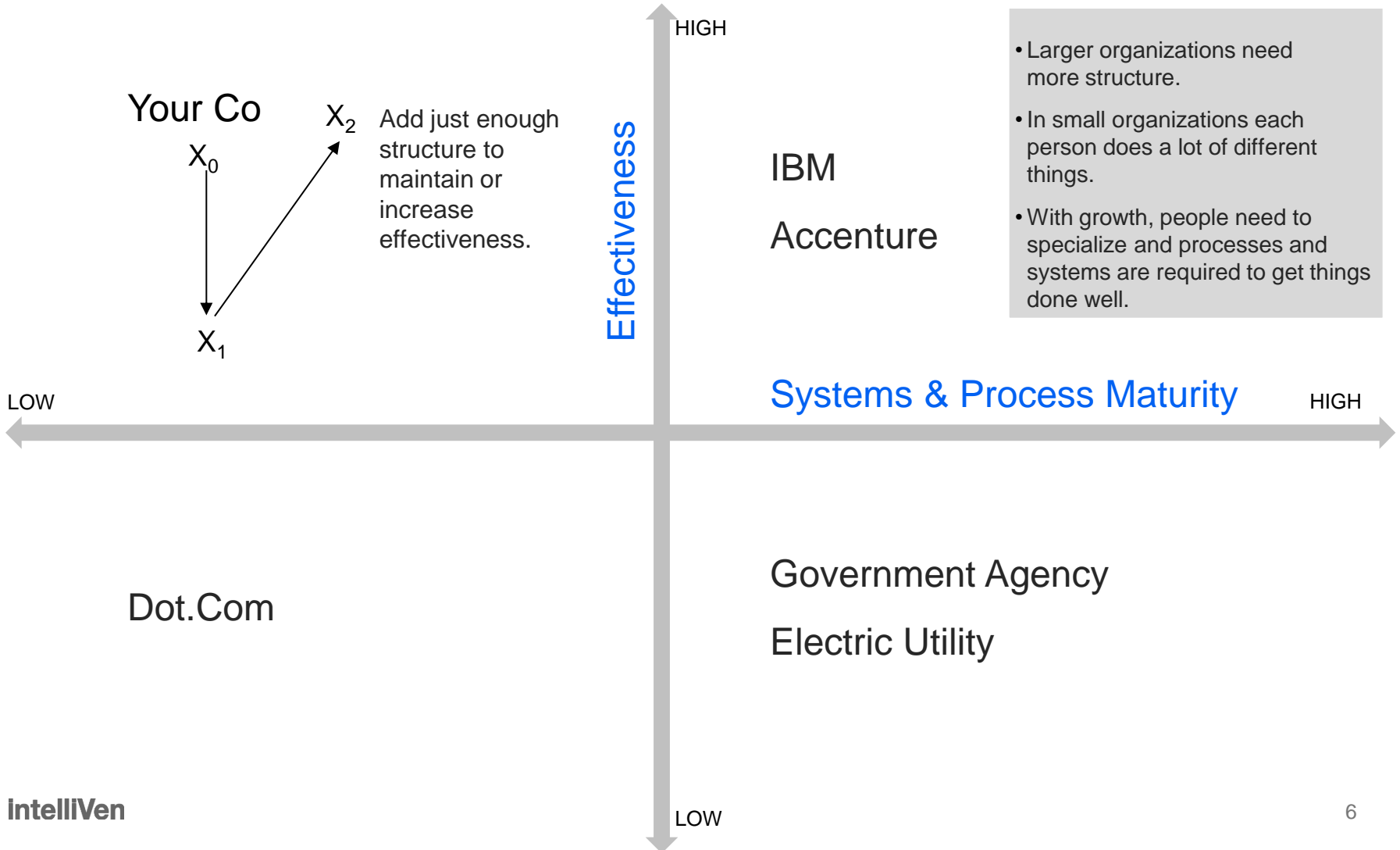


# A Financial Dashboard presents a continuous view of accounting, planning, and management financial data

## Example P&L Summary

Company Income Statement	Q1 Plan	Q1 Actual	Q2 Plan	Q2 Actual	Q3 Plan	Q3 WV	Q4 Plan	Q4 WV	2008 Plan	2008 WV
<b>Revenue</b>										
License	200	307	500	396	1,650	1,050	4,614	1,606	6,964	3,359
(License to Subscrip)	-	-	-	-	(1,100)	(800)	(3,664)	(756)	(4,764)	(1,556)
Subscription	628	629	629	640	637	676	1,035	806	2,930	2,751
Maintenance	2,213	2,180	2,225	2,082	2,257	1,974	2,287	2,318	8,982	8,554
Customization	700	1,052	775	1,294	950	1,500	1,025	1,500	3,450	5,346
Services	3,500	3,640	4,100	3,551	4,325	3,750	4,550	3,700	16,475	14,641
	7,242	7,808	8,229	7,963	8,719	8,150	9,847	9,174	34,037	33,095
<b>Direct Contribution</b>	4,411	4,857	5,097	4,964	5,410	4,999	6,319	5,976	21,237	20,796
% Rev	61%	62%	62%	62%	62%	61%	66%	65%	62%	63%
Net of License	4,211	4,550	4,597	4,568	4,860	4,749	5,369	5,126	19,037	18,993
% Rev	60%	61%	59%	60%	59%	60%	60%	62%	60%	61%
Total Labor	3,130	3,071	3,479	3,288	3,711	3,404	3,866	3,372	14,186	13,135
% Direct	64%	66%	66%	69%	67%	69%	68%	67%	66%	68%
<b>Total Indirect Costs</b> (Cap Software)	2,861 (160)	2,478 (75)	3,154 (307)	2,749 (83)	3,518 (590)	3,506 (700)	4,006 (624)	4,009 (620)	13,539 (1,680)	12,742 (1,477)
<b>EBITDA</b>	1,709	2,454	2,250	2,298	2,482	2,193	2,936	2,587	9,378	9,531
% Revenue	24%	31%	27%	29%	28%	27%	30%	28%	28%	29%
<b>EBITDA, net of Cap SW/PRISM X</b>	1,603	2,410	2,192	2,339	2,403	2,113	2,870	2,589	9,067	9,451
Total Debt	26,016	25,472	25,534	24,990	25,053	24,509	22,841	22,297	22,841	22,297
Net Debt	22,215	22,317	21,698	19,065	21,239	18,746	19,854	17,767	19,854	17,767

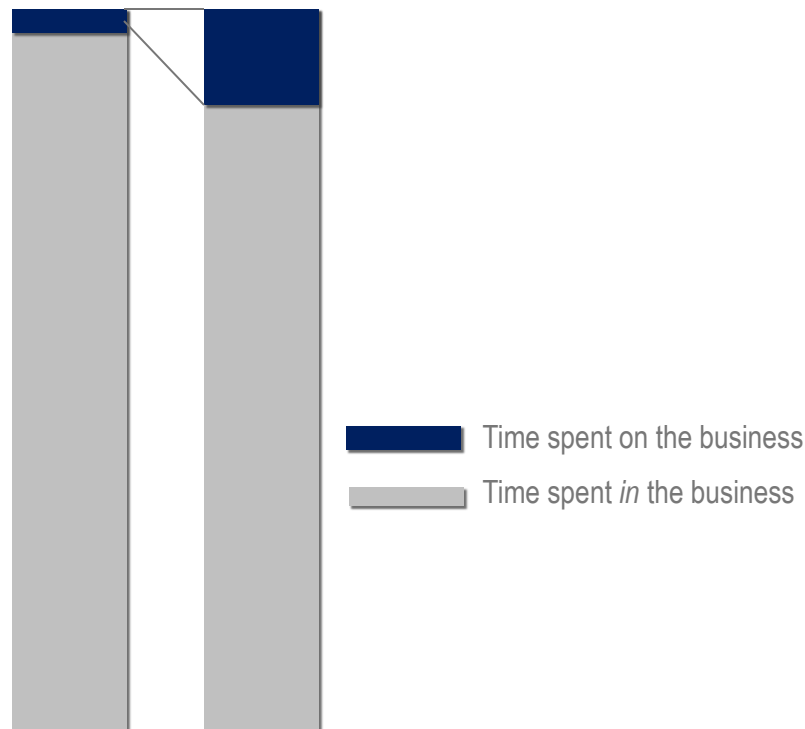
# With growth in size and complexity, add just enough structure for maximum effectiveness.



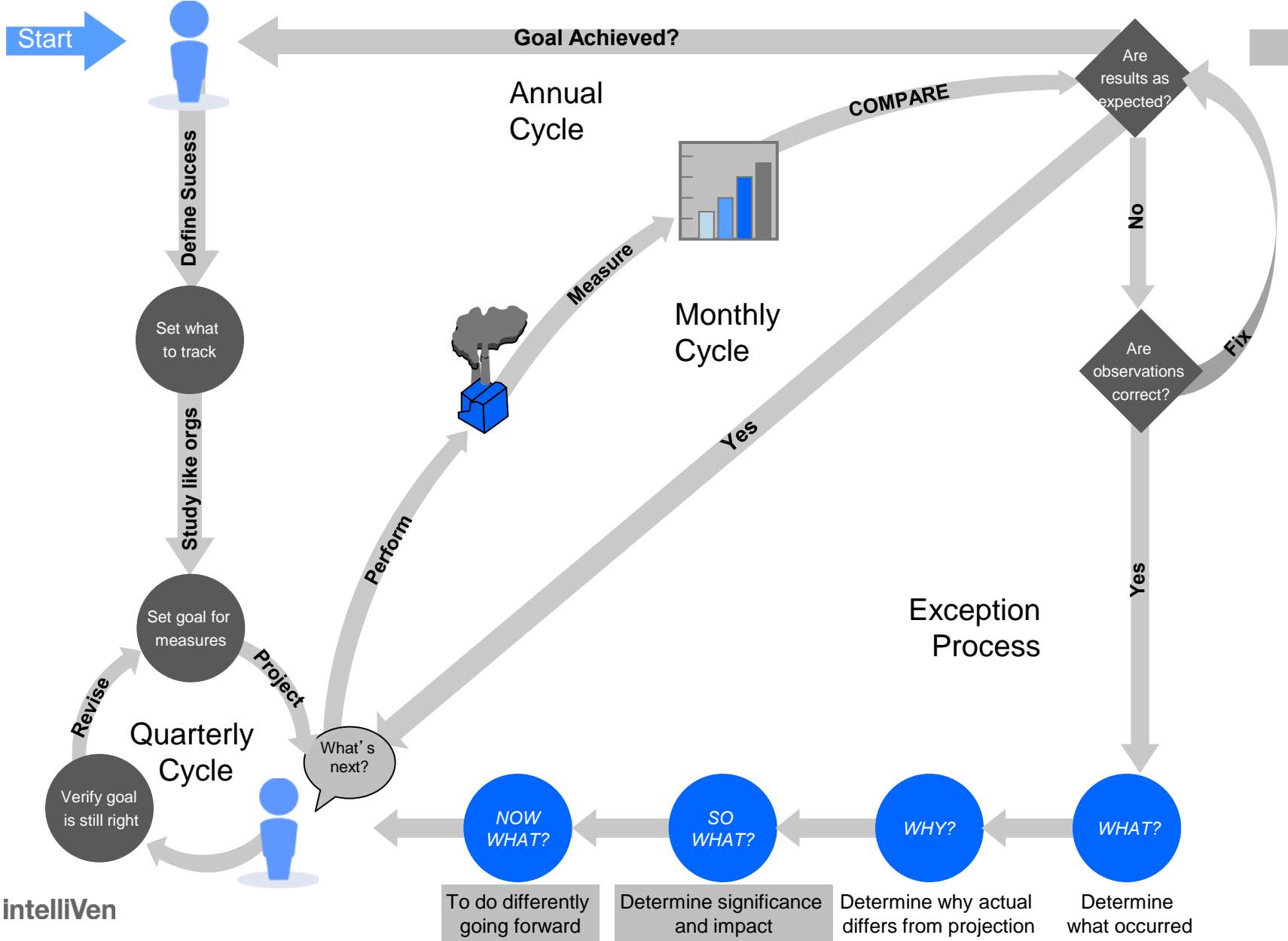
# Leaders learn to work more **on**, not just **in**, their business with growth in scale and complexity

- Vast majority of leader time is on highly-leveraged **do, sell, and grow** activities

- With success, growth, and complexity, small amounts of time move from getting work done to **building and managing systems to get work done**



# Implement Do & Review cycle.





# Wrong Numbers

You stare in disbelief at the Q3 earnings report just handed to you by your trusty CFO:

- How could actual results be 30% less than the projection you turned in just 13 days ago?
  - You notice right away that services and maintenance revenue and indirect costs are all just about on projection but license fees are off by 15%.
  - You look at the data that backed-up your projection for license revenue (see next page) that came from the VP of sales as you try to keep from seething:
  
- How could the license revenue projection have been so wrong? You reach for the phone to ring your VP of Sales when it hits you:
  - What happened?
  - Why did it happen?
  - What is learned because of what happened?
  - What should you and the Sales VP do?

# Wrong Numbers

	(\$000)			
	Projected	Actual	Delta	% Delta
<b>Revenue</b>				
Services	1,325	1,342	17	1%
License	2,837	<b>2,406</b>	(431)	-15%
Maintenance	683	682	(1)	0%
<b>Total</b>	<b>4,845</b>	<b>4,430</b>	<b>(415)</b>	<b>-9%</b>
Gross Margin	3,841	3,418	(423)	-11%
Indirect Costs	2,538	2,500	(38)	-1%
Net	1,303	<b>918</b>	<b>(385)</b>	<b>-30%</b>
Margin	26.9%	20.7%		

	Actual
<b>License Fee Revenue</b>	
FEMA	500
EPA	750
DOT	275
DC Housing	881
<b>Total License Fees</b>	<b>2406</b>

			License Revenue Tracker (000)	
	Prospect	%Probability	License	Weighted
<b>Highly Probable</b>	Federal Emergency Relief Program	95%	500	475
	EPA Experimental roadways	95%	750	713
	DOT Volpe Center (Boston)	95%	275	261
	<b>Total Targeted</b>		<b>1,525</b>	<b>1,449</b>
<b>Targeted</b>	DC Housing	75%	881	661
	Transcom	75%	970	728
	<b>Total Targeted</b>		<b>1,851</b>	<b>1,388</b>
<b>Total</b>			<b>3,376</b>	<b>2,837</b>

# Wrong Numbers

- A Revenue Forecast asserts that a certain amount of revenue will be earned in a certain period of time with a certain probability that the actual result will be within a certain tolerance of the forecasted result.
- For example: management may forecast there is a 90% chance of actual revenue being more than 10% less than a certain amount.
- % probability of revenue from a source is assigned by management based on their judgment in the face of their collective past experience with similar situations and similar circumstances.

**Click for more:**  
[Revenue Forecasting](#)

# Wrong Numbers

Some managers set forecasts as the Expected Value (Sum of entries each multiplied by a probability of occurring).

There are three potential problems with this approach in that:

1. It allows fractional results. For example, \$100,000 with a 50% probability of occurring would contribute \$50,000 to the forecast even though the actual result will either be \$0 or \$100,000. Actual Results are more likely to be binary because the sale either happens or it does not so fractional results do not occur.
2. Probabilities assigned often reflect the probability revenue will ever occur but do not account for the period in which the revenue will occur. A good approach to forecasting needs to set the probability of **revenue in a specific period**.
3. Assigned probabilities often reflect **stage of progression through to a sale** not the probability of occurring. For example, a 75% probability assigned to prospects for which a proposal is submitted may indicate that the prospect is 75% of the way through the sale process but it may be that only 50% of submitted bids are won.

# Wrong Numbers

## How to prepare a forecast:

- Think critically about each prospect to reach an informed judgment as to whether the projected revenue will happen in the period or that it won't.
- Compute a forecast that has a target % chance (say, 90%) of being no worse than a degree of tolerance (say, 10%) below the forecast.
- This takes more careful, critical, and rigorous thinking than most leaders are willing to invest but when they do, it pays off and they get better at it over time.

Thank you.