

# Predictive Management Metrics

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*Life Without an Altimeter...  
...or How to Avoid Flying your Startup into the  
Ground with Predictive Metrics*

**Clean Tech Open**

**John Carter, Ken Cucarola & Leslie Murdock**

**June 18, 2009**

**Presented as a partnership between TCGen & Murdock Martell**

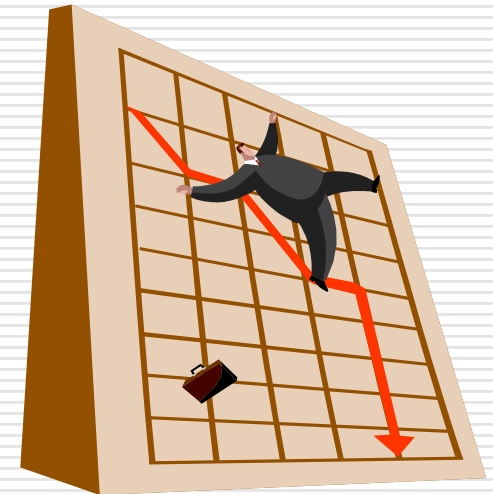


**MURDOCK MARTELL**  
HIGH PERFORMANCE FINANCE & ACCOUNTING

# Falling off a cliff

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- ❑ Most start-ups run out of cash prior to plan resulting in wind down or fire sale
- ❑ Many “fall off a cliff”
  - Development slips
  - Revenue traction
  - Fundraising starts too late and is ineffective... and then they crash
- ❑ Prevent by tracking leading performance indicators



*We will explore how using predictive metrics can help venture backed companies avoid the common pitfall*

# What are “Predictive Metrics”

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***Definition: The measurement of a key driver or initiative, which if executed correctly, will lead to the achievement of corporate goals***

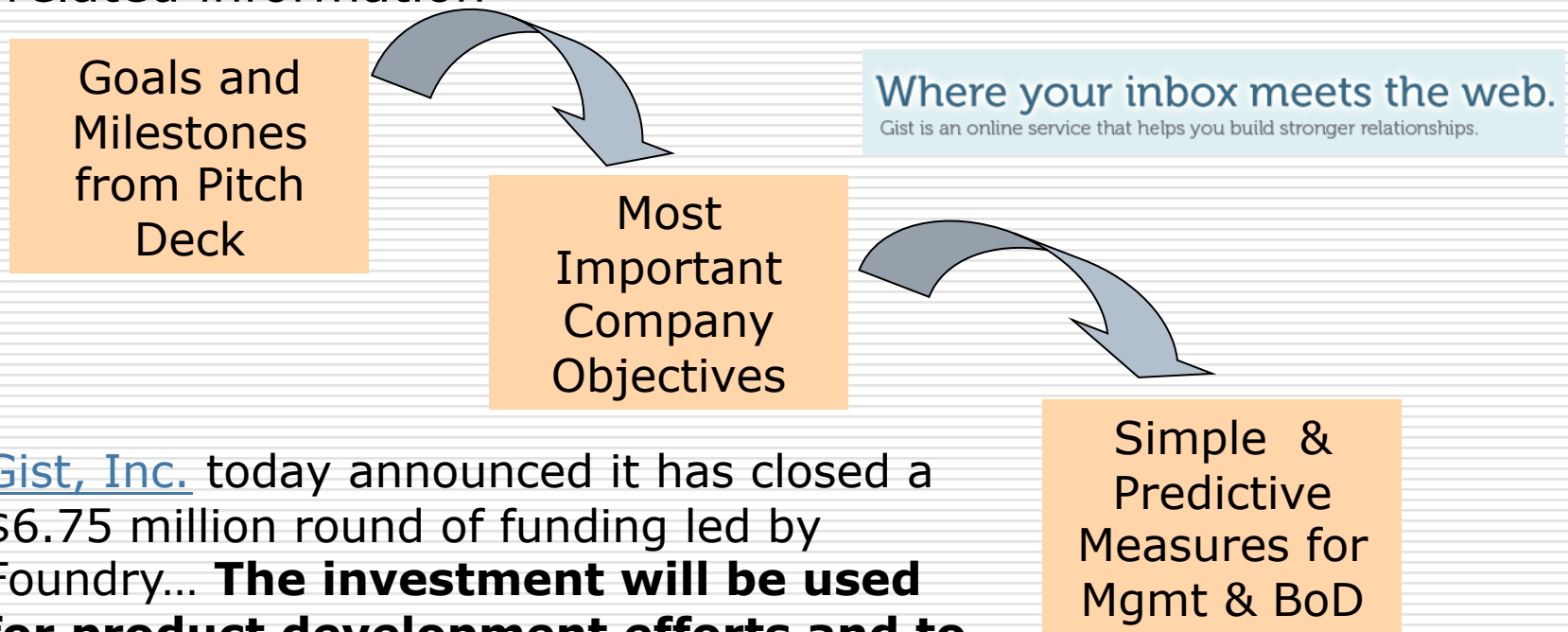
- ❑ Track Progress to Funding & other goals
- ❑ Key Drivers and Milestones – Not just \$
- ❑ Indicators of the outcome
- ❑ Simple, lightweight and easy to deploy
  
- ❑ Benefits are...
  - **Prevents** bad outcomes
  - **Focuses management** on key drivers
  - **Saves time** in preparation for BoD meetings
  - **Higher quality BoD meetings** as a result of capturing history



# Illustration: Series A Company

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- ❑ Web based SaaS Company in beta stage
- ❑ Gist integrates with Microsoft Outlook and Gmail intelligently organizing emails, links, attachments, and related information

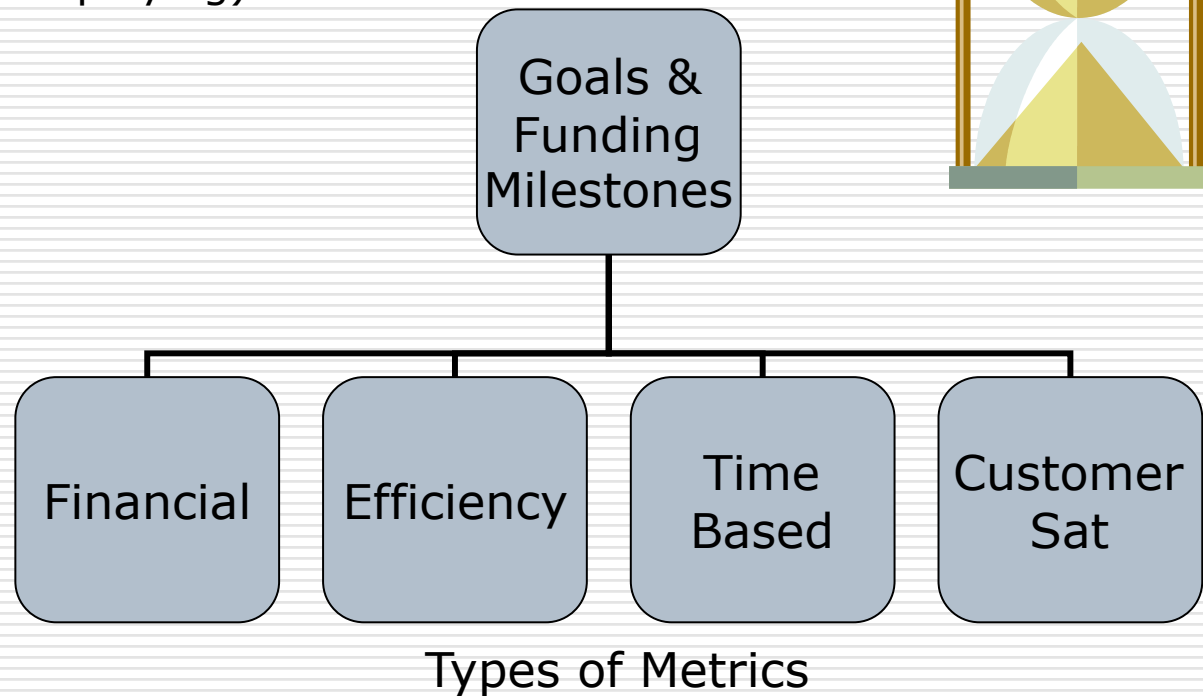
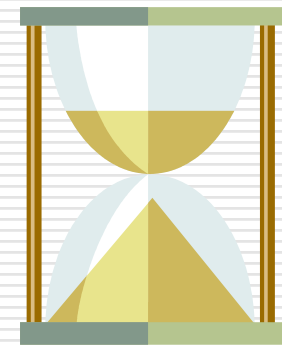


[Gist, Inc.](#) today announced it has closed a \$6.75 million round of funding led by Foundry... **The investment will be used for product development efforts and to expand operations.**

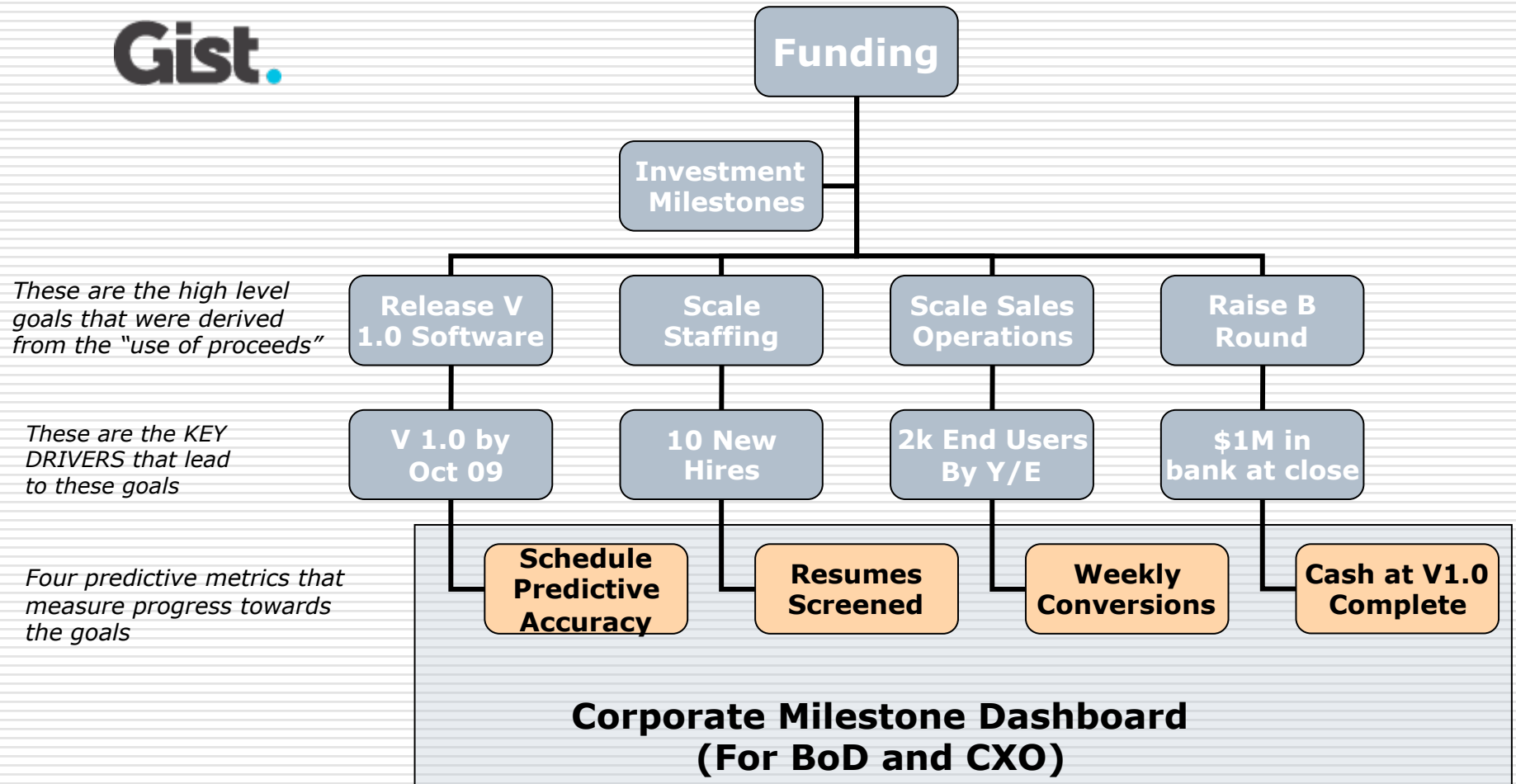
# Use Metric Goal Alignment

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- ❑ Alignment with funding goals
- ❑ Systematic deployment of prediction
- ❑ Use Benchmarks
- ❑ Reporting and BoD integration
- ❑ History is incorporated  
(prevents game playing)



# Predictive Management Metrics Deployment: "A" Round



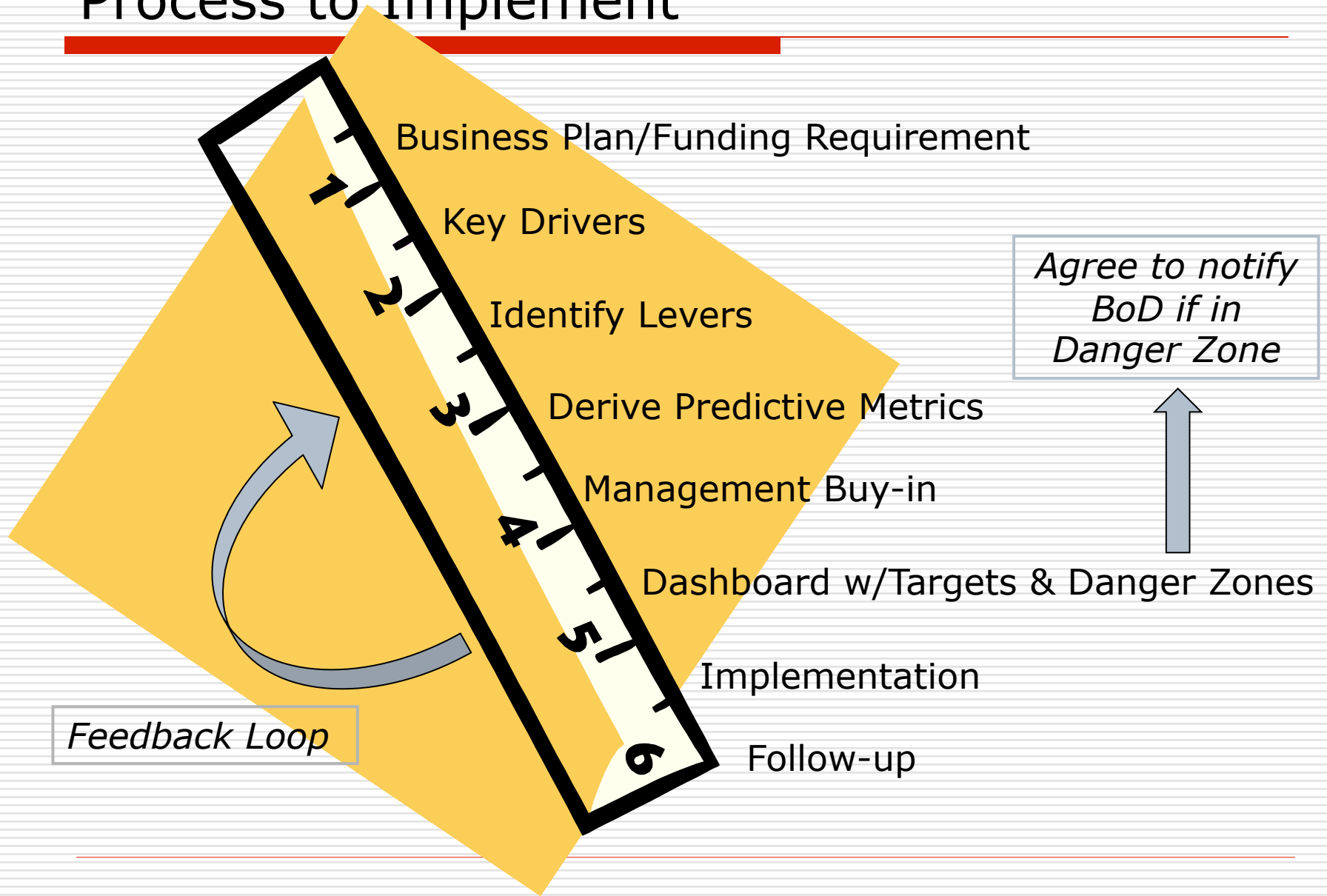
# Formulate Goals into Measurable Initiatives

Funding Goal	Product Development	Product Development	Expand Operations	B Round
Key Drivers	Schedule Predictive Accuracy	Resumes Screened	Weekly Conversions	Cash at V 1.0 Complete
Metric Target	Goal: Complete V 1.0 By Oct	Goal: 10 New Hires	Goal: 2k End users by YE	Goal: \$3M at Oct 09, \$1M at B Round
Metric Definition	Track % completion to estimate project completion	Qualified candidates screened each week	Track customer conversions from website	Monthly forecast of EOM Cash

Following Predictive Metrics created for July 15 BoD meeting

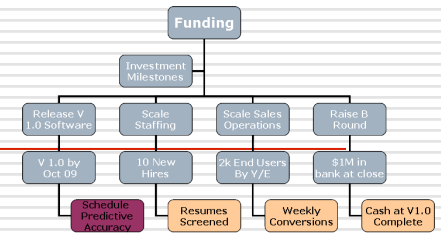
# Process to Implement

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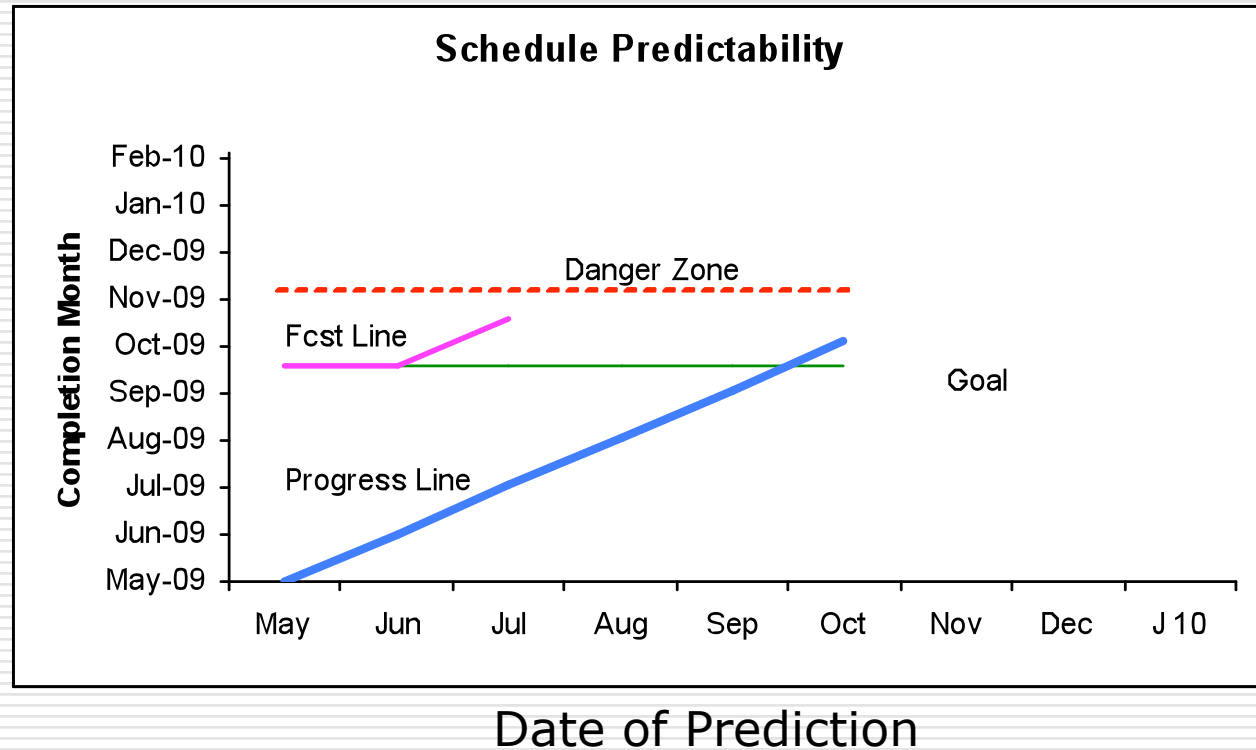


# Schedule Predictability

Goal: to complete V 1.0 by Oct 2009



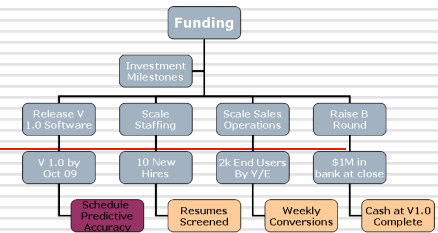
- Goal**
  - Target Rel. Date
- Fcst**
  - Revised Ship date over time
- Progress**
  - When the predicted date equals the today's date
- Danger**
  - Schedule at risk



*Definition: Software V 1.0 released in North America. Done means feature complete and no critical bugs*

# Schedule Predictability

Goal: to complete V 1.0 by Oct 2009



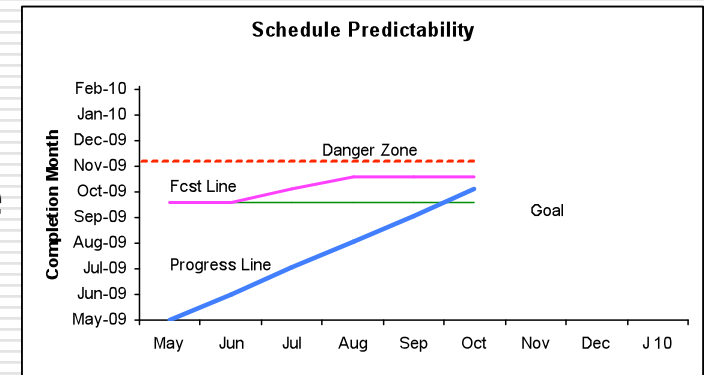
## Construction

- Project is scheduled with key dates
- Progress line is predicted date = date of prediction (Done)
- Revised dates are plotted over time at date of revision
- Ideal schedules are 'flat liners'

Predicted Date

## Benefits

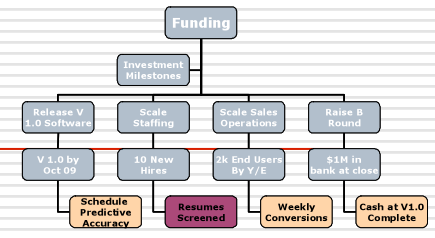
- Graphically displays delays
- Easy to show slip rate (15% or less is world class)
  - Worst case is hockey stick
- Better than Gantt - history is visible



Date of Prediction

# Customer Conversions

## Goal: 2K End Users by Year End 09



Operational Expansion is required to support Customer Conversions

### □ Goal

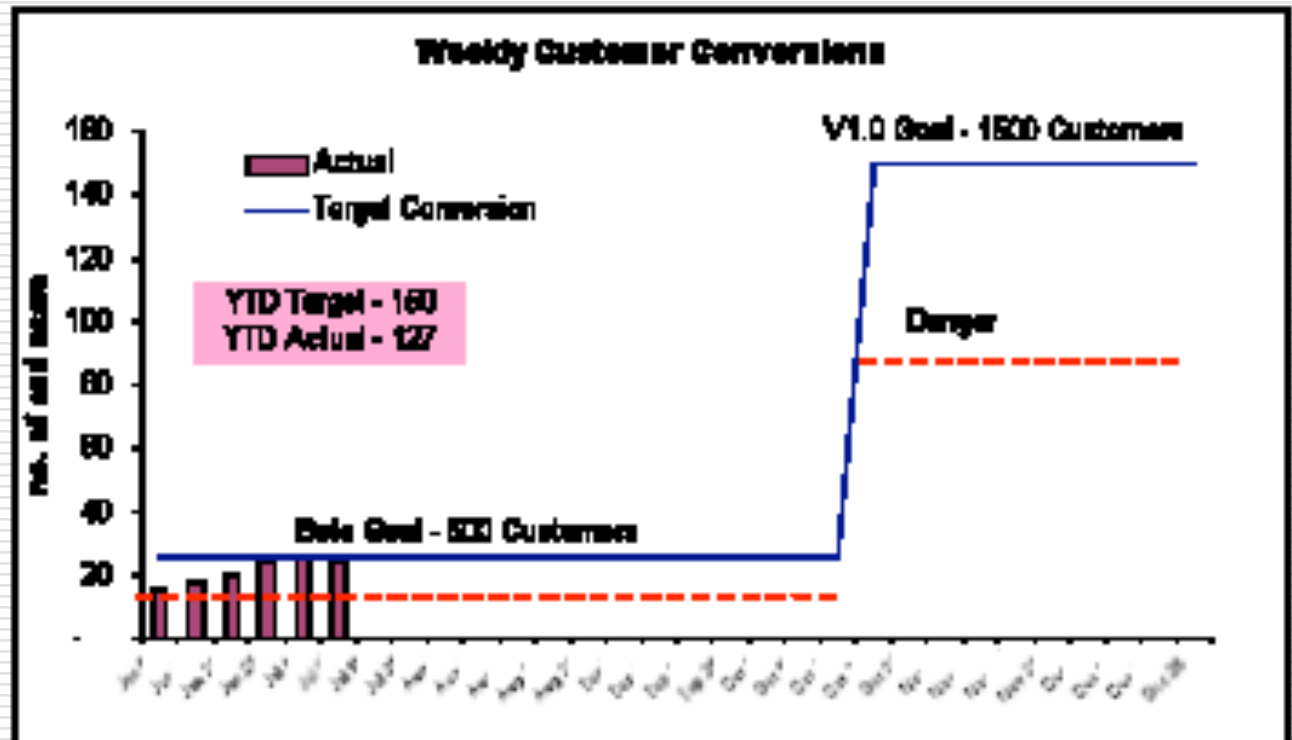
- Goal of 2k by year end was broken out by week
- 500 Customers during Beta
- 1500 Customers after V1.0 Release

### □ Fcst

- Not shown, but could be

### □ Danger

- Revenue at risk



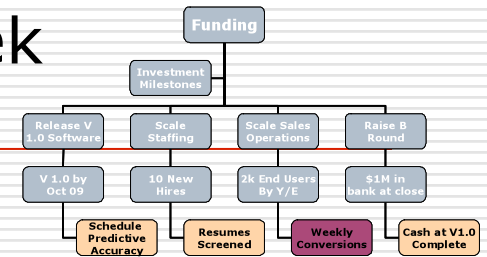
Definition: Conversion = Customer enters into 1 year agreement

500 during Beta is 30/week for 17 weeks

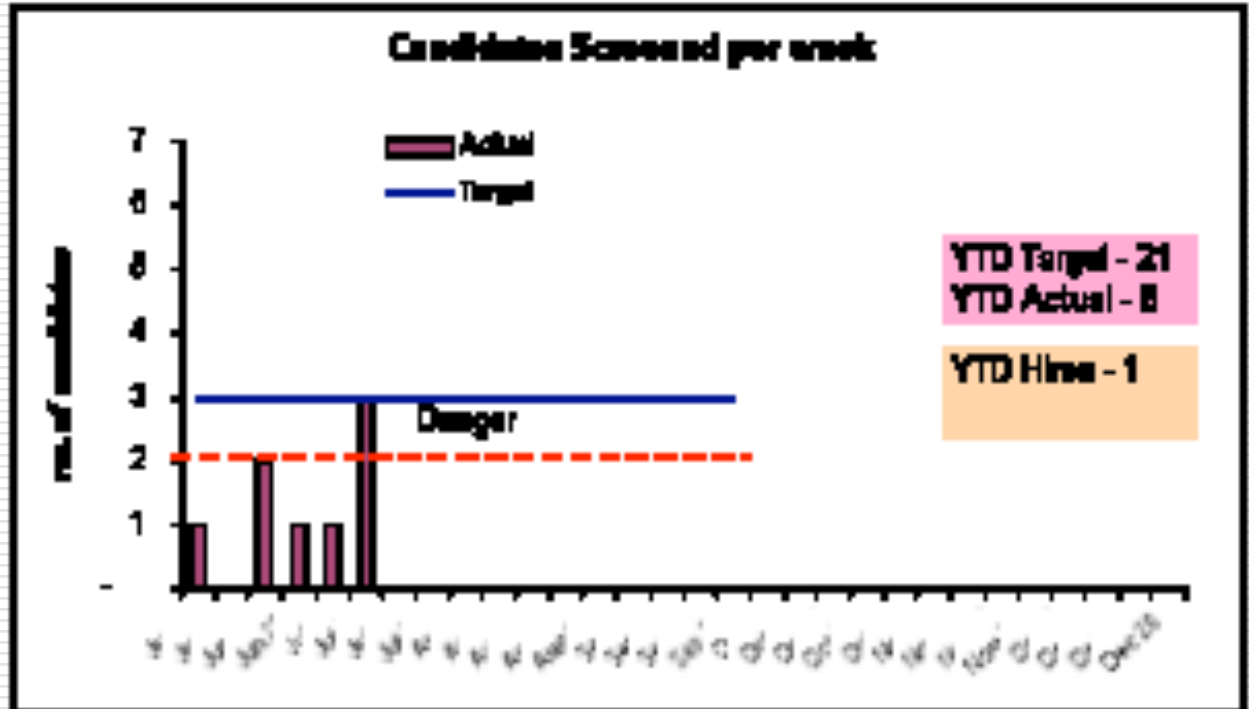
1500 for V.1 is 150/week for 10 weeks

# Qualified Candidates Screened by Week

## Goal: Hire 10 by year end



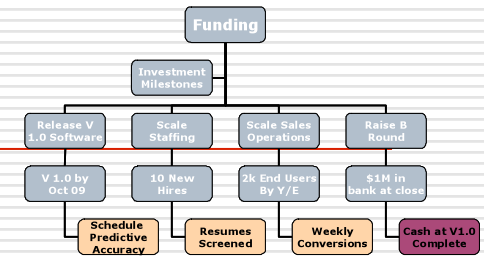
- **Goal**
  - 5 By Aug & 5 more by Oct
- Assume 5 candidates screened for each hire
- Avg. 3 per week
- **Fcst**
  - Not shown, but could be
- **Danger**
  - Hiring at risk



Definition: Screened is a qualified resume phone screen by the hiring Manager, regardless of outcome

# Forecast Cash to End of Project

## Goal: \$3 M Cash at V 1.0 Release



### □ Goal

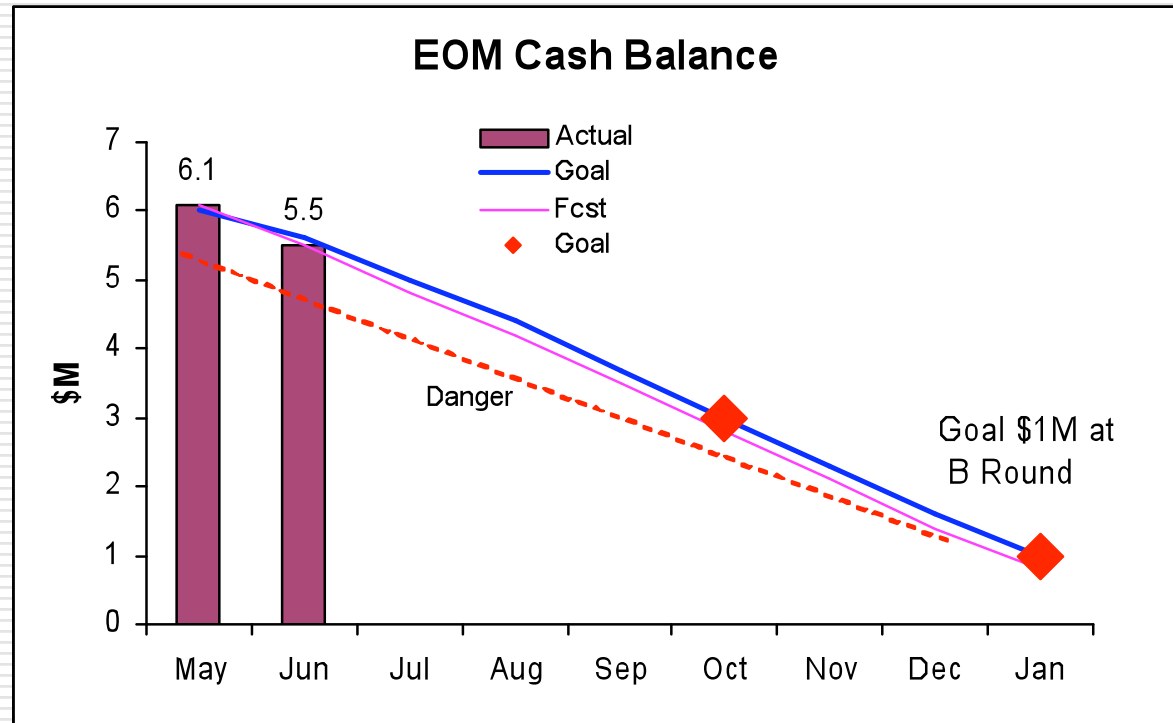
- Original Business plan
- \$1 M in the bank at B Round
- Interim goal is \$3M at time of V 1.0 Release

### □ Fcst

- Revised forward looking forecast

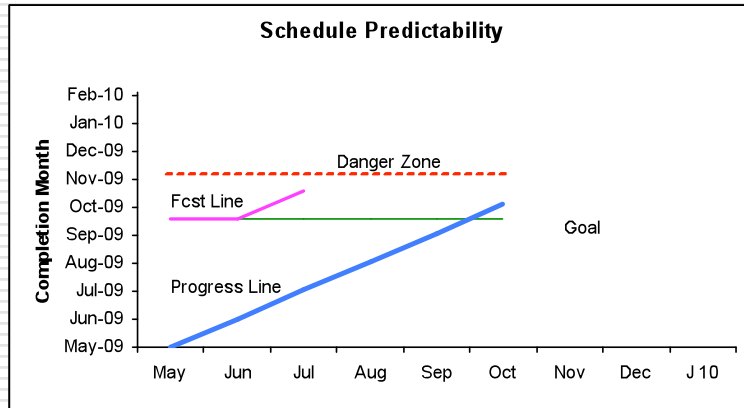
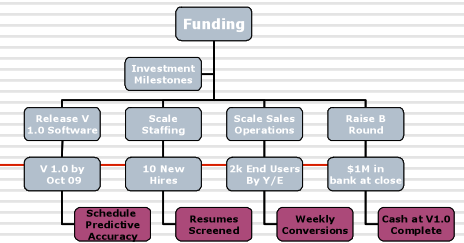
### □ Actual

- End of Month Financials

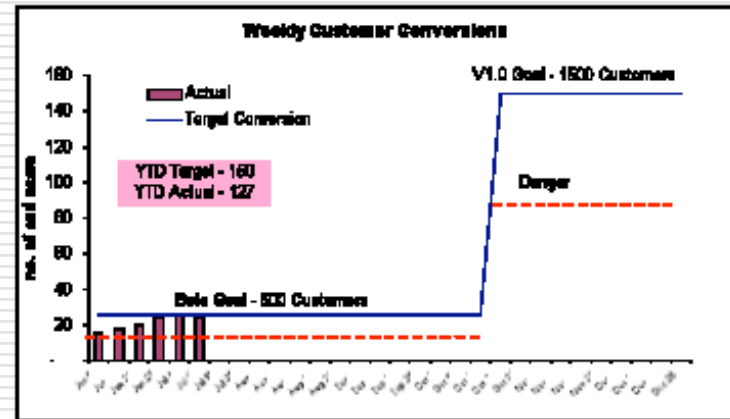


*Definition: GL total cash balance at month end reconciled to the bank statement*

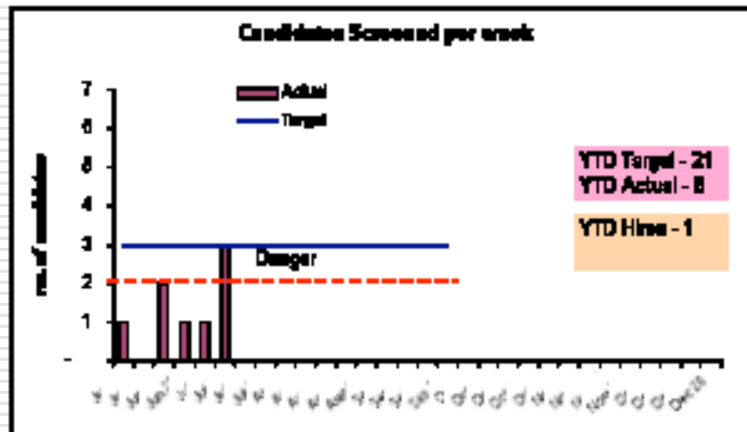
# Dashboard



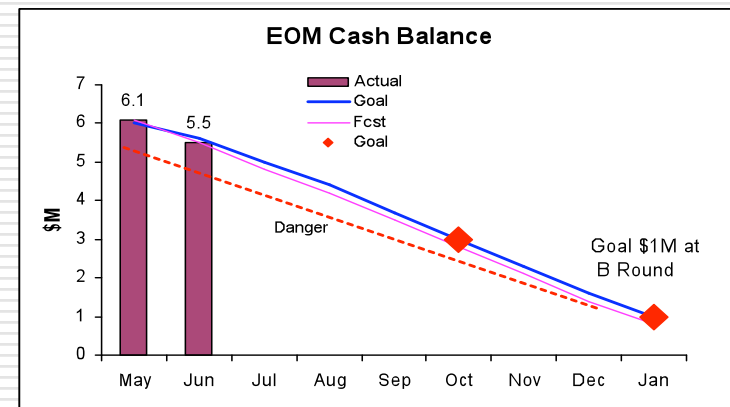
Definition: Software V 1.0 released in North America, Done means feature complete and no critical bugs



Definition: Conversion = Customer enters into 1 year agreement

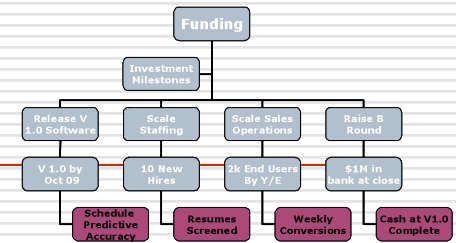


Definition: Screened is a qualified resume phone screen by the hiring Manager, regardless of outcome

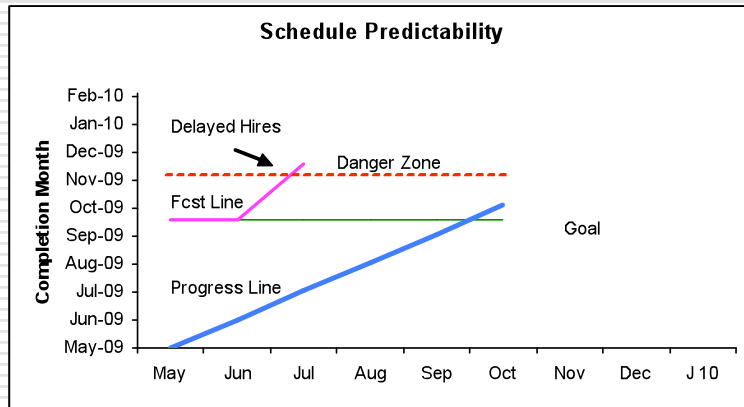


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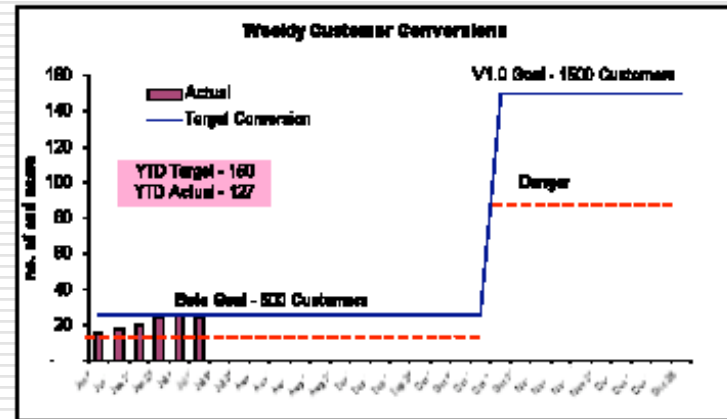
# Dashboard – Problems?



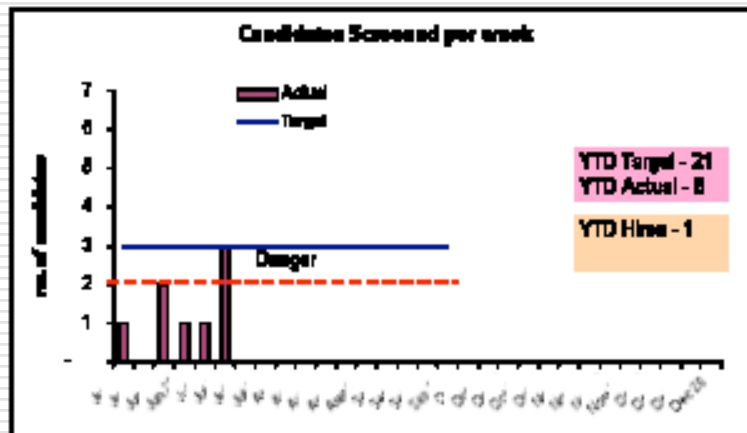
## SCHEDULE SLIPS



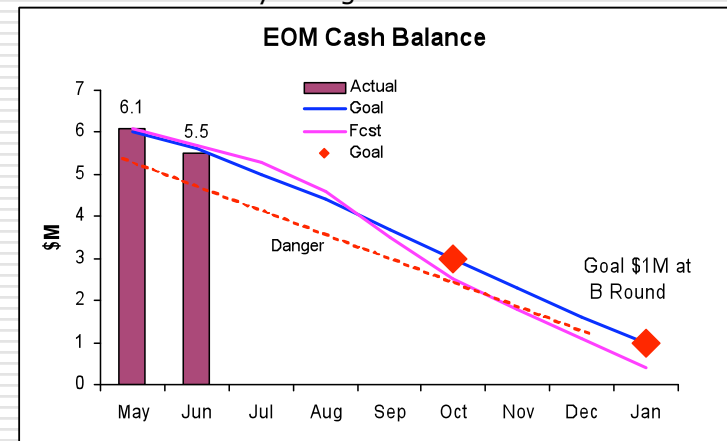
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## LATE HIRES

## HIGHER CASH NEEDS