



FINANCIAL HEALTH

CHARACTERISTICS

COST MANAGEMENT

HIRING

SALES AND DELIVERY

PROFITABILITY

UTILIZATION

BACKLOG/
PIPELINE

PRIORITY
HIRES

NEW
CONTRACTORS

OPPORTUNITY
HIRES

COMPETITIVE
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SCOPE OF
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PROJECT
INITIATION

STAFFING

	PROFITABILITY	UTILIZATION	BACKLOG/ PIPELINE		COST MANAGEMENT	PRIORITY HIRES	NEW CONTRACTORS	OPPORTUNITY HIRES	COMPETITIVE PRICING	SCOPE OF SERVICES	PROJECT INITIATION	STAFFING
BLUE	 Profitable, At or Above Target	 Generally Met	 Strong	➔	 Value Orientation	 Yes	 Yes	 Yes	 Conservative	 Focused	 Decelerate	 Strategic
GREEN	 Profitable, Near Target	 Inconsistently Met	 Healthy	➔	 Value Orientation	 Limited	 Yes	 Yes	 Standard	 Normal	 Client's Pace	 Normal
YELLOW	 Profitable, Below Target	 Not Met	 Healthy	➔	 Value Orientation, Travel Limitations	 No	 Limited	 Yes	 Standard	 Normal	 Accelerate	 First In/Out
ORANGE	 Modest Profit	 Not Met	 Declining	➔	 Cost Containment	 No	 No	 Limited	 Standard	 Wide	 Accelerate	 First In/Out
RED	 Losing Money	 Not Met	 Weak	➔	 Cost Reductions	 No	 No	 No	 Aggressive	 Wide	 Accelerate	 First In/Out

FINANCIAL HEALTH

FINANCIAL TERMS

PROFITABILITY

The amount of revenue that remains after paying for all expenses and investments.

UTILIZATION

An economic metric typically used by professional services companies that applies only to billable consultants. A **utilization target** is a plan, aligned to a role, defined by the percentage of a 40-hour work week spent doing client billable (revenue-generating) work. Targets are used for financial planning and forecasting. A **utilization rate** is based on the time entered by a consultant and is used to measure performance compared to the target.

BACKLOG/PIPELINE

Forward-looking metrics that are the best indicators of future revenue. Backlog is the amount of closed work that has not been completed. Once the work is performed, we can recognize this revenue. Pipeline is the amount of contracts that we expect to close over the coming months.

PRIORITY HIRES

A position that is needed to complete work that is critical to the business and will not be performed until we hire someone.

OPPORTUNITY HIRES

Creating an opportunity for a highly talented person to join when work is abundant will help us grow into the future. The primary avenues are through high-potential entry-level (campus) and senior level consultants who can lead clients immediately.

GUIDANCE

COST MANAGEMENT

SALES

DELIVERY

	COST MANAGEMENT	SALES	DELIVERY
BLUE	<p>Value Orientation Investments and expenses are based on how much value will be gained. Spend money as if it were your own, because it is (as well as the person's sitting next to you).</p>	<ul style="list-style-type: none"> Conservative pricing (<i>no discounts; maximize margin</i>) Decelerate work when appropriate Emphasize strategic opportunities Limit work outside core business 	<ul style="list-style-type: none"> Prioritize meeting or exceeding Gross Margin Staff using level-appropriate consultants (<i>avoid staffing high-level consultants in low-cost roles</i>)
GREEN	<p>Value Orientation Same as Blue</p>	<ul style="list-style-type: none"> Standard pricing Decelerate work when appropriate Work at the client's required pace, but more time to plan and staff projects in advance is helpful Discounts should be rare More firm in negotiations 	<p>In addition to Blue guidelines</p> <ul style="list-style-type: none"> Limit priority hires
YELLOW	<p>Value Orientation, Travel Limitations Internally funded travel should be limited to direct sales efforts and core annual programs and events. Functional, studio, COP, initiative and other offsites should be deferred. Uncommitted marketing investments should be reduced or deferred.</p>	<ul style="list-style-type: none"> Standard pricing Accelerate work (<i>close more rapidly when possible</i>) Accept discounts and/or risk if it will get a deal closed When deals are stuck, try to carve out a smaller amount to get them closed 	<ul style="list-style-type: none"> Staff consultants regardless of level and GM impact Staff with a first in, first out mentality Do not hold consultants for pending projects Actively look to pull work forward independent of project cost implications; <i>i.e., get work started as soon as possible with who's available</i> No priority hires Limit new contractors
ORANGE	<p>Cost Containment New expenses and investments should be at a minimum.</p>	<ul style="list-style-type: none"> Standard pricing Aggressively promote capacity Accelerate work (<i>offer incentives to close more rapidly</i>) On fixed price contracts with verbal approval, begin work if the team is available AND can make meaningful progress On T&M contracts, begin work only if client allows us to start with verbal approvals 	<p>In addition to Yellow guidelines</p> <ul style="list-style-type: none"> No new contractors Limit opportunity hires
RED	<p>Cost Reduction No new investments and expenses. Actively review current expenses to see where reductions or eliminations can be made.</p>	<p>In addition to Orange guidelines</p> <ul style="list-style-type: none"> Aggressive pricing to win all work (<i>discounts wherever necessary</i>) Pursue all opportunities (<i>even outside core business</i>) Look to sell change orders and/or small projects that clients may view as nice to have Actively market available consultants to prospects/clients Consider free or at-risk workshops that might jumpstart new work Actively sell staff augmentation 	<p>In addition to Yellow guidelines</p> <ul style="list-style-type: none"> No opportunity hires