Glossary

The glossary provides an organized repository of definitions of concepts, key performance indicators and roles that are used across Conduite applications and documentation. It is the place where you can dig deeper into how Conduite works. It is also a great training resource for your team. We advise you to read the glossary in order.

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Key Concepts

Business Pipeline

A Business Pipeline, or pipeline, is a visual representation of the stages involved in a sales process. It is a structured approach to managing a business's sales process and helps organizations to track their progress in acquiring new customers and generating revenue.

The pipeline typically consists of several stages, including lead generation, lead qualification, proposal, negotiation, and closing. Each stage represents a milestone in the sales process and helps sales teams to identify where a lead is in the sales cycle.

The pipeline is valued by the sum of the Expected Value (EV) of the opportunities in contains. Once won, the EV associated to a opportunity disappears from the pipeline so more must be added in order to keep a EV level high enough.

Margin

Margin is a term used in both business and finance to refer to the difference between the price of a good or service and the amount of money required to produce it. It is the amount of money that remains in your pocket once you have delivered a service.

Margin is usually expressed in percentage. Ex: if you sell a product or service for $1,000 with a 40% margin, you earn $400.

In Conduite, margins apply to many things:

- Labor (though Daily Rates)
- Budgets
- Contracts
- Projects

Margin Types

Margin Type	Description
Margin at Signature ($/%)	The margin computed at the time a contract is signed (provided by the associated Budget Builder). For a project this is a static value.
Margin Objective ($/%)	The margin objective that is set for a project. At the beginning of a project that value equals the Margin at Signature. But it can evolve overtime (up or down). In Conduite, setting a margin objective is the primary way to steer the performance of a project.
Expected Margin ($/%)	The margin that we expect to make on a project at any given time based on what was spent and what we think we need to spend to finish the work.

Daily Rates

The Daily Rate is the cost of a staff member for one day of work. Each person in your company has a different daily rate. For the sake of simplicity Conduite assigns a daily rate for each role of your company (developer, project manager, designer, domain expert, ...). Daily rates are needed for all the roles that you want to include in your budgets.

The Daily Rate can be expressed in two ways:

- **Unloaded** - This corresponds to the cost of the employee role for the company.
- **Loaded** - This corresponds to the cost of the employee role including the margin you want to make. This is the amount that you charge your clients.

In other words, the difference between the loaded and unloaded rates is your margin. The amount of margin you add to the Unloaded Rates is specific to your organization and to the contracting mechanisms between your clients (ex: government contracts often have specific rules for rates calculation).

The daily rates are combined in a summary table a **Rates Card** that specifies:

- Role
- Unloaded Rate
- Margin
- Loaded Rate

Labor

In a budget, labor refers to the cost of all the employees needed to execute a contract. In Conduite that cost is computed based on the Daily Rates and the number of days needed.

Expenses / Direct Costs

In a budget or contract, the expenses (or direct costs) refer to all the non labor costs that are needed to execute the contract. For example:

- Travel and accommodation
- Software licences
- Hosting fees
- Equipment
- 3rd party service

These items are usually charged *at cost* to the client. Therefore you cannot specify a margin for direct costs.

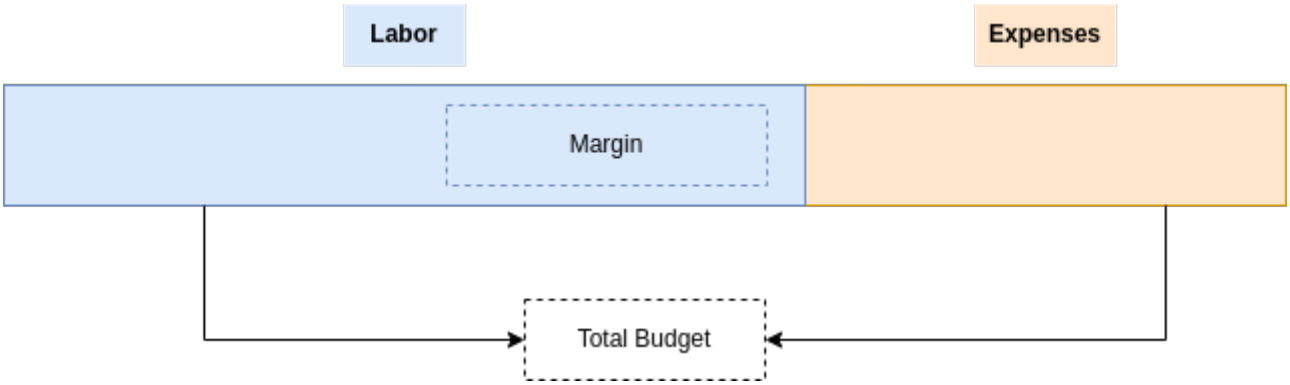
Budgets

A budget refers to a financial plan that outlines the expected labor costs and expenses associated with the project or service being provided under a contract. The budget is usually an integral part of the contract and serves as a basis for determining the financial obligations of each party involved.

Conduite works with budgets that have the following (simple) structure:

- Labor
- Expenses / Direct Costs

The Budget Builder computes the margin for labor (value and %) automatically. The margin on labor is the margin of your contract.



Capacity

Capacity refers to the amount of work your team can execute at any given time. It is measured in days. Capacity is planned for each team member individually.

Availability

The total amount of days a team member can work in a given month. Someone working full time will have a capacity of ~20 days per month, considering that s/he will not take vacation days and that there are no holidays in that month.

Allocations

The fact of allocating a certain number of working days to a staff member to work on something.

Remaining

The number days that a staff member can still work based on his/her availability and allocations.

$$Remaining = Availability - Allocation$$

- **Remaining > 0** - The staff member can still be allocated work.
- **Remaining = 0** - The staff member is *at capacity,* i.e. you have allocated work to the level of his/her availability.
- **Remaining < 0** - The staff member is over booked, i.e. you have allocated more days that s/he can actually work.

Resourcing Request

Sending a Resourcing Request is a way of booking a set of human resources for future work. It is a compilation of allocations for a period of time: someone working on something for a certain number of days over a period of time.

In Conduite, Resourcing Requests are sent in 2 instances:

- **During the Business Development phase** when the Sales Team wants to book resources ahead of the signing of contract. They do this directly from the Budget Builder using the Send Resourcing Request Addon feature.
- **During the project execution phase** when Project Managers send their Project Report Out to update the Capacity Manager on how much capacity they need to finish the project.

Contract

In Conduite, a contract represents opportunities that has been won and signed. It is defined by:

Attribute	Description
Timelines	The start and end date planned at the time of signature
Scope of Work	A description of the purpose of the contract and of the main activities.
Labor - Amount	The monetary amount representing the labor involved in the execution of the contract.
Labor - Margin at signature	The margin that we expect to make on labor based on the planning assumptions at the time of signature. This is the reference value for the execution of the contract.
Expenses / direct costs - Amount	The monetary amount representing the expenses / direct costs involved in the execution of the contract.

All of these attributes are computed in the Budget Builder.

Project

A project is a temporary organizational artifact that corresponds to the execution of the scope of work defined in a contract by a group of people. Project are always associated to a contract and by extension to a Budget Builder.

Projects are defined similarly to contracts (labor and expenses), but account for all types of margins:

- Margin at Signature
- Margin Objective
- Expected Margin

In a nutshell, the performance of a project is the difference between the margin objective and the expected margin.

Key Performance Indicators

These KPIs are used throughout Conduite applications. The ones tagged with a are considered to be the main KPIs: the ones that are actionable on their own. The other KPIs are intermediate KPIs that are used to compute the main ones. They still provide useful information to understand the the financial situation in more depth.

Pipeline - Expected Value

Expected Value

The Expected Value (EV) of an opportunity is the value of the opportunity weighted by the probability of winning the opportunity. It is the key metric allowing you to measure the health of you Business Pipeline.

The EV of an opportunity is expected to evolve over time. If won the EV of an opportunity will be equal to the Total Value of the opportunity (probability equal to 100%).

$$EV = \$ \times \%O$$

Where

- EV - Expected Value
- $ - Total Value of the opportunity
- %O - Probability of the opportunity

Component of EV

The EV of an opportunity is composed:

- EV Margin - The part of the EV that is margin
- EV Revenue - The part of the EV that is expected to be used to execute the contract if won.

$$EV = EV_{margin} + EV_{revenue}$$

EV Monthly Average

The spread of the EV over the duration (in months) of the contract.

$$EV_{average} = \frac{EV}{duration}$$

Capacity - Utilization

The Utilization is the percentage of time worked (or allocated) over the availability. It tells you how busy your team is overall, regardless of the time of work it is doing.

$$\%Utilization = \frac{allocated}{availability}$$

You want to bring Utilization as close to 100% possible.

Interpretation

- **High Utilization** means that your team is busy and that you actually know what they are working on since you get it from the data in the Capacity Planner.
- **Low Utilization** can mean a few different things:
  - That there's simply not enough work planned for your team.
  - That the Capacity Planner is not updated with the latest Resourcing Requests from the Sales Team or Project Managers.
  - A combination of both.

Capacity - Billability

The Billability is proportion of available time your team spends on **billable work**. It is a key metric influencing the overall profitability of your organization.

$$\%Billability = \frac{billable}{availability}$$

Billable work is defined as an allocation with the Contract Type tag set to *Client* or *Opportunity* in the Capacity Planner.

You want to bring Billability as close to 100% possible, although it is expected for your team to spend some amount of time on non-billable tasks (admin, internal projects, etc...).

Interpretation

- **High Billability** means that your team is busy working for clients.
- **Low Billability** can mean a few different things:
  - That there's simply not enough billable work planned for your team.
  - You have planned for too much internal work.
  - That the Capacity Planner is not updated with the latest Resourcing Requests from the Sales Team on signed deals or Project Managers.
  - A combination of the above.

Expenses - Invoicing Rate

The Invoicing Rate (IR) corresponds to how much of the expenses a team has invoiced **to date** in relation to what is expected to be invoiced during the entire duration of the project. By keeping track of this metric teams avoid over or under spending on expenses.

$$\%IR = \frac{invoiced}{invoiced + remaining}$$

Labor - Execution Budget

The Execution Budget (EB) is the amount of money for Labor that the project team has to execute the project. It is equal to the total Labor (LB) amount of the contract to which we subtract the Margin Objective (MO) of the labor component.



$$EB = LB - MO_{labor}$$

Because the Margin Objective might change during the course of execution, the Execution Budget can also change. In any case, the project team's objective should always be to spend less or equal than that amount.

Labor - Expected Execution Budget

The Expected Execution Budget (EB_E) is the amount of labor that the project team plans to spend to execute a project. It is based on what has been spent to date and the amount it has forecasted to execute the remaining scope.

$$EB_E = spent + remaining$$

At the beginning of a project the Expected Execution Budget is equal to the Execution Budget. But as the project is executed the Expected Execution Budget can, at any given time, be lower or higher than the Execution Budget:

- **Higher** - The team will spent more money than expected and the margin generated will be lower than the objective.
- **Lower** - The team will spent less money than expected and the margin generated will be above the objective.

Labor - Execution Rate

The Execution Rate (%EX) is a financial indicator that tells you how much (%) budget you've spent to date related to the amount you think you need to execute the project, i.e. Expected Execution Budget.

$$\%EX = \frac{spent}{EB_E} = \frac{spent}{spent + remaining}$$

It is not (exactly) an indicator of progress of execution of project activities, i.e. it does not tell us if the project is close to completion. Ex: the last activity of the project is a one week training. This activity represents 30% of the budget but only one week of work.

Labor - Execution Efficiency

The Execution Efficiency (EE) is a KPI that tells you whether your team is on track to be in budget or not. In other words, whether the team will meet its Margin Objective on labor.

It compares how much labor you would have spent of the Execution Budget (EB) based on your current Execution Rate (%EX) to what you a have spent to date.

$$EE = \frac{EB \times \%EX}{spent}$$

> Project teams should manage their project to achieve and Execution Efficiency 100% or above.

> Because it is a percentage, you can instantly assess the financial health of a project, regardless of the Margin Objective.

> It is the main KPI that allows you to trigger adjustments of strategy and/or objectives (client approach, margin, scope, ...).

Interpretation

- **EE < 100%** - The team will spent more money than expected and the margin generated will be lower than the objective.
- **EE = 100%** - The team will spent as much as expected.
- **EE > 100%** - The team will spent less money than expected and the margin generated will be above the objective.

Examples

Let's consider a project that has a Labor budget (LB) of $1,000 and a Margin Objective (MO) of 40%. The resulting Execution Budget (EB) is:

$$EB = LB - MO_{labor}$$

$$= \$1000 - (\$1000 \times 40\%) = \$600$$

Let's consider the following scenarios:

	Scenario 1	Scenario 2	Scenario 3
spent	$200	$150	$400
remaining	$300	$550	$190
Execution Rate (%EX)	$\%EX = \frac{spent}{spent + remaining} = \frac{200}{200+300} = 40\%$	$\%EX = \frac{spent}{spent + remaining} = \frac{150}{150+550} = 21\%$	$\%EX = \frac{spent}{spent + remaining} = \frac{400}{400+190} = 68\%$
Execution Efficiency (EE)	$EE = \frac{EB \times \%EX}{spent} = \frac{\$600 \times 40\%}{200} = 120\%$	$EE = \frac{EB \times \%EX}{spent} = \frac{\$600 \times 21\%}{150} = 86\%$	$EE = \frac{EB \times \%EX}{spent} = \frac{\$600 \times 68\%}{400} = 102\%$

Let's analyze these numbers and discuss possible actions:

	EE	Status	Possible Actions
Scenario 1	120%	□□	• Increase the Margin Objective *The team wants to bank the extra margin* • Invest the additional margin *The team decides to do more for the client*

	EE	Status	Possible Actions
Scenario 2	86%	□□	• Decrease the Margin Objective *The team considers it will not be able to make for the lost margin* • Decrease the scope *Convince the client to do less work in order to decrease the remaining costs* • Ask for extra budget *In order to completely or partially make for the lost margin* • New working approach *In order to increase the efficiency of the team and make up all or part of the lost margin*
Scenario 3	102%	□□	• Nothing *The team is executing as planned*

Labor - Expected Margin ($/%)

The Expected Margin (%EM) is the computed from the Expected Execution Budget (EB_E) and labor (LB) amount of a contract.

$$\%EM_{labor} = 1 - \frac{EB_E}{LB}$$

$$\$EM_{labor} = LB \times \%EM_{labor}$$

It can differ from the Margin Objective (%MO) depending on how the project is going.

Interpretation

- **%EM >= %MO** - The team will spent less money than expected. In such situations Execution Efficiency is >= 100%.
- **%EM <= %MO** - The team will spent more money than expected. In such situations Execution Efficiency is <= 100%.

Labor - Spent

The amount spent on labor **to date**. This data comes from your time tracking system where your team logs hours against projects.

Labor - Remaining

This is the amount of labor that your team estimates it needs, **at a certain date**, to execute the remaining scope of the project. The ability to accurately estimate the remaining labor is a fundamental determinant of the accuracy of your entire project financial tracking system, i.e Conduite □□.

Key Roles

Sales Team

The Sales Team is a group of people in charge identifying potential clients (prospects) and to sell them the services that your company offers.

Capacity Manager

The Capacity Manager (or Resourcing Manager) is the person who's job is to make sure that there is a consolidated view of who's working on what and when (present and future). As the main resource of your company is people's time, this is an essential function. It will allow you to know whether you have too much work coming up and need to hire, or if you need to make adjustments to manage a slowdown in activity.

Delivery Manager

The Delivery Manager is a person in charge of overseeing execution (delivery) of projects. This is a senior role with strong Project Management skills and experience. S/He feeds off the regular project updates to trigger corrective actions in support to Project Managers. S/He is often accountable for the improving the way projects are executed. This role is often combined with the one of Capacity Manager.

Project Manager

The Project Manager is the person accountable for the proper execution of the project. S/He has to ensure that the client is happy with the work that is being delivered, that the financials of the project are under control and that her/his own team is happy. It's a role that requires a versatile mix of skills (technical, organizational, relational). Project Managers are key to the success of projects.

Project Report Out (PRO)

The Project Report Out is a project update that Project Managers send on a regular basis. In Conduite, they are expected to send it twice a month on every 2nd and 4th Thursday.

The PRO is sent from the Project Dashboard of a project and contains the main project KPIs as well as narrative components that detail was was done in the previous and upcoming project periods.

Field	Description
Project ID	This is a unique identifier for the project. This is the ID of the Google Spreadsheet file. This field is preloaded.
Project Name	The name of the project This field is preloaded.
Project Status	A traffic light indicator that reflects the current overall status of the project. **Tip:** Make sure to set a clear definition for each color in order to have consistence across PROs and projects.
Labor - Execution Rate	The current Execution Rate of the project. This field is preloaded.
Labor - Execution Efficiency	The current Execution Efficiency of the project. This field is preloaded.
Expenses - Margin Accrued	The current Accrued Margin on expenses of the project. This field is preloaded.
What happened in the last 2 weeks?	A summary of what has been done in the last 2 weeks or since the last PRO was submitted. **Tip:** Make sure to include any context that helps understand the values of the project KPIs.
What is planned for the next 2 weeks?	A summary that details what the project team expects to do in the next 2 weeks. **Tip:** Make sure to include any strategy adjustment details.