



# Metrics that matter for performance & growth

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- 1. Introduction**
- 2. Traditional reporting**
- 3. Lag vs. lead measures**
- 4. Metrics for today's firm**
- 5. Wrap up**



# Meet your hosts



**Carla Caldwell**

Caldwell Consulting & Training  
Founder & CEO



**Ian Vacin**

Karbon  
Chief Customer Officer



# Carla Caldwell



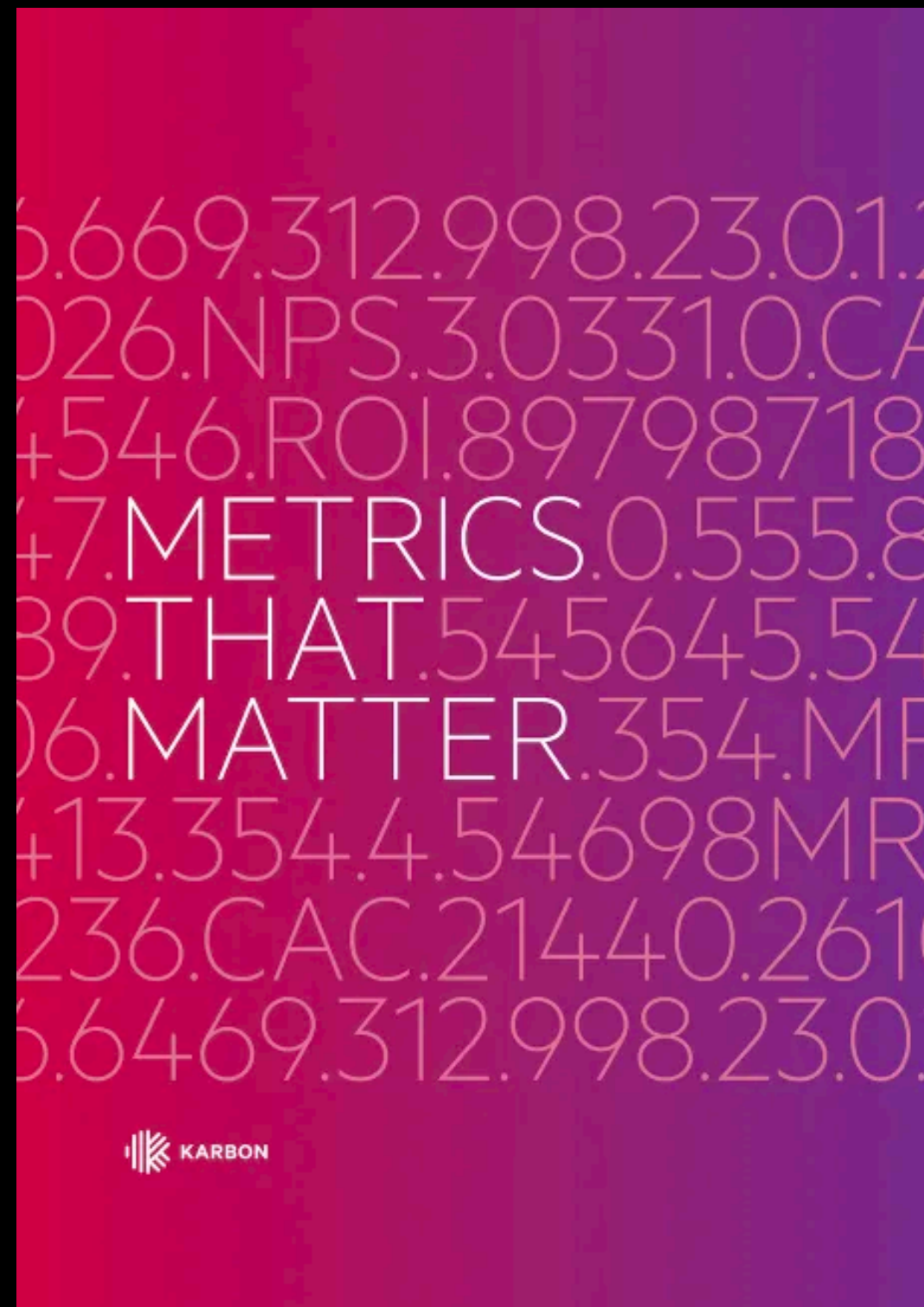
- Bookkeeper and accountant for nonprofits and growing small businesses.
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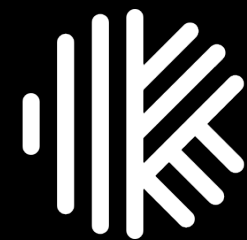


# Metrics that matter.

Traditional KPIs are no longer relevant for the modern accounting firm. Explore the new metrics to measure your performance and process.

[karbonhq.com/metrics](https://karbonhq.com/metrics)

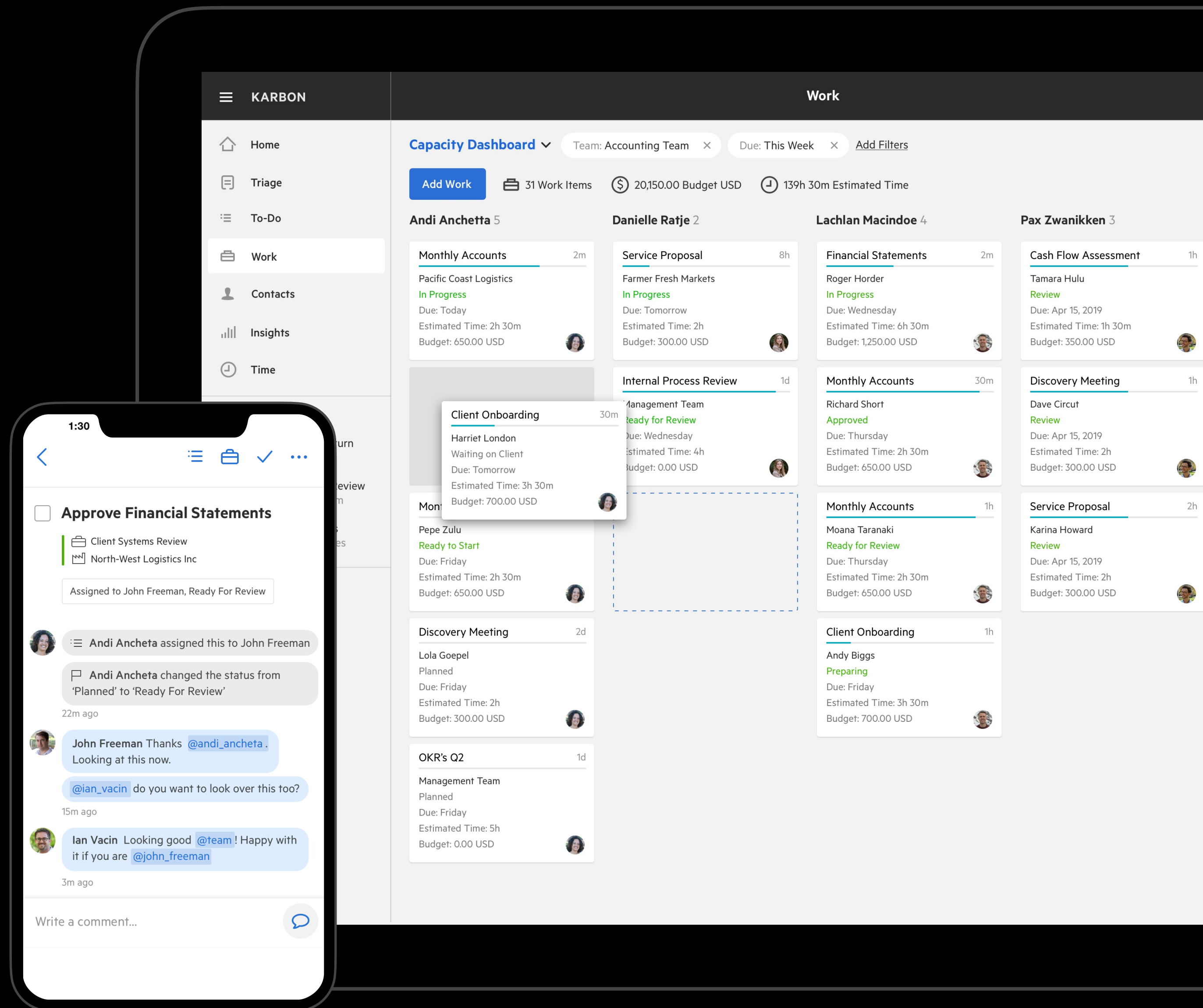




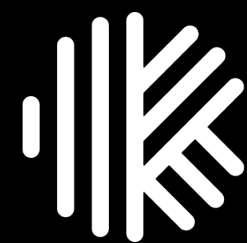
# Work Management Software *for* Accounting Firms

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GET STARTED



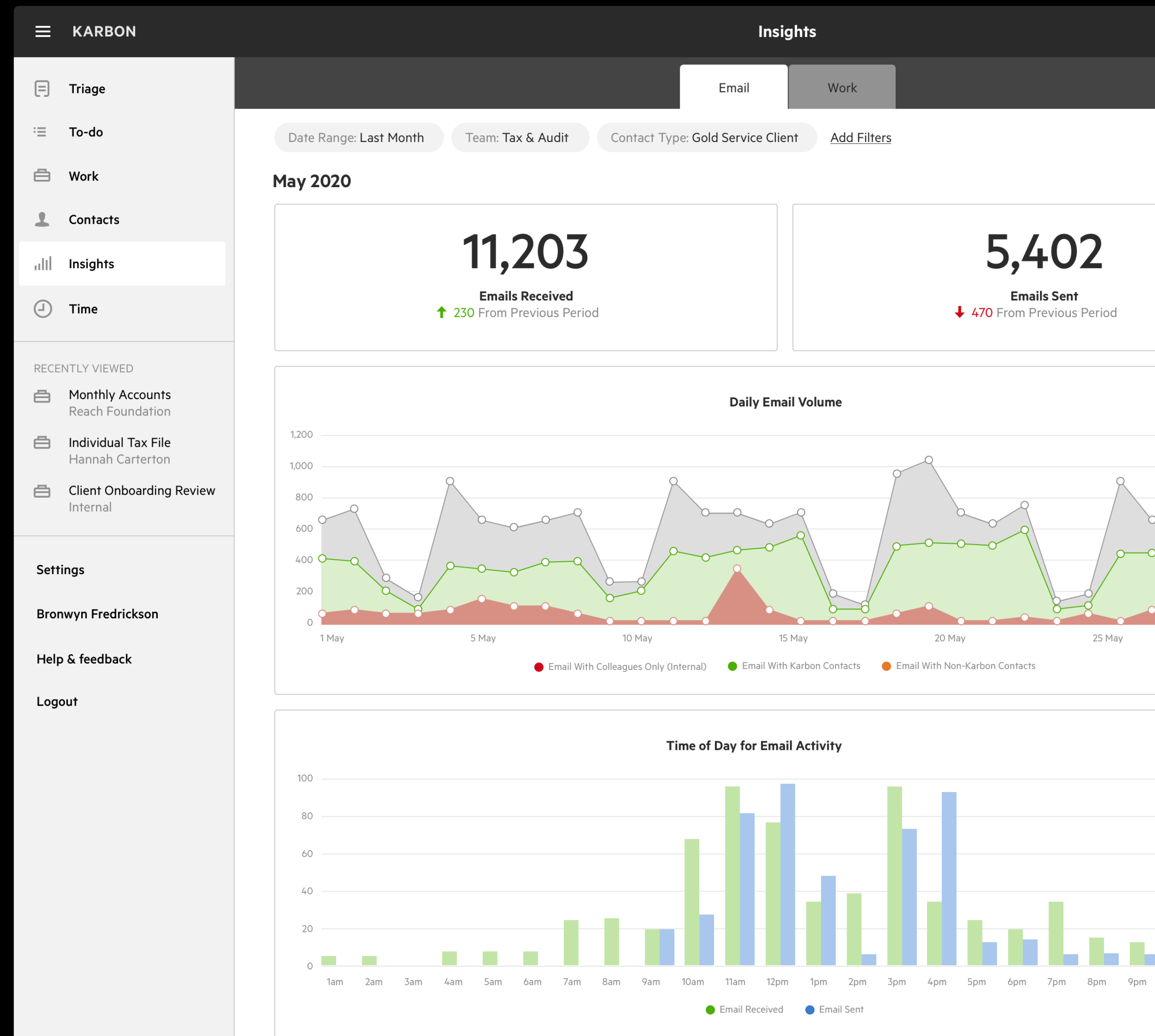




Work Management Software *for* Accounting Firms

# Email Insights: Drive better behavior.

[karbonhq.com/email-insights](https://karbonhq.com/email-insights)





- 1. Close any open apps**
- 2. Ask and we'll answer**

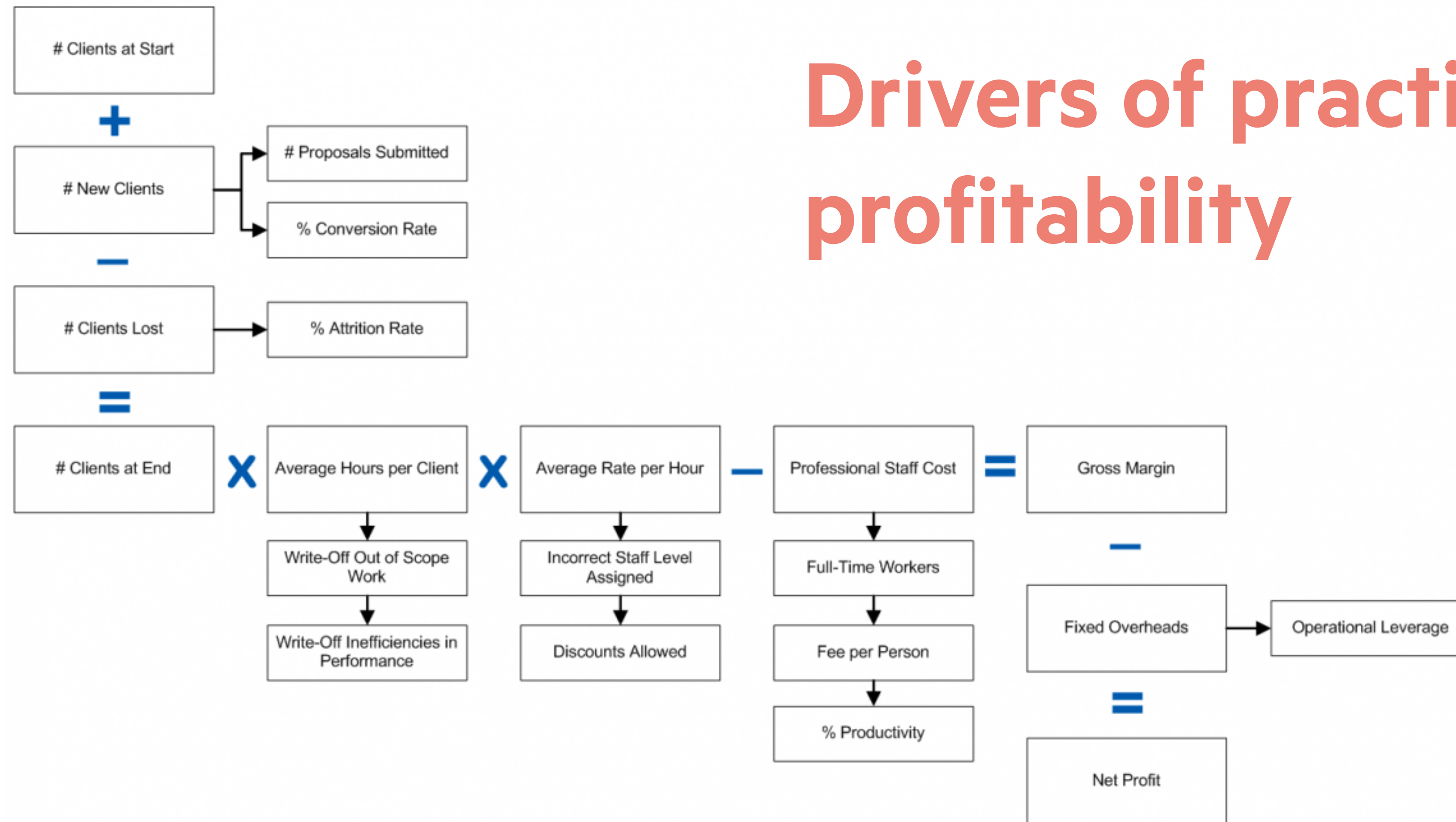


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# Drivers of practice profitability



Source: Paul Thompson & Stuart Black (IFAC SMP Committee Members)

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# What most firms track & report

- **Financials:** Revenue, profitability, income per partner.
- **Cash flow:** AR mgmt, WIP mgmt, lock up (days).
- **Clients:** Year over year client growth, revenue per client, retention rate.
- **Staffing:** Average staff compensation, attrition rate, staff to partner ratio.
- **Productivity:** Utilization, realization, personnel costs as % of revenue.





**Are they enough?**  
**Not in today's environment.**



# Metrics: Why they must change

- **Service:** Once a year vs. subscription services.
- **Staffing:** In the office vs. virtual workforces.
- **Departmentalization:** Vertical vs. horizontal org design.
- **Clients:** Transactional vs. relationship-driven.
- **Time horizon:** Reactive (lag) vs. proactive (lead).





*“The world has moved to a subscription-based economy. The difference for many accountants switching to new pricing models is that this transition brings with it not only process change, but a whole new set of metrics for senior team members and staff alike.”*

— Darren Glanville, Kandoo, Managing Director



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*“Managing a company by looking at financial data (lag measures) is the equivalent of driving a car by looking in the rearview mirror.”*

— Chris McChesney, Author of *4 Disciplines of Execution*



**Why few lead measures?**  
**We live in a world of historical data.**



# Comparing Lag vs. Lead Measures

	Lag measure	Lead measure
Question	Have you achieved your goal?	Are you likely to achieve your goal?
What	Metrics	Actions
Vantage point	Reactive	Proactive
Control	Not influenceable	Influenceable

**Summary:** Lead measure must be predictive and influenceable.



# Tips & tricks for finding lead measures

- **Start:** Start with the results you want (lagging).
- **Reverse:** Work backwards to the actions to achieve those results (leading).
- **Action:** Make sure your lead measure starts with a verb.
- **Check:** Make sure your quality measures can be quantified (e.g. NPS).





# Lag vs. Lead Measures

	Weight loss	Cost reduction	Client acquisition
Lag	Lose 10 pounds by fall	Reduce costs by 12% this quarter	Add 10 new clients this year



# Examples of lead measures



# Lag & lead measures in service delivery

## Lag measures:

1. Average # of days to close books
2. Average time to complete a job
3. Write down %
4. Average hourly rate per staff
5. Utilization rate

## Lead measures:

1. % clients with weekly reconciled account
2. # of improvement ideas from staff
3. # of projects created per staff
4. CPE credit hours completed per staff
5. % projects completed on-time (or early)



# Lag & lead measures in sales

## Lag measures:

1. Growth in recurring contracts
2. Total Sales Volume
3. Revenue from new clients
4. Cross-sell on current clients
5. Acquisition costs

## Lead measures:

1. Proposals sent
2. Sales meetings (or calls made)
3. Opportunities added (or lost)
4. Evolution of client relationship
5. Completion rate of sales training program





# Lag & lead measures in marketing

## Lag measures:

1. Event attendance rate
2. Marketing Qualified Leads (MQLs)
3. Website visits / blog traffic
4. Follower count on social media
5. Whitepapers created per quarter

## Lead measures:

1. # of phone call reminders for live events
2. % of web pages SEO optimized
3. Content volume on blog
4. Social media spend
5. Whitepaper downloads



# Lag & lead measures in **customer success**

## Lag measures:

1. Net Promoter Score (yearly)
2. Customer satisfaction score (CSAT)
3. Churn (client and employee)
4. Average resolution time
5. Customer effort score

## Lead measures:

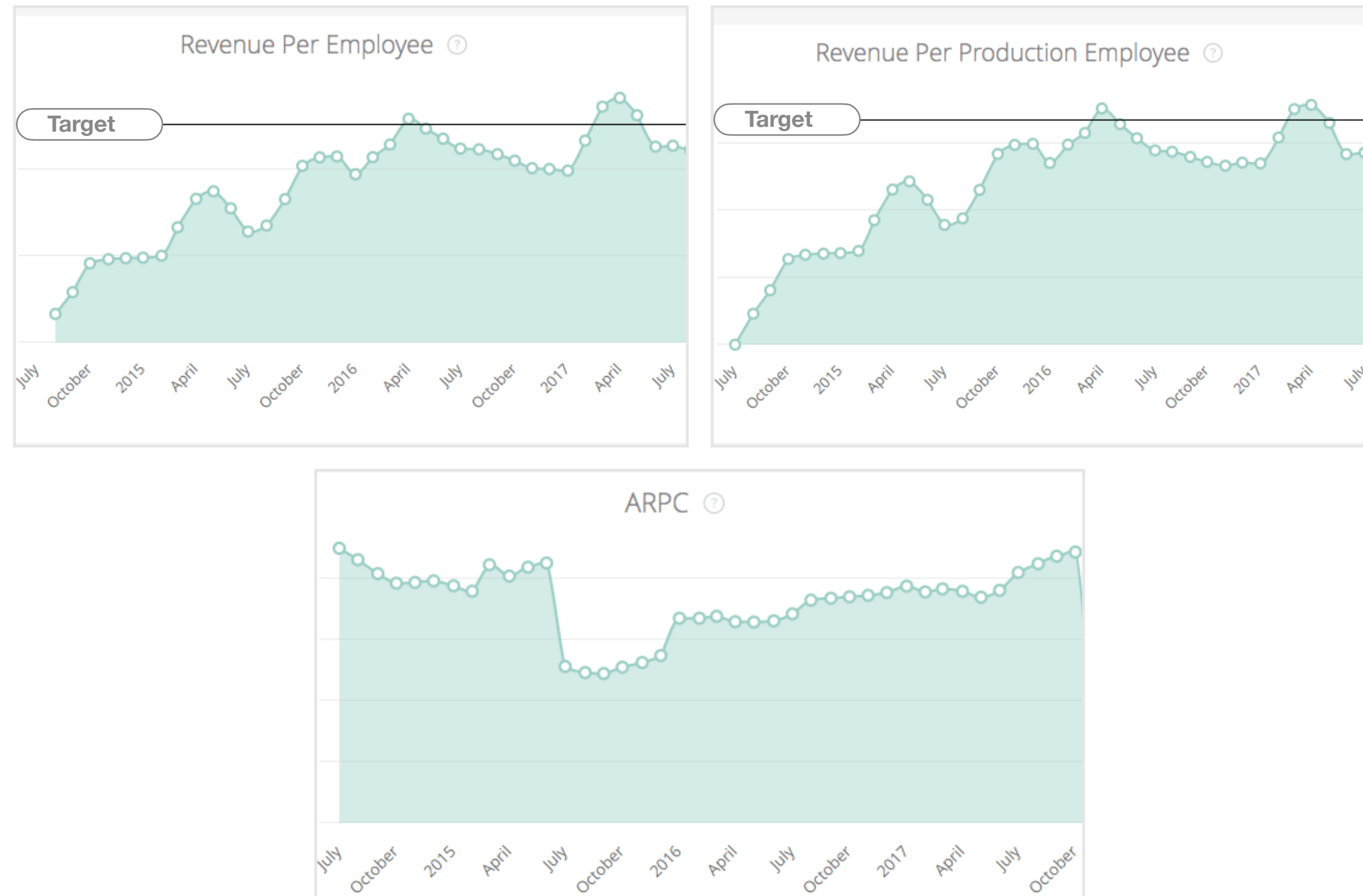
1. Monthly report review meetings w/ clients
2. Email response time
3. # of proactive client outbound calls
4. First contact resolution rate
5. % of clients with active engagement



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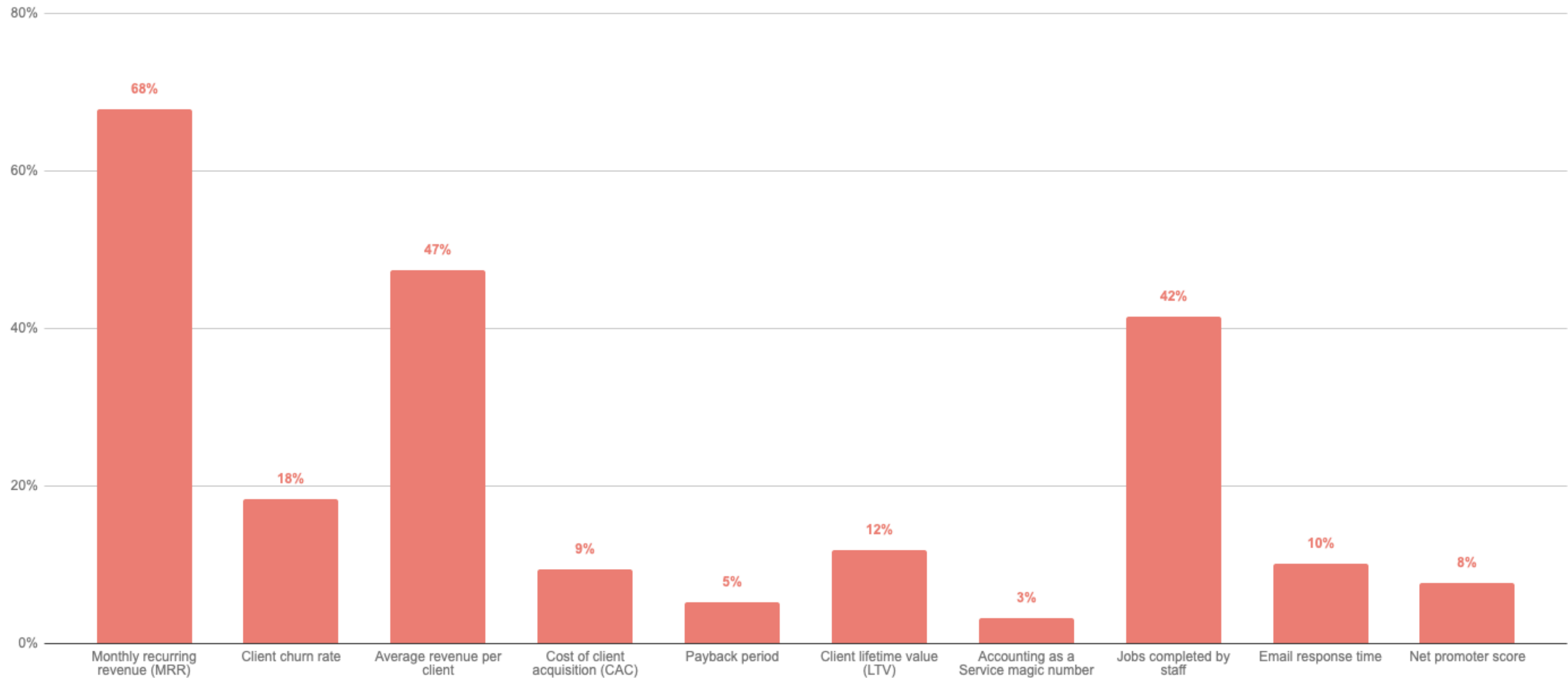


# Example dashboard





# Use of modern metrics



# Revenue

- Monthly recurring revenue (MRR)
- Client churn rate
- Average revenue per client (ARPC)

# Monthly recurring revenue (MRR)

$$MRR = (Rev[p] + Rev[nc]) - Cancellations$$

- Rev[p] = Recurring revenue at end of prior period
- Rev[nc] = Newly committed revenue for the current period

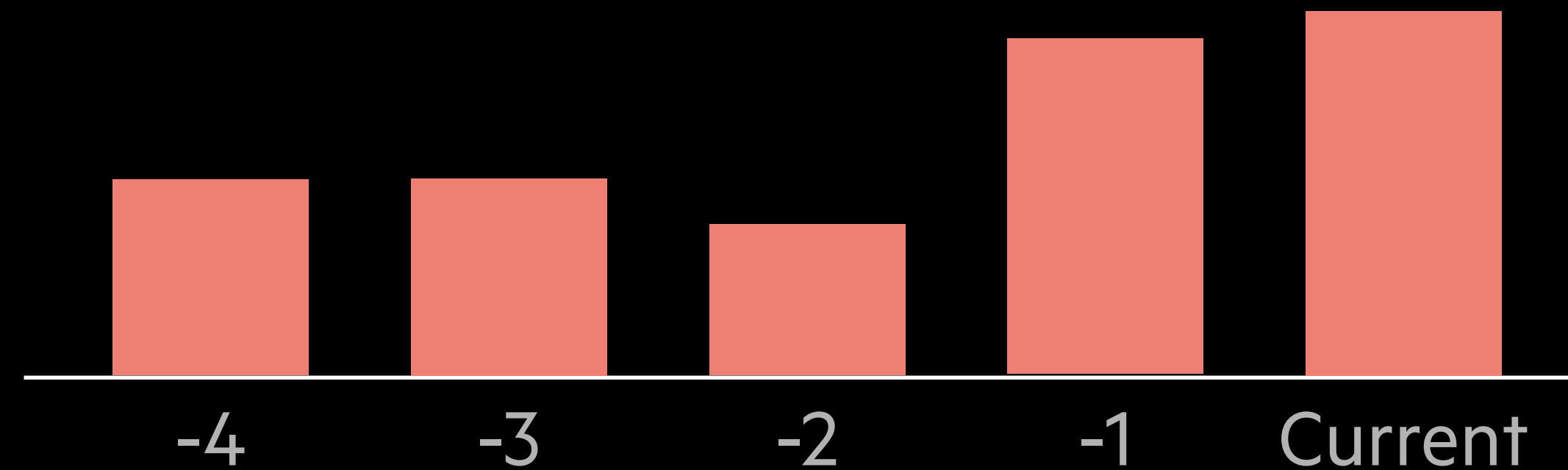
# Example of MRR

$$MRR = (\$35,000 + \$3,200) - \$1,000 = \$37,200 \text{ per month}$$

- **Starting:** 35 clients at \$1000 per month
- **Change:** Add two more clients paying \$1600 per month
- **Cancellations:** Lost one client paying \$1000 per month



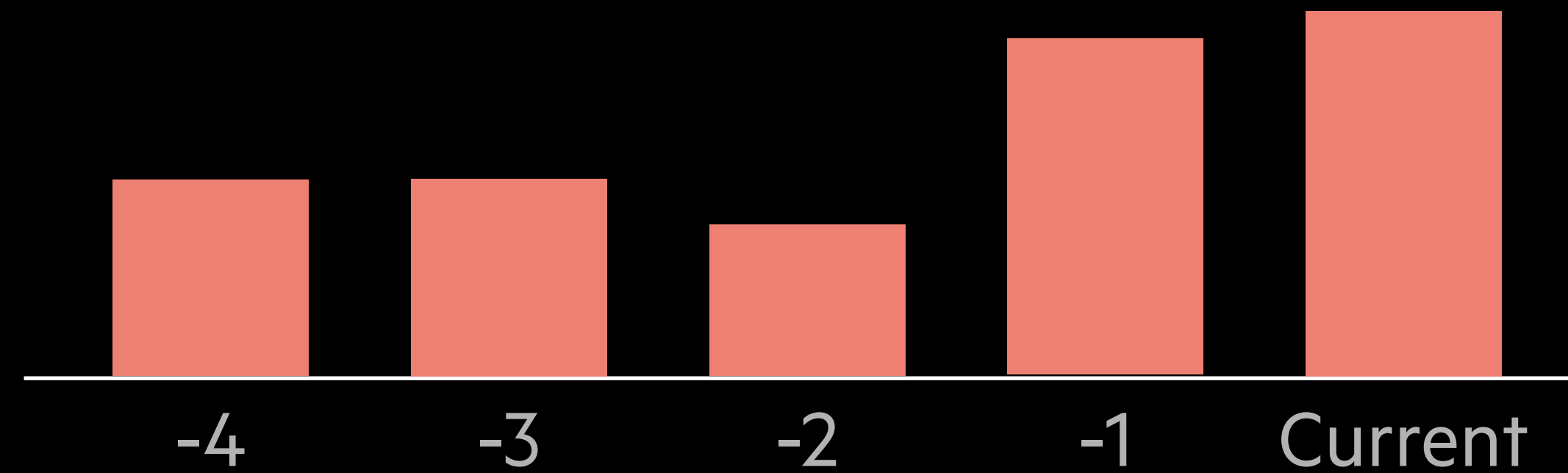
# MRR over time



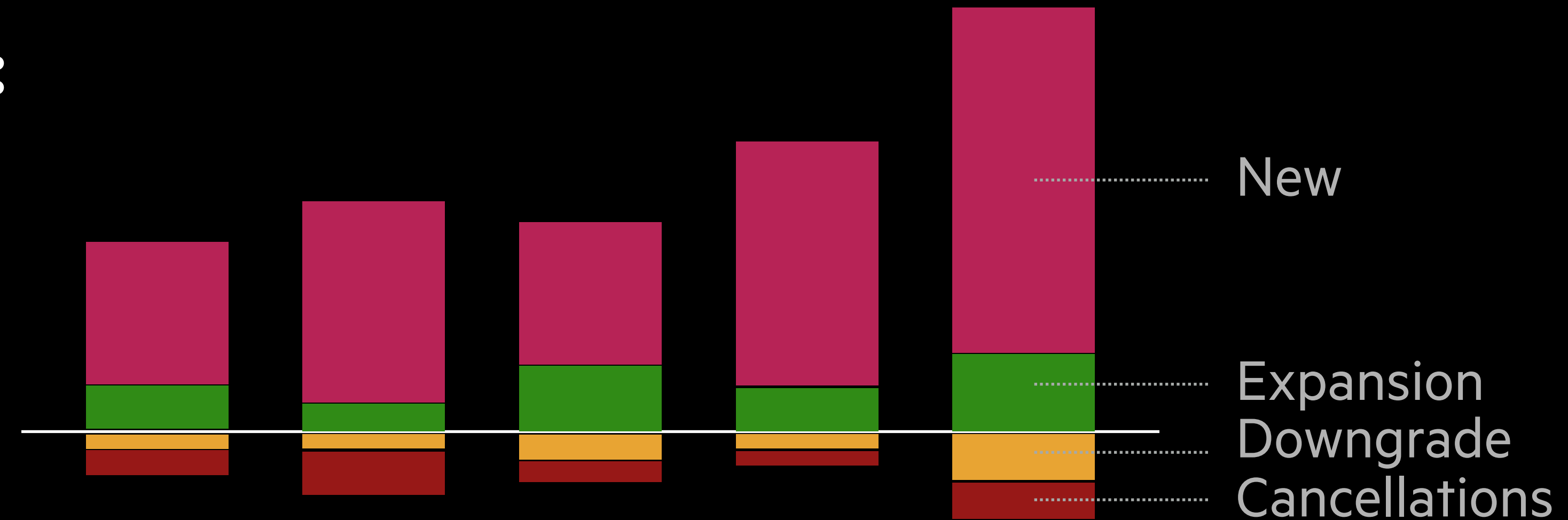
## Bonus metrics:

- Annual Recurring Revenue =  $\text{MRR} \times 12 \text{ months}$
- Expansion MRR = Increase in MRR from existing customers
- Churned MRR % =  $\frac{\text{Lost MRR}}{\text{Total MRR}}$

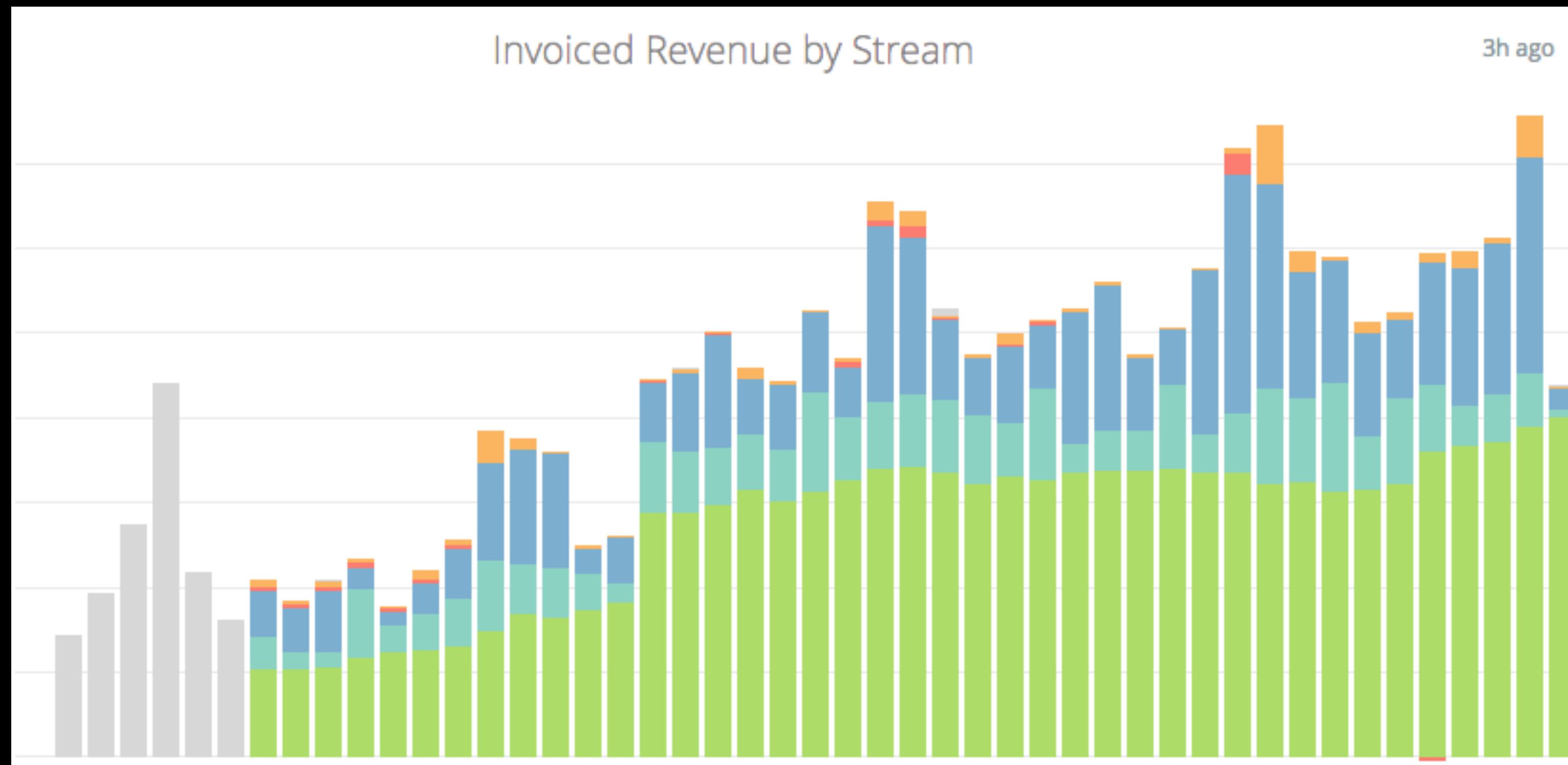
# MRR over time



## Bonus metrics:



# MRR: How to handle non-monthly?

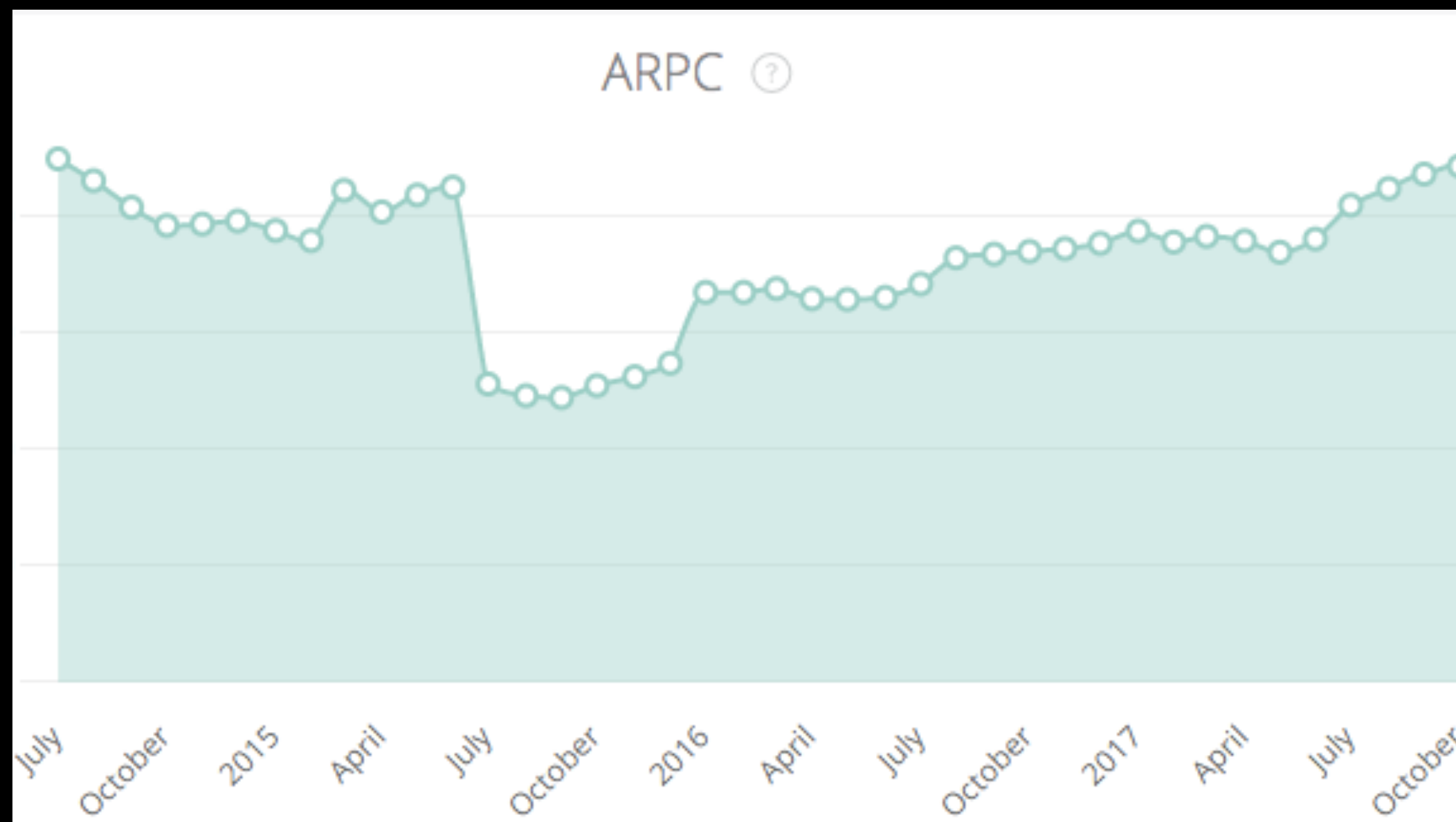


- Tax-only
- Assessments
- Onboarding
- Project-based
- Audits
- One-offs

# Additional revenue metrics

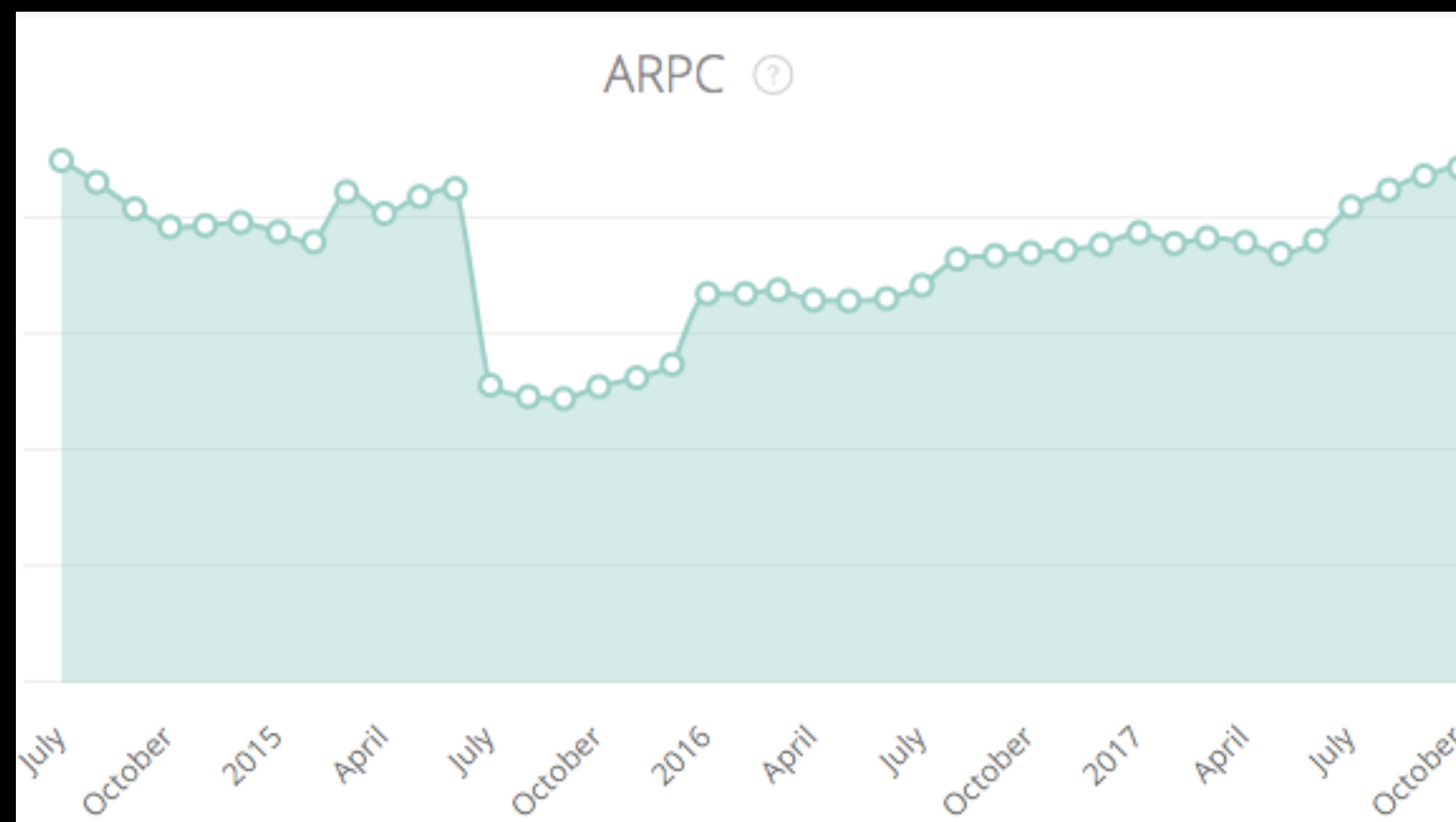
$$ARPC = \frac{MRR}{Total\ clients}$$

- ARPC = Average revenue per client
- MRR = \$37,200
- Total clients (ending) = 35



# Additional revenue metrics

$$ARPC = \frac{MRR}{Total\ clients} = \frac{\$37,200}{35} = \$1063 \text{ per client}$$



- Change: Prior period had \$972 per client



# Additional revenue metrics

$$ARPC = \frac{MRR}{Total\ clients} = \frac{\$37,200}{35} = \$1063 \text{ per client}$$

$$Churn\ rate = \frac{Lost\ clients}{Total\ clients}$$

- Starting: 36 clients
- Change: Lost 1 client last month

# Additional revenue metrics

$$ARPC = \frac{MRR}{Total\ clients} = \frac{\$37,200}{35} = \$1063 \text{ per client}$$

$$Churn\ rate = \frac{Lost\ clients}{Total\ clients} = \frac{1}{36} = 2.8\% \text{ (monthly)}$$

# Revenue

- Monthly recurring revenue (MRR)
- Client churn rate
- Average revenue per client (ARPC)

# ROI

- Cost of client acquisition (CAC)
- Payback period
- Lifetime value of a client (LTV)

*“A key measurement of practice growth and profitability is to look at the costs to acquire customers, including salaries and marketing costs. Spend less and earn more—it’s that simple.”*

— Darren Glanville, Kandoo, Managing Director



# Cost of Client Acquisition (CAC)

$$CAC = \frac{\text{Sales \& mktg expenses of prior period}}{\text{New clients acquired in current period}}$$

# Example of CAC:

$$CAC = \frac{(\$4300 + \$26,000)}{8} = \$3787 \text{ per client}$$

- **Spent:** Prior quarter spent \$4,300 (website, writer, Adwords)
- **Ongoing:** \$26,000 in associated staff wages in marketing
- **Impact:** Acquired 8 new clients this quarter



# Additional ROI metrics

$$\textit{Payback Period} = \frac{CAC}{ARPC}$$

- CAC = \$3787 per client
- ARPC = \$1094

$$\textit{Lifetime Value} = GM\% \times \frac{1}{\textit{Churn rate}} \times ARPC$$

- GM%: 60% gross margin
- Churn rate = 2.8%

$$LTV : CAC$$

# Additional ROI metrics

$$\text{Payback Period} = \frac{\$3778}{\$1094} = 3.45 \text{ months}$$

- Industry average is between 3 to 4 months

$$LTV = 60\% \times 35.7 \times \$1,094 = \$23,433 \text{ per client}$$

$$LTV : CAC = \$23,433 : \$3,787 = 6.2 : 1$$

- Industry averages are between 4:1 and 5:1

## Revenue

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## Scale & Efficiency

- AaaS metrics
- Jobs completion metrics

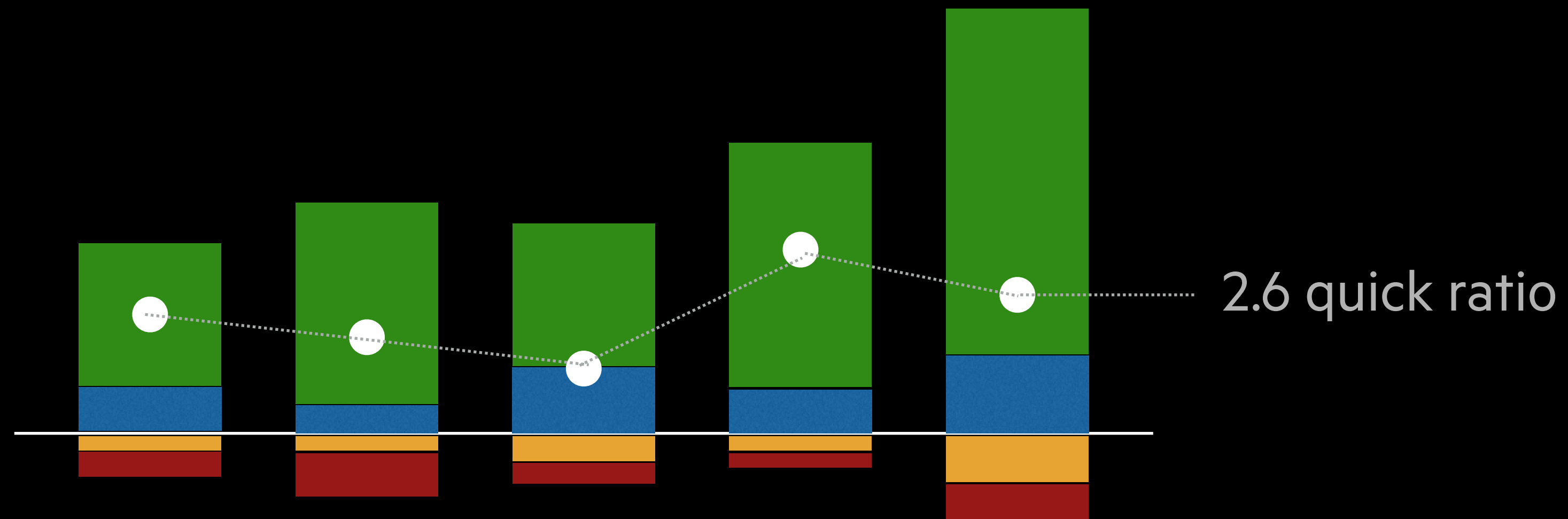
# AaaS quick ratio:

$$\text{AaaS Quick Ratio} = \frac{(\text{New MRR} + \text{Expansion MRR})}{(\text{Churned MRR} + \text{Downgraded MRR})}$$

# Example of AaaS magic number:

$$\textit{Quick ratio} = \frac{(\$2000 + \$1200)}{(\$1000 + \$200)} = 2.6$$

# MRR growth & AaaS quick ratio





# AaaS magic number:

$$\textit{Magic number} = \frac{( \textit{Rev}[Q2] - \textit{Rev}[Q1] ) \times 4}{\textit{Sales \& Marketing exp [Q1]}}$$

# Example of AaaS magic number:

$$\textit{Magic number} = \frac{(\$25,000 - \$18,000) \times 4}{\$30,300} = 0.92$$

# Job completion metrics



*“While we don’t track time anymore, we still have expected time targets for processes that help me budget, forecast and allocate work evenly across the team.”*

— Bruce Phillips, HPC, Founder & CEO



# Effective billing rate *(for subscription clients)*

$$\text{Effective monthly billing rate} = \frac{MRR}{\text{Time Spent}}$$

# Job completion metrics

- **Overall:** Completion tracking over time and historical comparison.
- **Stats:** Jobs completed per staff member, avg time to complete job.
- **By status:** How many in each phase, last attended to
- **By colleague:** Open vs. completed vs. overdue, and why.
- **By client:** Open vs. completed vs. overdue, and why.



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# Scale & Efficiency

- AaaS metrics
- Jobs completion metrics

# Client

- Email response time
- Net promoter score

# Email behavior & response times

11,203

Emails Received

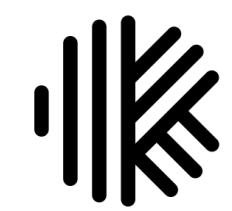
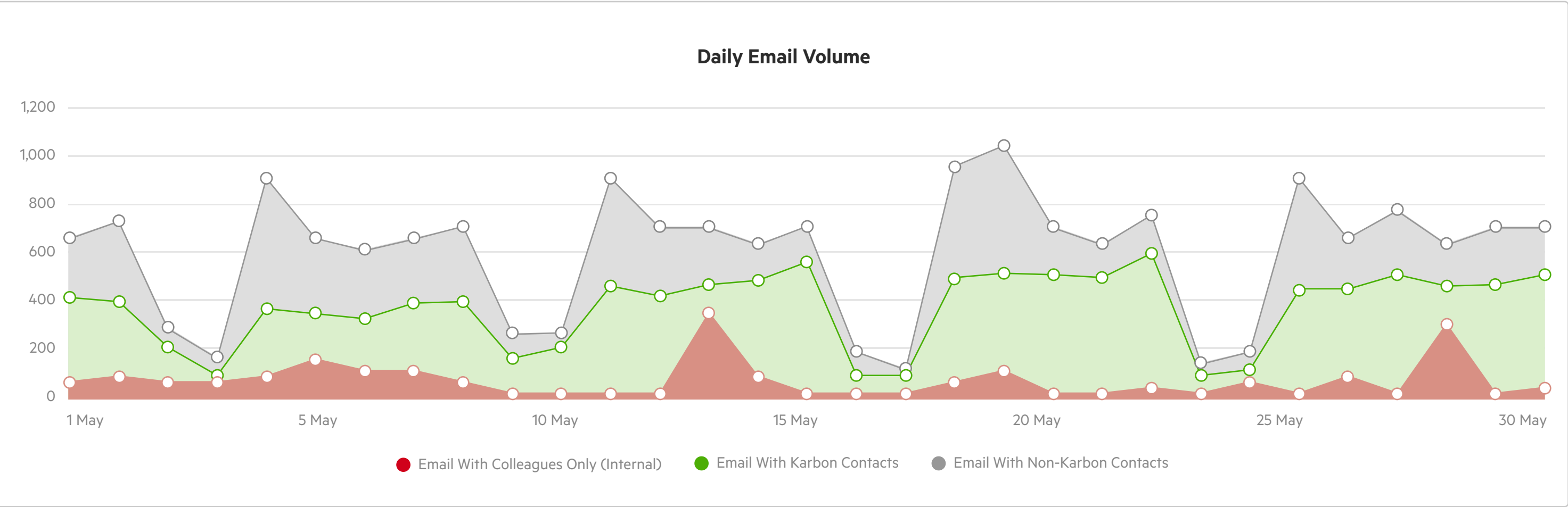
↑ 230 From Previous Period

5,402

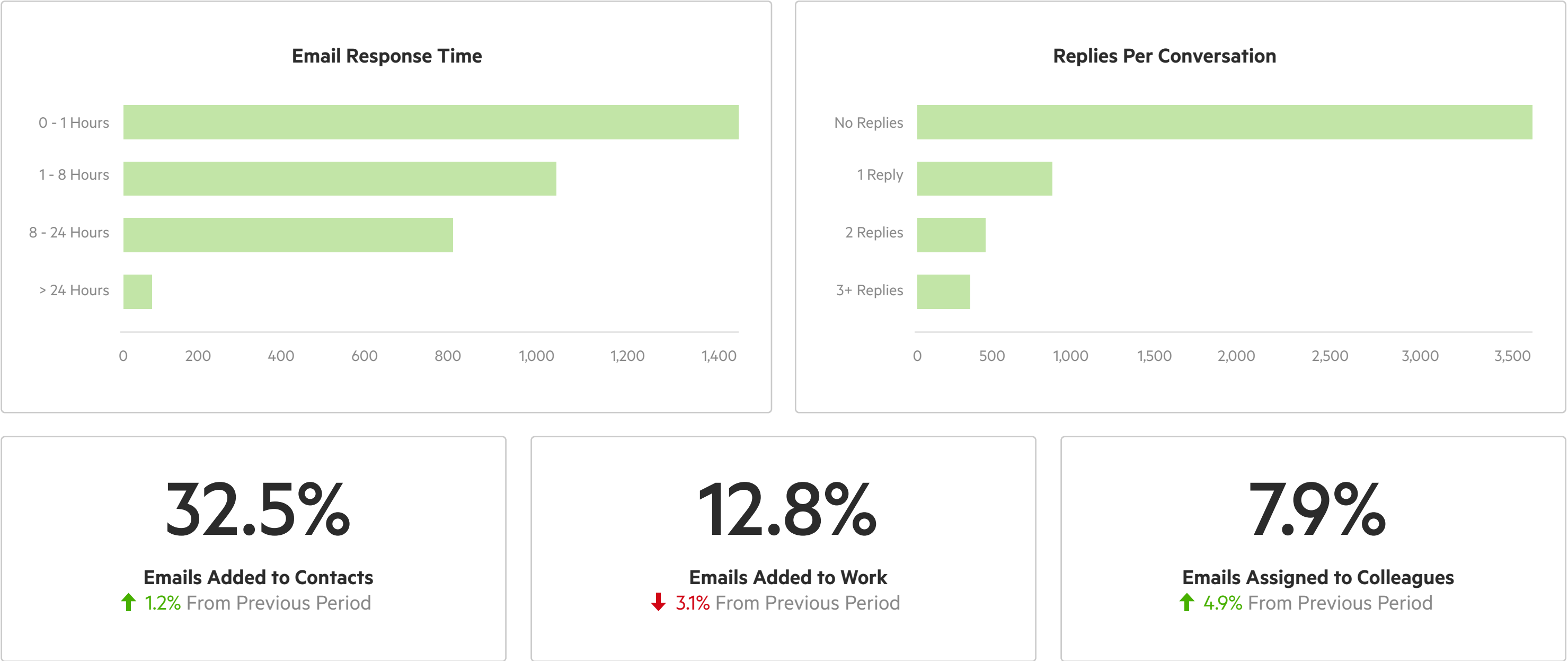
Emails Sent

↓ 470 From Previous Period

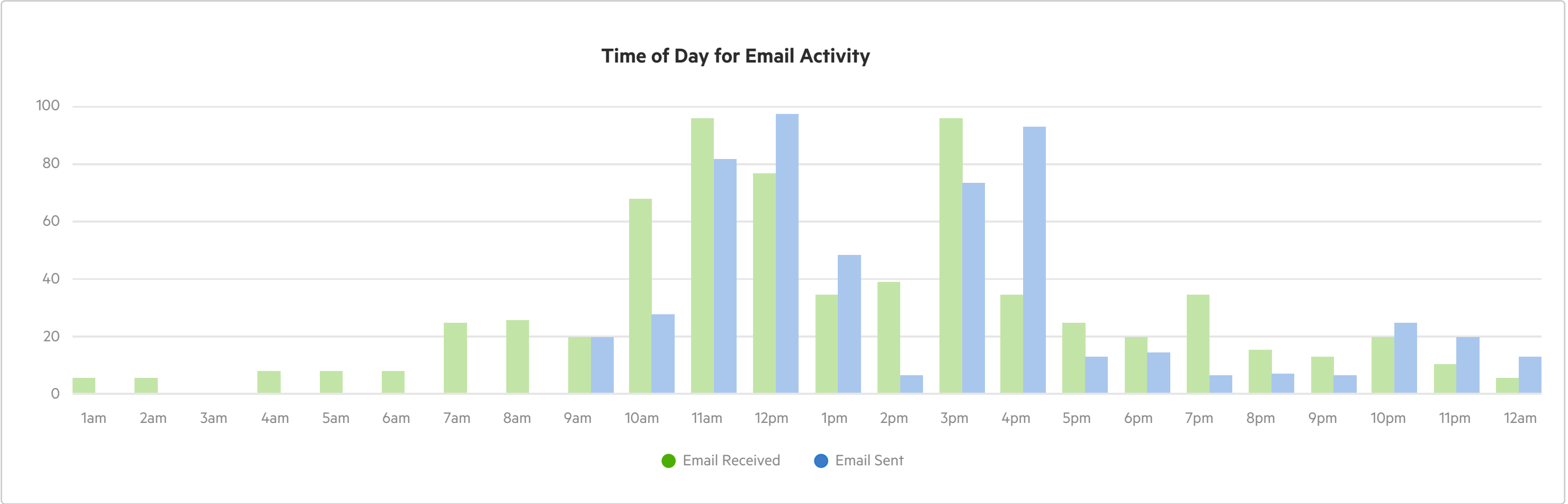
Daily Email Volume



# Email behavior & response times



# Email behavior & response times



7h 23m

Average Email Response Time  
↓ 0h 12m From Previous Period

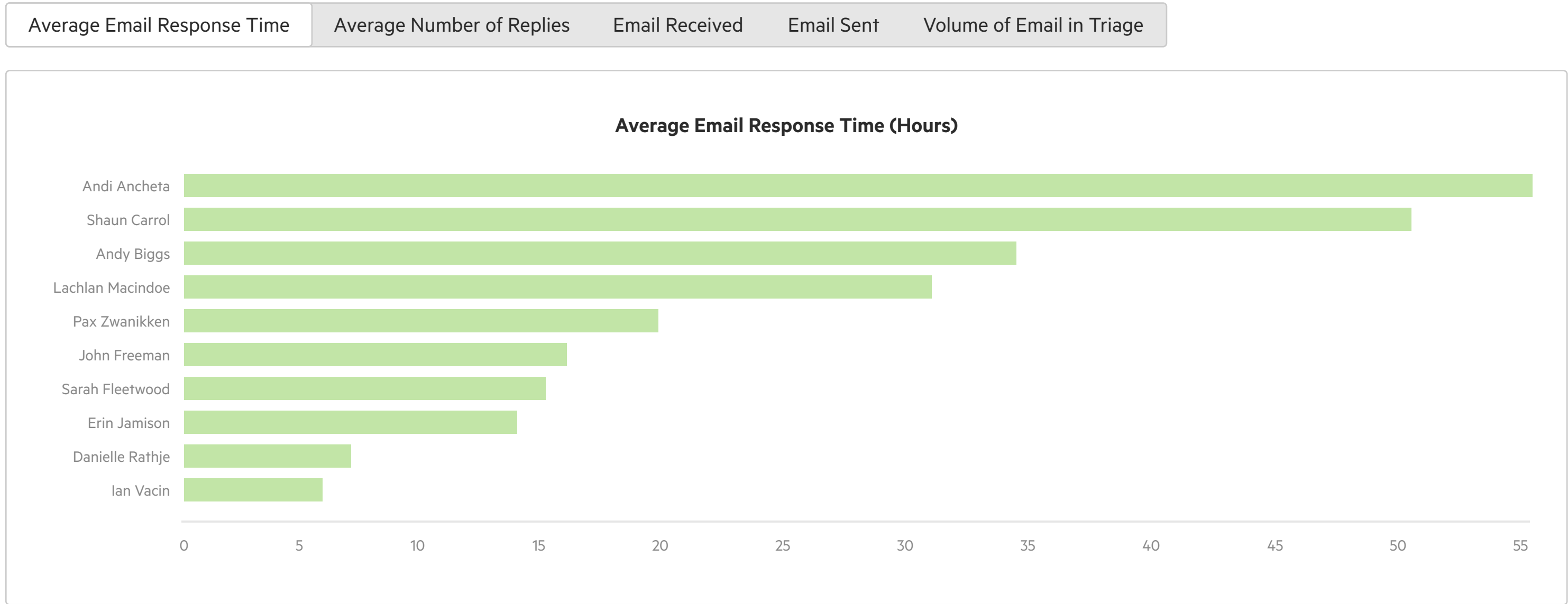
1.3

Average Replies Per Conversation  
↑ 0.2 From Previous Period



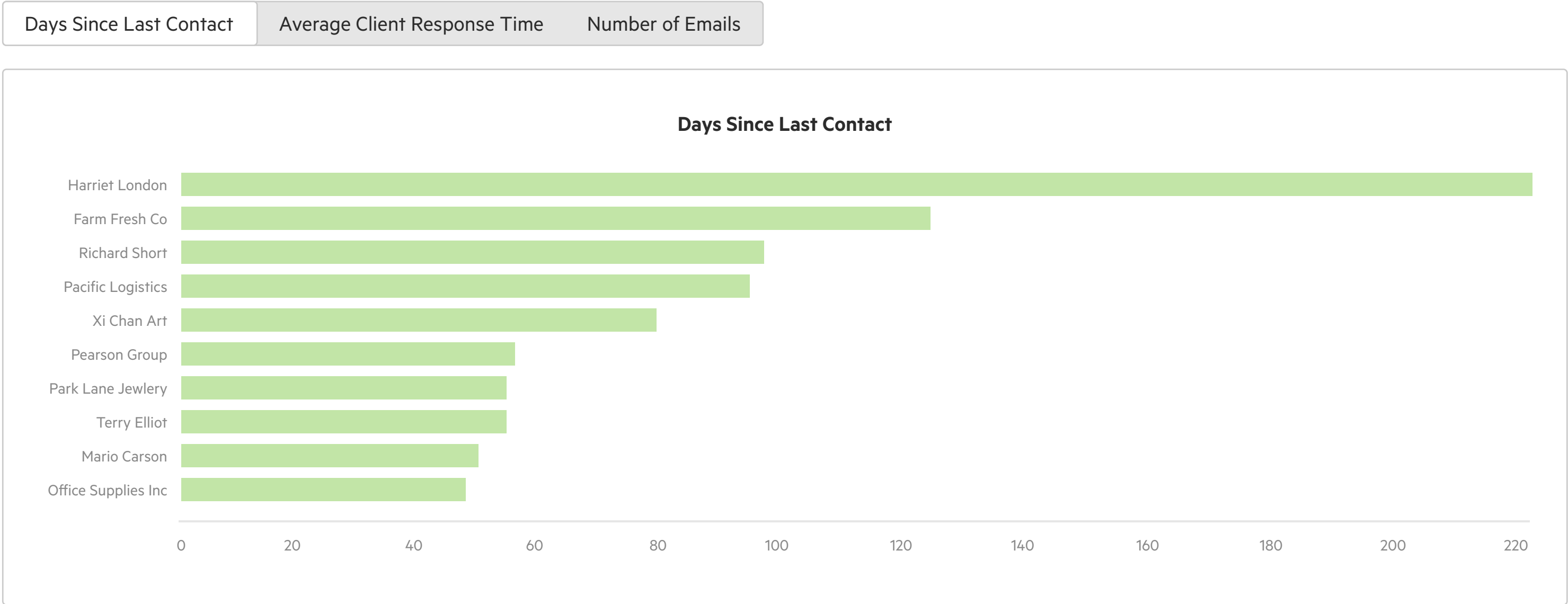
# Email behavior & response times

## Colleague Leaderboard

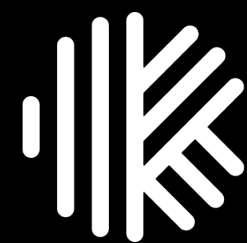


# Email behavior & response times

## Client Leaderboard



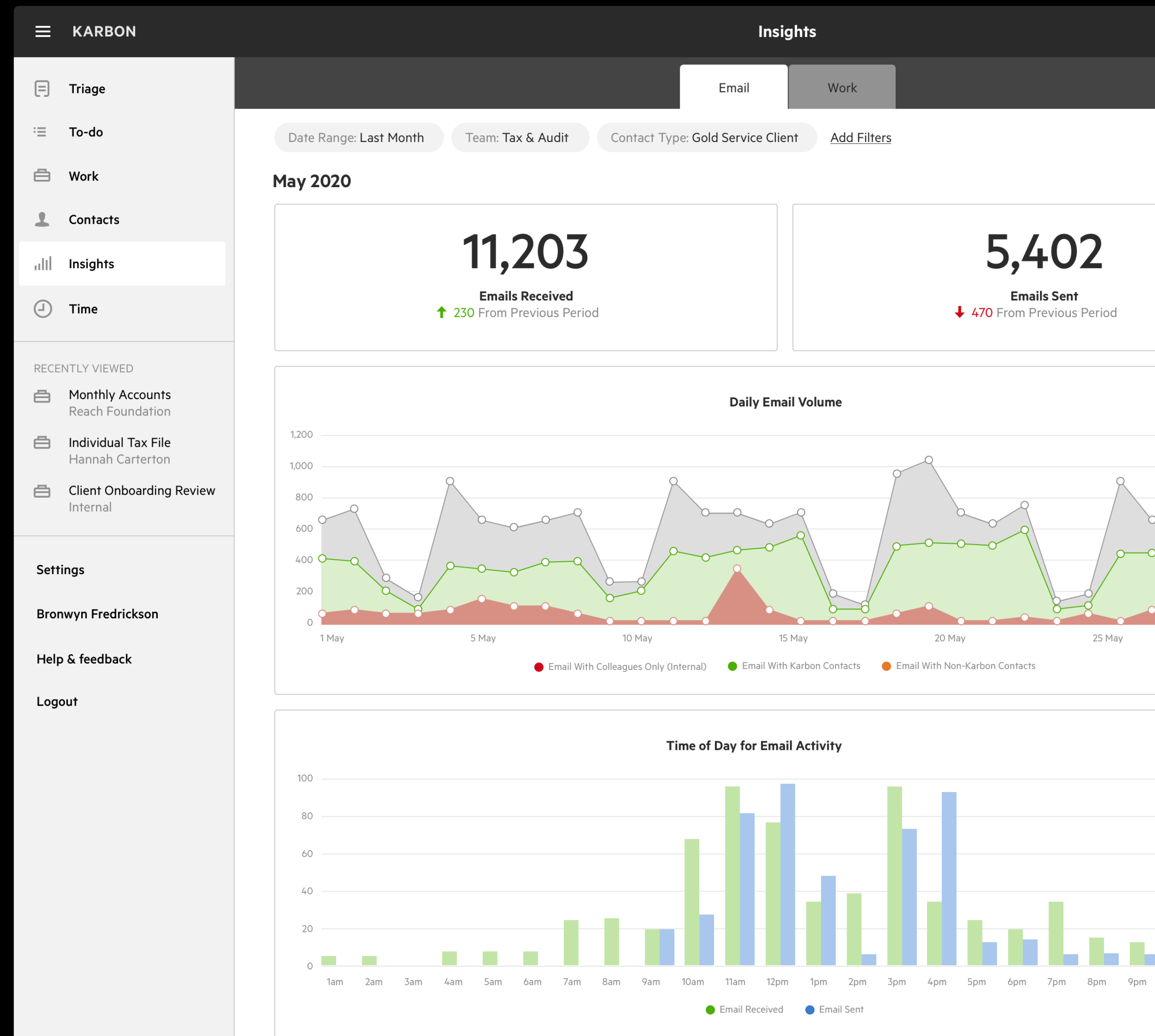




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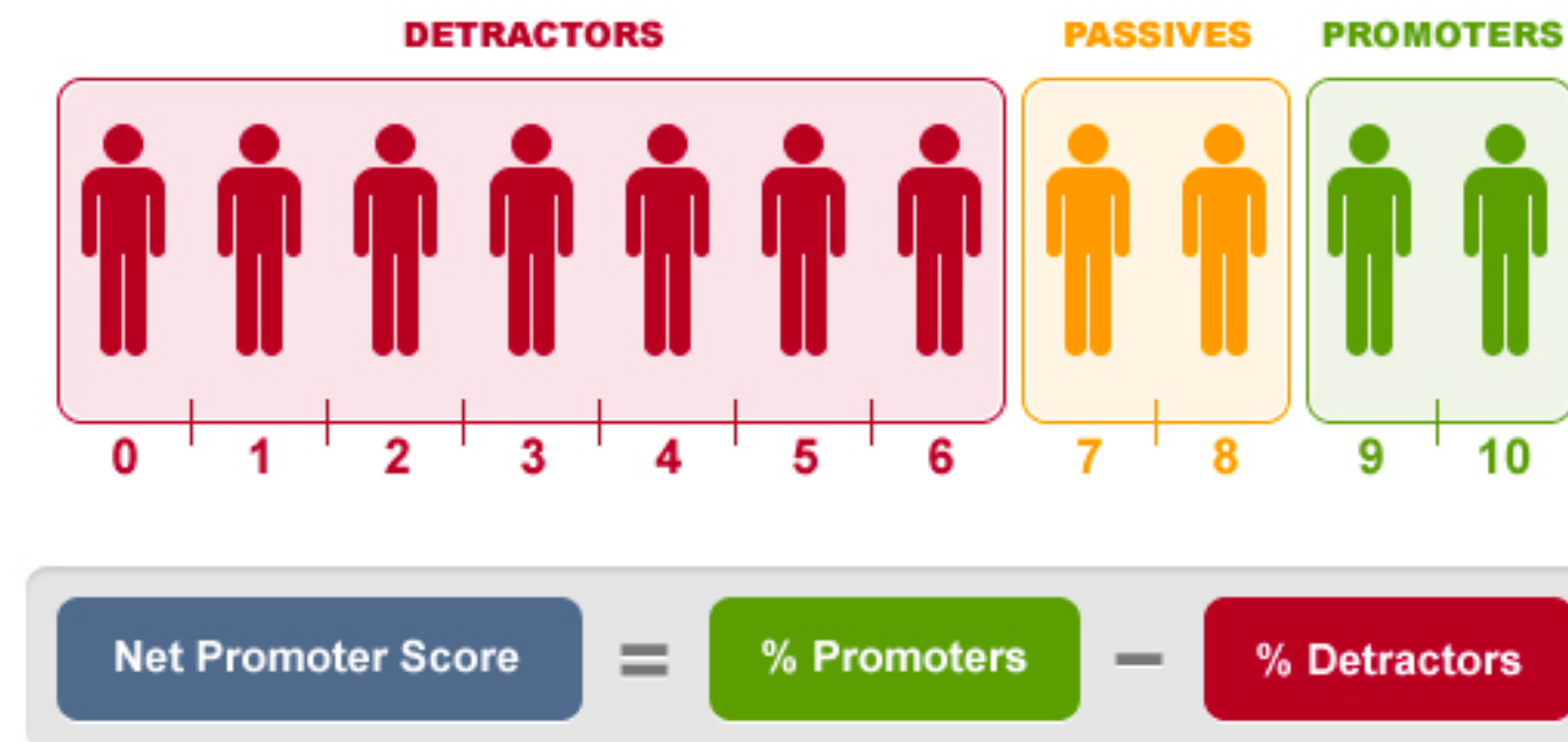


# Net Promoter Score (NPS)



# Net Promoter Score (NPS)

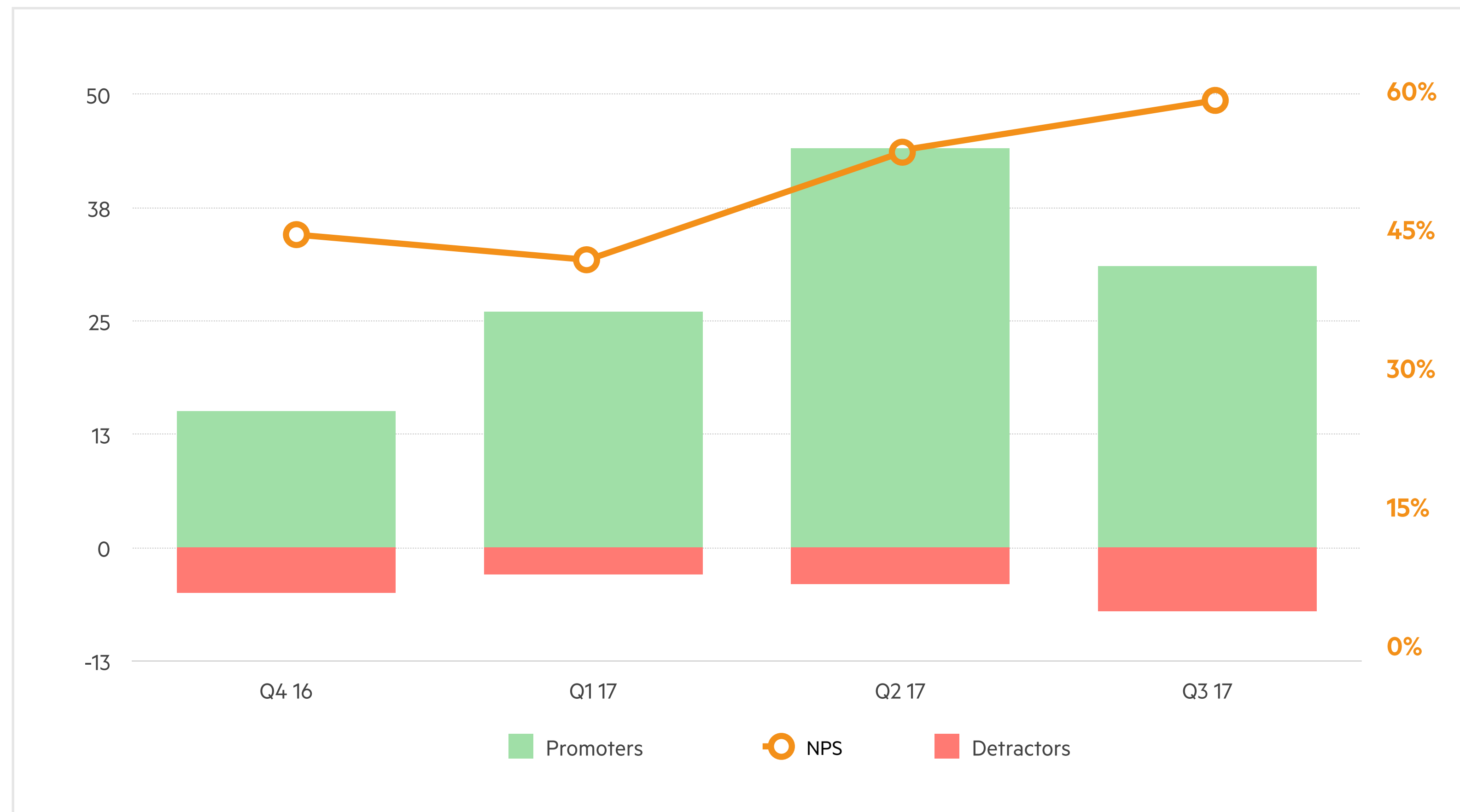
How likely is it that you would recommend our company to a friend or colleague?



Source: [checkmarket.com/blog/net-promoter-score](https://checkmarket.com/blog/net-promoter-score)

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# Track your results over time



# Revenue

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# Scale & Efficiency

- AaaS metrics
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# Client

- Email response time
- Net promoter score

# Additional things to consider



# Some additional metrics to consider

- **Overall performance measures**

Cost of cancellation (COC)

Avg number of services per client

Best / worst clients (against median)

Cross-sell opps available vs. won

Write-up/down rate

- **Productivity measures**

Most active staff members

Avg number of client touches / month

Efficiency, task & work insights & ratios

- **Sales & marketing measures**

Marketing qualified leads (channel, volume)

Sales closure rates

Opps (open, close, quality, fit, size, when)

Average time to close (opps)

Conversion rates across sales funnel

- **Client measures**

Client response time to emails

Client turnaround time to requests

Client referral and ratings/review rates





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**Look forward *not just* backwards.**



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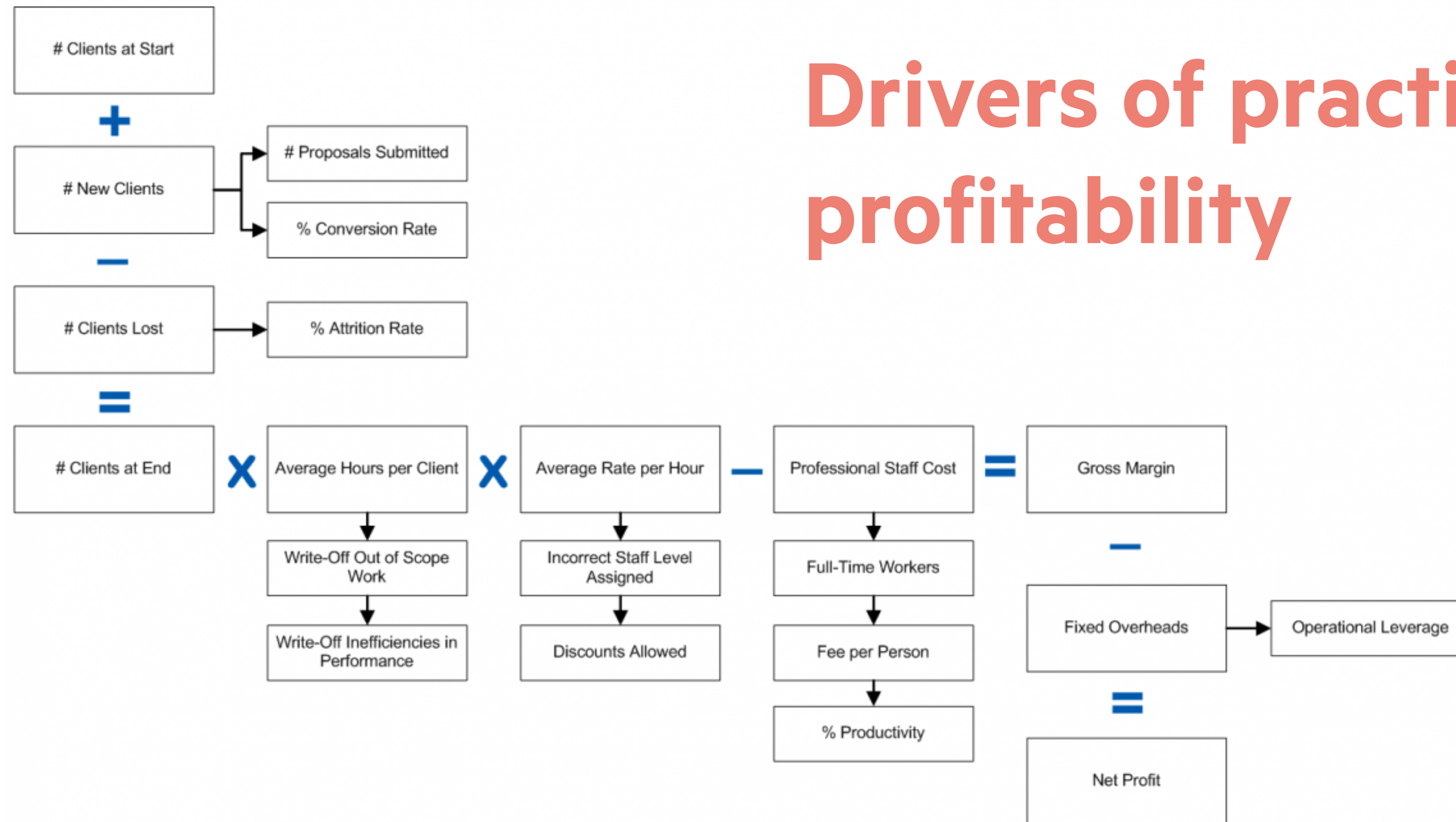
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# Drivers of practice profitability



Source: Paul Thompson & Stuart Black (IFAC SMP Committee Members)

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# Your 30-day assignment

- Make a list of the current measures you track and their purpose.
- Review the AaaS metrics.
- Choose the 5 to 7 metrics you want to track on your scorecard.
- Build your dashboard and start tracking it today.

- Get the exercise at: <http://bit.ly/2hdkxDQ>
- Download the Metrics that Matter report: [karbonhq.com/metrics](http://karbonhq.com/metrics)



# Carla Caldwell



- Bookkeeper and accountant for nonprofits and growing small businesses.
- Strategically guides accounting teams to become a modern practice.
- International Speaker and Trainer.
- Top Women in Accounting, 2017.

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- Learn more: [www.caldwellct.com](http://www.caldwellct.com)



# Questions?





# Thank you

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# Polling question

