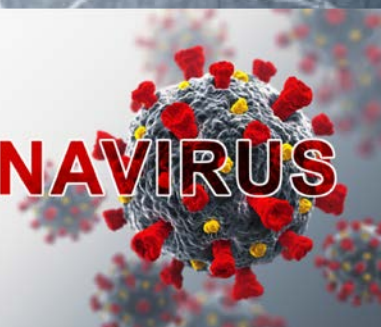


# Decision Making in Difficult Times

Coronavirus

**CORONAVIRUS**



**Ted Dacko**  
[tdacko@me.com](mailto:tdacko@me.com)  
734.604.5417



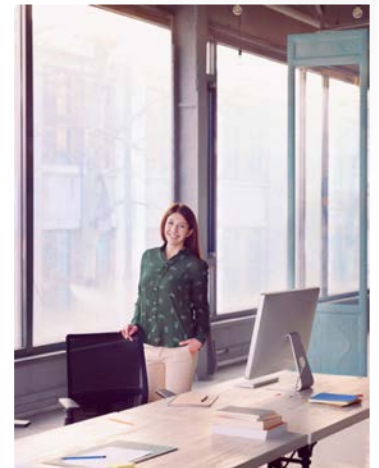
# What is our mission?

1. Leadership in times of crisis
2. Financial model
3. Company stages
4. Tell you my story
5. Talk about decision framework
6. Measure what matters
7. Discuss planning horizons
8. Evaluate decision biases
9. Provide recommendations
10. Provide resources
11. Do my best to answer questions



# Today's Questions

- Does it matter if we are a revenue producing company or not?
- What decisions are we talking about?
- How long will this last?
- How do I make decisions about my entrepreneurial venture?



# Stages

- **Product Conceptualization** – Product, Vision, Culture
- **MVP** – Product Development
- **Early Customer Acquisition** – Sales, Marketing and Customer Support
- **Early Scale** – Culture, Organizational Development (building the team), Company Vision, Communications, Business Strategy
- **Late Scale** – Maintenance and fending off new competitors. Keeping the business relevant

# First Poll Question

**Are you in MVP development, early customer acquisition or scale stage?**

- MVP Development
- Early Customer Acquisition
- Scale





## Second Poll Question

**If you are in Early Customer Acquisition or Scale stage, have your sales deteriorated over the past 30 days?**

- Yes
- No
- Too early to tell



# Third Poll Question

**Are you considering RIF or salary reductions? if so, which?**

- Reduction if Force
- Salary Reductions
- Both
- Neither



# Fourth Poll Question

**Do you have sufficient cash to keep going over the next 6-9 months with modest or no revenues?**

- Yes
- No
- Not sure





# Why Are We Covering This Topic?



# Ted Dacko

*"Leaders step-up in times of crisis."*



# Leadership Versus Management

## Leader

- Create vision
- Make hard decisions
- Develop/Implement Strategy
- Change agents
- Are unique
- Take risks
- In it for the long haul
- Grow personally
- Build relationships
- Coach
- Create fans

## Manager

- Create goals
- Follow decisions
- Tactics
- Maintain the status quo
- Copy
- Control risks
- Short term
- Rely on existing skills
- Build systems/processes
- Direct
- Have employees

# Leadership Versus Management

Leadership without management is dreaming. A team with leadership but no management is lucky to get jobs done.

Management without leadership is the DMV--bureaucracy without passion. A team with management without leadership rarely excels, nor do people like working in it.

# Leaders



These behaviors emerged as indicators of incompetence and untrustworthiness.



# Do We Have Sufficient Cash (scenarios)





# You Better Have a Good Financial Model



QuickBooks is Not Financial Reporting or Modeling

# Financial Model

- Monthly P&L with Cash Balance (18 months)
- Annual P&L with Cash Balance
- Details on:
  - Headcount and salaries
  - Marketing expenses
  - Sales expenses
  - Operations expenses
  - Revenue expectations by revenue type and showing volume and price assumptions
- You need to do sensitivity analysis



# HealthMedia Situation Analysis

- Dotcom market had just collapsed
- Access to capital had dried up
- Selling was difficult
- Had a \$350k/month burn rate...over-extended
- Had some modest revenue coming in, but it was the wrong kind (development, not subscription)
- Were unknown in the market
- Still looking for product/market fit
- Had to take 85 people down to 18
- Missed payroll 3 times
- Had to do salary reductions



# HealthMedia Situation Analysis - 2

- HealthMedia was not my first rodeo. I knew what had to be done. Relentless execution was required
- There were no other job opportunities for me. (Burn the bridges)
- I am a sales, marketing guy
- Vic was a science, sales guy
- I had a strong planning background
- I developed a plan and followed it
- I communicated continuously
- I had a mentor and advocate
- Had a great and dedicated team **for the stage we were in**

# HealthMedia Situation Analysis - 3

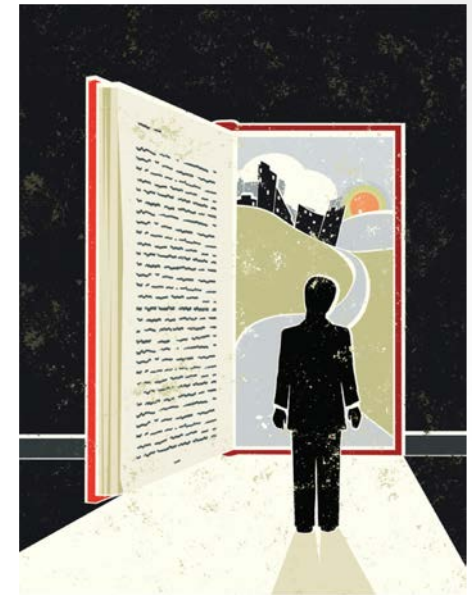
- Had several discussions about shutting the doors
- But we always decided that this was unacceptable and that we would press on
- I was always dead honest with the employees
  - I told them precisely where we were
  - I told them what my plan was
  - I asked them to hang in there with me
- Slowly thing got better
- Used Blue Ocean Strategy
- Then things really got better



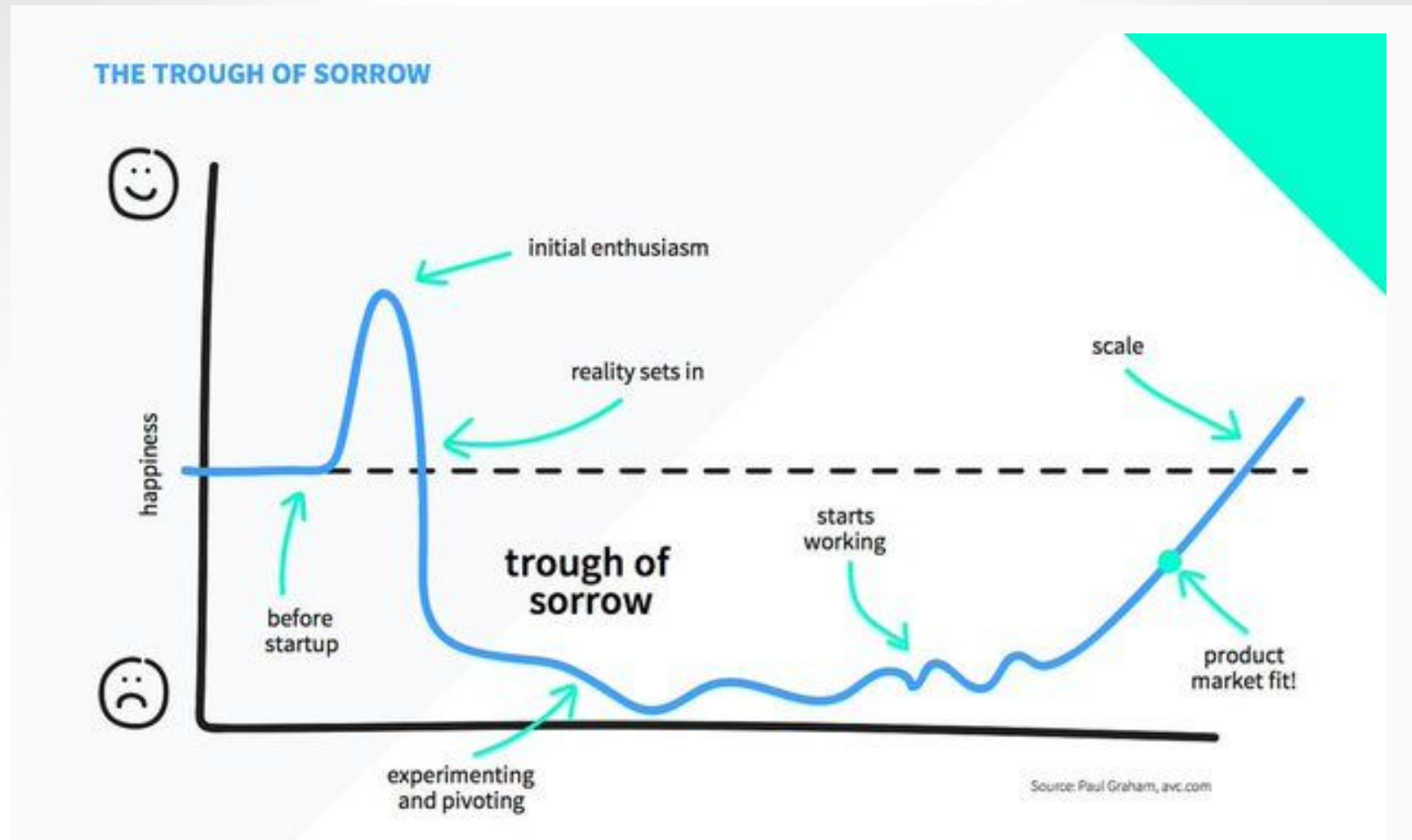
# So What Happens?

- What can go wrong, will go wrong
- What should go right, rarely goes right
- You hear “no” a lot
- Pressure to produce
  - Product
  - Revenue
  - People
  - Raise money
- Prospects don’t get it
- Implementations go wrong
- Good people find other opportunities
- Miss product deadlines

## Startup Story



# Typical Startup Emotional Journey



# Work Harder and Harder



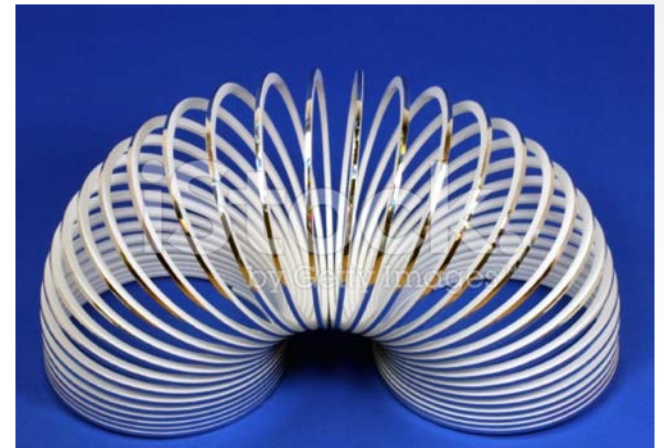
# And then....



# What is Resilience?

## Webster's Dictionary:

“Resilience is the ability to become strong, healthy or successful again after something bad happens”





# What is Resilience?

**Mike Tyson:**

“Everybody has a plan...until they get punched in the mouth.”





# What is Resilience?

**And in when it comes to entrepreneurs:**

“Everyone get’s punched in the mouth on a regular basis....particularly now”



# What is Resilience?

## Ted's Dictionary:

“Resilience is the ability to bounce back after you have been punched in the mouth...figuratively, not literally.”



# Stress Symptoms

- Irritable
- Lack of sleep
- Eat too much
- Drink too much
- Smoke
- Don't adhere to plans (treatment/medication)
- Difficulty in paying attention
- Miss work
- Bad morale
- Poor engagement



# Resilient People – Rob Pasick

- Resilient people carefully decide what they can control and what they can't.
- Resilient people know there are always other solutions and they find ways to improvise and stay flexible.
- Resilient people recognize their fear, but do what they have to do anyway.
- Resilient people are realistically optimistic but stay grounded in reality.
- Resilient people find a team to support them.
- Resilient people cast off those who are negative about their ability to persevere.
- Resilient people focus on creating a new future rather than trying to replicate the past.

## Resilient People (2) – Rob Pasick

- Resilient people are trying to find the best knowledge they can about the situation and act accordingly.
- Resilient people do not respond to rumors, but rely on hard-core proven facts to make their decisions.
- Resilient people recognize that this is going to be a chaotic situation and that they're going to have to make decisions with the rules changing moment by moment. This uncertainty will not block them from action because they know that they have to make some decisions, even if they're proven wrong in the long run.
- Resilient people face the brutal facts and act accordingly.
- Even though they are facing the brutal facts they are looking ahead to think about how their decisions today will play out in the future, after the crisis has resolved.
- Resilient people know that even though things are terrible, there are opportunities for them to come out of the situation positively.

# Solutions





# Solutions

Harvard  
Business  
Review



The Management  
Tip of the Day

## Today's Tip

### Lead with Transparency in Times of Crisis

If your team is working from home for the first time, chances are they might be feeling somewhat disconnected and out of the loop. You can help them by being transparent and making sure that everyone knows what's going on. Communicate what's happening at the organizational level around finances, client relationships, and big-picture goals. People may be nervous about revenue goals and other deliverables. Share as much information as you can, with as many people as you can, to help them feel like things are going to be OK. And communicate equitably. No team member should feel like they have less access to you than others. So make an effort to be available to everyone. Finally, when you run your virtual team meetings, aim for inclusion. Balance the airtime, so that everyone feels seen and heard. When people feel isolated, their imagination can begin to go wild. Transparent communication from leaders can help reign that in and set a good remote culture for their team.

# Fifth Poll Question

**Do you currently have a formalized decision process?**

- Yes
- No
- Not sure what that is



# Decision Framework



# Decisions

- Should I keep going in my business?
- How do I survive over the next month, 3 months, 6 months, one year?
- If I have people, should I do a RIF, salary cuts, nothing?
- If I do a RIF, who do I let go?
- Do I hire anyone?
- Should I try to continue to raise money? If so, where do I go?
- What market segment do I focus on?



# Decision Framework

## Management team decision model

- Define the issue
- Listen to input
- Outline the options
- Understand and document the consequences of the actions/decisions. What can go right? What can go wrong?
- Make a decision on a course of action
- Outline key review points, time periods and alternative actions (Plan B, etc.)
- Implement the plan including resources required and any manager assistance needed and communicate the decision and reasons

# Decision Framework

## Manager responsibility

- Review clarity of the analysis
- Ask questions regarding key assumptions
- Clearly understand the risk and reward parameters
- Support recommendation
- Agree on key review points and alternative plans
- Confirm and assist in resource allocation
- Follow up on progress at key review points



# Decision Framework Questions

- Are my assumptions reasonable?
- Do I possess biases?
- Have I considered the input of naysayers?
- Can I really justify that I can counter their objections?
- What can go wrong?
- What can go right?
- What is the expected outcome?
- How long am I going to give this?
- Is there a Plan B and can it reasonably be implemented in the time frame  
Am I prepared for the consequences?
- Will I accept responsibility?
- Is my team with me?

# Beware of Decision Biases



# 12 Decision Biases

- **Anchoring** is a decision bias that results from relying on incorrect assumptions. What we see or hear first feels most important.
- **Status Quo** is a decision bias that skews towards alternatives that support the status quo. We prefer things to stay the same.
- **Sunk Cost** is a decision bias that involves making choices that justify past decisions even when past decisions do not seem valid. We make decisions that justify past choices.
- **Confirming Evidence** is the tendency to decide what to do before deciding why. We seek information that supports our existing point of view.
- **Framing** is a decision bias that profoundly influences the choices based on the way that the problem is framed. The way we state the problem influences what we decide.
- **Estimating/Forecasting** happens when estimates and forecasts are made without clear feedback about accuracy
  - a.**Overconfidence** – We put too much trust in the accuracy of our forecast.
  - b.**Prudence** – We use excessive caution when we try to predict uncertain events.
  - c.**Recallability** – We give undue weight to recent dramatic events.

# 12 Decision Biases

- **Priming** involves being influenced by information received right before making decisions.
- **Project Influence** happens when teams select a project that seems desirable to them. Projects are selected based on “What” and not “Why”.
- **Politics** is a decision bias that skews to the most influential person in the room.
- **Personal Influence** is a decision bias where individual make decisions based on personal bias for or against the project owner. Projects are selected based on “Who” and not “Why”.
- **Dominant Criteria** is a decision bias that involves using one criteria to make a decision and ignoring the others. Often this involves only accepting data that supports a pre-determined approach. Using one criterion to make decisions and ignoring the rest of the criteria.
- **Thin Slicing** is a decision bias where individuals make snap judgements based on first impressions.

# You Have to Make the Decisions



Do what is right for you

#1 NEW YORK TIMES BESTSELLER

# Measure What Matters

How Google, Bono, and the Gates  
Foundation Rock the World with OKRs

John Doerr

WITH A FOREWORD BY LARRY PAGE



# Goals

Hard goals drive performance more effectively than easy goals

Specific hard goals produce a higher level of output than vaguely worded ones

Goals help employee (and your) engagement. Employees with specific goals that are aligned with corporate goals are “more involved” in, enthusiastic about and more committed to their company

Defined goals that are written down and shared freely create alignment, clarity and job satisfaction

# Goals

“At smaller start-ups where people absolutely need to be pulling in the same direction, OKRs are a survival tool. In the tech sector, in particular, young companies must grow quickly to get funding before their capital runs dry. Structured goals give backers a yardstick for success: We’re going to build this product, and we’re going to prove the market will pay for the solution”

OK, but how?

# OKR

# O K R

Objectives &  
Key Results

# Basics

- OBJECTIVE is simply WHAT is to be accomplished, no more and no less
- KEY RESULTS benchmark and monitor HOW we get to the objective. Effective Key Results (KRs) are specific and **time-bound**, aggressive yet realistic. They are measurable and verifiable. It's not a key result unless it has a number.
- We will <OBJECTIVE> as measured by <KEY RESULTS>



# Objectives and Key Results

OKR

The best practice of setting and communicating company, team and employee objectives and measuring their progress based on achieved results

## Objectives:

- Ambitious
- Qualitative
- Time-bound
- Actionable by the team

## Key Results:

- Measurable and quantifiable
- Make the objective achievable
- Lead to objective grading
- Difficult, but not impossible



# Leadership

When you're the CEO or the founder of a company, you've got to say: "This is what we're doing" AND you have to model it with quantitative results. Because if you don't model it,. no one's going to do it...including you.

" When you are tired of saying it, people are starting to hear it." – Jeff Weiner LinkedIn



## More Basics

**Objectives** are the stuff of inspiration and far horizons

**Key Results** are more earthbound and metric-driven. They include hard numbers for one or more key gauges: like revenue, growth, active users, quality, safety, market share, customer engagement, attrition, time, cost.

A manager must be able to measure performance and results against the goal – Peter Drucker

WHERE  
DO I  
START



## Where to Start?

What is most important for the next 1, 3, 6 or 12 months?

Ask yourself: “What really matters?”

What do team members specifically have to do to get us there?

Successful companies focus on the handful of initiatives that can make a real difference, deferring the less urgent ones. Leaders commit to those choices in word and deed. By standing behind a few top-line OKRs, they give their teams a compass and a baseline for assessment.

## Measure What Matters

# Bad OKR

Objective: Do better in school

Key Result:

- Study hard
- Drink more coffee



# Good OKR

Objective: Score a 3.8 GPA or above for the current semester

Key Result:

- Set apart 4 hours each day for studying (7PM to 11:00PM)
- Attend office hours 2 times for each class to clarify questions and get a better understanding of materials
- No weekend partying until April 20



# Writing OKRs

## Best Practices

- 3-4 objectives maximum per level or person
- 3-5 key results per objective
- Write for other people: The team must clearly understand your goals and what they specifically need to do to help get there



# Some Key Metrics

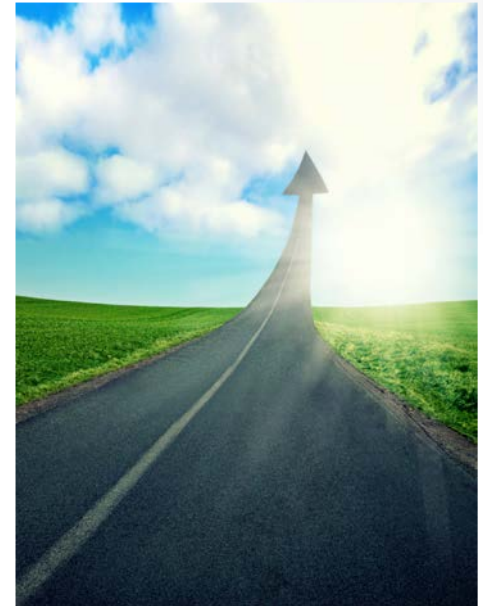
1. New Contract Bookings per Period
2. Cash (Revenue and Cash Balance)
3. GAAP Revenue
4. Monthly Recurring Revenue (MRR)
5. Annual Recurring Revenue (ARR)
6. Growth
7. Sales per rep ratio
8. Sales per distribution partner ratio
9. Average contract value (subscription and services but separately)
10. Customers per support rep
11. Revenue per employee ratio
12. Customer attrition
13. Contract Bookings per Sales rep per period (normally annual)
14. Monthly Average Users (MAU)
15. Customer Acquisition Costs (CAC)
16. Customer satisfaction
17. Lifetime Value (of customer) LTV and the ratio of LTV to CAC
18. Sales Cycle Time (in days)
19. Win rate percentage by stage of sales cycle
20. Sales Forecast and Total Pipeline strength (Monthly)
21. Lead Count (Monthly)
22. Lead source (where do the leads come from?)
23. Market Opportunity or Total Addressable Market (TAM)
24. Cash Flow Status and Cash Flow Positive Date
25. Profitability Status and Profitability Date (GAAP)
26. Minimally Viable Product (MVP) development time and cost
27. Average duration of initial contract (years)
28. Lead conversion rate
29. Win rate versus individual competitors
30. No decision rate
31. Number of Months of Cash On Hand



# Planning Horizons

## Short-Medium-Long

- Today
- This week
- This month
- This quarter
- This year
- Rolling 18 months
- 3 years



# Recommendations

- Form a board of advisors and use them
- Listen to input, but expect different opinions
- Have a strong, detailed, monthly financial model and management reporting
- Use the decision framework to make decisions
- Understand decision biases and try to avoid them
- Use OKRs to measure what really matters and make decisions that relate to the OKRs
- Look for market opportunities that are close to your business
- Build your resilience. You are going to get knocked on your ass and don't panic
- You are the leader. Candidly, this is the role that you signed up for

# Advisory Boards

## Role

- Provide strategic company and product guidance
- Provide introductions to key decision makers (buyers)

## Tasks

- Meet formally quarterly (maybe more frequently now)
- Take phone calls as required
- Review and comment on key documents like sales presentations, RFPs, proposals, contracts, marketing content
- Attend sales calls, presentations or even conferences
- Provide sales opportunities and make introductions to prospects, partners or investors
- Provide references for prospects, partners and investors
- Speak with customers as needed

# Try To Be a Renaissance CEO

- Product
- Expert in two Markets
- **Finance and planning**
- **Technology**
- **Marketing**
- **Sales**
- **Customer Support**
- **HR**



you can  
totally  
do this.

# Resources

## eBooks

- <https://arbordakota.com/ebook-store/>
- Use the coupon code “desai 2020”

## Blog Posts (Tedd Talks)

- <https://arbordakota.com/tedd-talks/>

# Questions?





# What did you learn today?





# Decision Making in Difficult Times

Coronavirus



**Ted Dacko**  
**Contact me:**  
[tdacko@me.com](mailto:tdacko@me.com)  
**734.604.5417**

