J. Michael Locke
Musings

#9: The Difference between Information and Data
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Technology is creating an explosion of data as every action is now cached on a server. Attached are some slides from a presentation I made in the Fall pre-C19 (the answer to the question posed on slide 6 is PewDiePie). The data is mostly from Mary Meeker's (the famed internet analyst turned Kleiner Perkins partner and most importantly a DePauw grad) lengthy annual report which is a must read (https://www.businessinsider.com/mary-meeker-2019-internet-trends-report-2019-6). These statistics on the growing use of digital and the resulting data were all before the C19 crisis which has only accelerated digital adoption! Unstructured databases, machine learning and AI are growing like crazy. However, this ramp in volume of data is exacerbating an issue I see in lots of organizations with lots of presenters.

There is a difference between "data" and "information." Too often, people just put lots of data on a slide or report and publish. This is suboptimal IMO. Don't accept (or prepare) PowerPoint pages with lots of numbers which don't provide an interpretation. Ask your team to put bulleted takeaways on the side. Ask your team to bold/highlight/differentiate the numbers that the receiver needs to focus on. If dealing with finance, ask for your CFO to write the equivalent of an MD&A which is required in public company documents and provide summary takeaways. (For example, I am a big fan of scenario or sensitivity tables which show the key metrics under different sets of assumptions in one table.) Not only will this make your life easier as the recipient, it will help grow the presenter as they have to reflect and synthesize the data and turn it into actionable information.

The information tracked can also reflect culture. Too often finance leaders just focus on results vs budget and provide variance in $ and %. IMO, budgets are managerial mechanisms to provide "organizational control" but in the business world, hitting budget doesn't create value. Most of you are in younger companies and it is all about growth! I care more about the growth rate than I do the actual number. Whether revenue is $15mm or $20mm matters less than whether it is up 15% or 30%. Personally, I focus on the "second derivative" and look at what is happening with the growth of the growth rate. Every month, quarter or year should be a "record" if you are a growth company. Change the mentality to the "record growth rate." Is the rate of revenue growth accelerating or decelerating? If you have a business where it bounces around, you might use an LTM / trailing concept. A quant measure used by stock traders is when something breaks through its 365 day moving average (either up or down).

Right now very few things are growing so focus on the rate of decline or deceleration. For instance, in one business I work with, we have seen a reduction in the rate of decline of website traffic each day for the last seven days. This appears to be a greenshoot on stabilization.

A specific comment to this in marketing and especially higher education. The historical algorithms you could use to predict results are out the window in this type of environment. The key funnel metrics from interested consumer down to enrolled students are going to change. I encourage all to launch "intense engagement efforts" to manage your yield and make sure those who said they were purchasing (or coming in the Fall) stick with their decision.

For those in SAAS businesses, I am a fan of the "Rule of 40." Not sure who invented it but it is simply your revenue growth + your profit growth. Should be over 40. This shows the balance between the two especially in money losing businesses. So if you are growing the topline 50%, you can lose 10%. If you are growing the topline 30%, you should be making 10% or more. Too many software business justify losing money because they are rapidly growing. The Rule of 40 will help you tease out the structurally unprofitable business model from the good business just investing in customer acquisitions with good CAC/LTV. CAC is customer acquisition cost --- how much did you spend to acquire that customer. LTV – lifetime value. I am a fan of using gross profit LTV. So, what did you spend to acquire that customer and how much gross margin will you make off them in their lifetime?

Leaders need to make decisions based on data. This is part of current problem with Covid 19. What is the mortality rate? Without proper testing, we really don't know because the denominator (those with the disease) is underestimated. An example of good presentation of information is the Johns Hopkins tracking website: https://coronavirus.jhu.edu/map.html

I recommend you invest in a good set of analytics professionals who can work with you to identify the KPIs and build the relevant data infrastructure to be leveraged. This usually involves some needed integrations between various software platforms.

Be safe. My guess is we are all hunkered down for a while. Never has there been a more important time for good leadership.