



MOTU NOVU  
**PROPRIETARY AND CONFIDENTIAL**



# MOTU NOVU – White Paper



### *REVISIONS*

Revision	By	Date	Changes
1.0	Filippo Beretta Fabio La Porta Francesco Leone Thomas Neal	11 JAN 09	Baseline
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### *PURPOSE OF THIS DOCUMENT*

This document is a blueprint of Motu Novu, a professional services federation. It describes the rationale of the federation's creation and the benefits it offers to its members and its clients. It details its organization, operating model, and compensation structures. It sets forth detailed formulae to be used to calculate project marginality, to assess people's contributions, and to distribute profits fairly. It lays out a list of tasks required to fully implement Motu Novu.



MOTU NOVU

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## WHAT IS MOTU NOVU

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Motu Novu is an international federation of experienced entrepreneurs and executives who work together to conceptualize, evaluate, refine, and execute new business ideas. Motu Novu serves dynamic, ambitious, and innovative companies, institutions, and entrepreneurs who want to ensure the success of their project initiatives, maximize the market success of their product or services, and boost their return on investment of their capital.

Motu Novu can deliver like no one else because of its:

- **Partners**, who have global and multidisciplinary resumes, and have collectively accumulated many decades of experience in starting and managing business across all major industries. Unlike the classic consultants who often lack real-world experience, Motu Novu's partners "have been there and have done it" and have a successful track record to show it.
- **Teams**, who combine the business expertise and methods of best-in-class Blue Chips, leading professional services firms, and global institutions with deep understanding of cutting-edge technologies, vertical knowledge domains, innovative processes, their actual applicability to business problems, and how to leverage them to drive maximum results.

From Motu Novu, clients can expect:

- **Experience.** Being organized as a federation, Motu Novu has little economic incentive to staff unqualified juniors and to oversize project teams. As a result, Motu Novu's teams are custom-tailored for each assignment, and are often smaller and more senior than those of classic consulting firms. We believe that in business, and in any aspect of life, experience matters.
- **Execution.** Motu Novu approaches every business problem with a strategic mindset, using creativity, sound research, and proven frameworks. However, we believe that even the best insight is irrelevant unless it can deliver actual results, thus we constantly focus on execution.
- **Earnestness.** Motu Novu has replaced the long-standing consulting practices of pleasing egos and sugarcoating empty presentations with an entrepreneurial zeal for doing whatever it takes to make things happen. We too value clear and effective communication, yet we strive to make sure to impress thanks to the successful results we deliver, not to our pretty slides.

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## MOTU NOVU FOR ITS PROFESSIONALS

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Motu Novu is a federation of independent professionals that offers many benefits over a standard freelance status. In particular, professionals who join Motu Novu enjoy increased:

- **Revenues.** Thanks to their affiliation with an established and recognized network, professionals can increase both their sales and their daily rate.
- **Credibility.** Motu Novu’s partners have worked on a wide portfolio of clients and projects, spanning almost all industries, functions, and geographies. Professionals can leverage the halo effect created by the partners’ success stories and international networks.
- **Footprint.** Clients are often reluctant to assign large projects to lone freelancers. By tapping into Motu Novu’s international talent network, professionals can undertake bigger and more complex projects, and have the resources to carry them out successfully.
- **Focus.** By providing all the necessary business tools (see below under “Services for Professionals”), Motu Novu allows professionals to focus on doing their job instead of wasting time with paperwork and middle office activities.
- **Services.** Motu Novu offers its professionals and partners with a wide range of services, either for free or at a reduced rate. See below under “Services” for a summary of the services offered. By reaching the minimum efficient scale, Motu Novu can also offer services not economical for independent freelancers (e.g. admin support, liability insurance, etc.)

### SERVICES

For Professionals	For Partners (Basic)	For Partners (Premium)
Starter Kit Business Cards Secure Email Secure Web Document Repository Document Templates Contact Management System Intracompany Wiki Website 24/7 Automated Call Center	Business Liability Insurance Directors & Officers Insurance Curricula Database Projects Database Market & Company Data AmEx Corporate Platinum Card Regus Gold Card (■) Company Discounts (■) Administrative Support (■) Tax Specialist (*)	Full-Time Secretary (Shared) Key Person Life Insurance Public Relations Agency Pension Plan (*) Health Plan (*) Payment Advances (*)

The list of services is only indicative and subject to revision. Premium services will be offered when Motu Novu has achieved revenues of at least \$1 million for two years in a row. (\*) This service may be subject to fees payable by the partner using it. (■) This service may be subject to fees to be charged on a project code or business development code.

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## ORGANIZATION AND OPERATING MODEL

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MOTU NOVU is organized as a federation of independent professionals with extensive experience as entrepreneurs, business executives, and thought leaders. By virtue of operating as a federation as opposed to a hierarchical company, MOTU NOVU has significant flexibility, quality of service, and cost advantages over a traditional consulting firm.

Some key attributes of the organization and operating model of MOTU NOVU are:

- All professional (including partners) are independent agents and work with MOTU NOVU on a project-by-project contract basis. This arrangement creates very little burden on both partnership and professionals, and the ensuing flexibility allows the staffing of small, custom-designed, and very experienced project teams.
- Any professional, regardless of seniority, is empowered and encouraged to seek new clients and sell new projects. However, all MOTU NOVU projects must have a MOTU NOVU partner as account manager to ensure proper management of the client's expectations, consistent quality in projects deliverables, and compliance with MOTU NOVU's PMO methods.
- Professionals with freelancer experience who join MOTU NOVU are not required to transfer their clients to the partnership and may continue to serve them independently<sup>1</sup>. However, MOTU NOVU adopts an "opt-in, two year lock-in" clause: once a project is sold using MOTU NOVU's brand or resources, any subsequent project sold, within the following two years<sup>2</sup>, to the same client and by the same professional, must also be funneled through MOTU NOVU.

## PARTNERS

MOTU NOVU's partners are professionals who have made a long-term commitment to the lasting success of the firm. All partners have a clear stake in the outcome of MOTU NOVU: they contribute a yearly partnership fee to cover baseline operating expenses, take part in the firm's governance, develop the firm externally and internally, and have a claim on the firm's profits.

In particular, all partners of MOTU NOVU are responsible for:

- Building MOTU NOVU's brand and gravitas by publicly recognizing their affiliation with the partnership and by actively promoting it with existing clients, new prospects, the media, and

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<sup>1</sup> Partners who choose to continue to serve some of their clients independently are required not to use MOTU NOVU's brand name and resources when selling and delivering projects to those clients.

<sup>2</sup> The "two years" are calculated starting from the day when the first project is officially concluded. For example, if the project A sold by partner P to client C is concluded on March 20<sup>th</sup> 2009, partner P must funnel all projects sold to client C through MOTU NOVU until March 19<sup>th</sup> 2011. In other words, partner P cannot work as an independent contractor for client C and/or sell to client C on behalf of other organizations until March 19<sup>th</sup> 2011.



so on; by sharing summary information on the clients served and the projects performed prior to joining MOTU NOVU; by obtaining permission from prior clients to use their name and brand when promoting MOTU NOVU; by creating a personal profile and keeping it updated; by doing pro-bono work with meritorious charities and non-profits.

- Growing the business by acquiring new clients; by selling new and follow-on projects; by funneling existing clients and assignments through MOTU NOVU<sup>3</sup>; by introducing MOTU NOVU to new professionals and partner candidates; by establishing new offices and service lines in accordance with the strategic direction set by the yearly partners meeting.
- Taking an active role in the partnership's governance by attending to the yearly partners meeting and voting on the issues thereby discussed<sup>4</sup>, including but not limited to: strategic direction of the partnership, new partner candidates, dividend reinvestment and distribution.
- Developing the partnership internally by contributing time and effort to setup, organize, and manage the partnership and its operations, based on his/her specific skills and expertise; by paying a yearly partnership fee<sup>5</sup> to cover MOTU NOVU's baseline operating expenses, hedge against operational risks, and safeguard against free-riding.

## ACCOUNT MANAGERS

Account managers are responsible for understanding the needs of MOTU NOVU's prospects and clients, and for mustering the partnership's resources to properly address them. Compared to traditional consulting firms, MOTU NOVU's gives its account managers a broader scope: they not only are responsible for pre-sale activities but also for managing the client and the assignment until the project is successfully completed and fully paid.

By making account managers part salespeople, part project managers, MOTU NOVU overcomes one of the inherent limitations of traditional consulting firms whereby account managers, who are incentivized only to sell and have no responsibility whatsoever for the actual delivery of the projects they have sold, often sell very challenging or borderline impossible assignments, pocket their commissions, and let someone else (i.e. the unlucky project manager) make a miracle happen or take the blame for failure.

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<sup>3</sup> Similarly to all other MOTU NOVU professionals, partners with a freelance background are not required to transfer their clients to the partnership. However, they are strongly encouraged and incentivized to do so: only the marginality generated by projects sold under MOTU NOVU is used to compute the partner's share of notional dividend.

<sup>4</sup> Should a partner not be able to participate, he or she is required to delegate another partner to attend and vote on his or her behalf. Each partner is responsible for his or her own transportation and accommodation expenses when attending to the partners meeting.

<sup>5</sup> The partnership fee is due on January 1<sup>st</sup> and is set at \$3,000 for 2009, \$4,000 for 2010, and \$5,000 for 2011 and subsequent years. Partner-candidates during their first year must pay, upon joining a fractional fee upon pro-rated by quarter rounding up. Example: if partner candidate C joins MOTU NOVU on May 10<sup>th</sup> 2010, C must immediately pay a \$3,000 pro-rated partnership fee (\$4,000 yearly fee for 2010 pro-rate for 3 quarters, since May is in the second quarter which is counted entirely since the pro-rating is rounded up by quarter).

In particular, for each new assignment a MOTU NOVU account manager does:

- Understand the needs of the prospect (if it's a new project) or client (if it's a follow-on);
- Formulate the project proposal in accordance with MOTU NOVU's guidelines, negotiate it with the prospect/client and, if possible, close the deal and win the business;
- Staff the new project using available MOTU NOVU professionals and/or by procuring new professionals, as needed; negotiate the effort required, responsibilities, notional rate, and payout rate of each professional to be staffed, and collect their statements of work;
- Determine which external resources, if any, will be required on new projects; negotiate the terms and conditions for their engagements; collect their statements of work or contracts;
- Kick off the project;
- Manage the relationship with the client, the client's expectations, the project management office (in accordance with MOTU NOVU's PMO procedures), and the project's marginality (i.e., P&L), throughout the course of the assignment;
- Enforce adoption of MOTU NOVU's PMO procedures by all professionals staffed on the project, particularly with respect to expense accounts, timesheets, and deliverable formats;
- Ensure proper completion of all project deliverables;
- Wrap up the project;
- Ensure full collection of the amounts due by the client to MOTU NOVU for the assignment;
- Document the project in accordance with MOTU NOVU's knowledge management guidelines.

On each project, the account manager role and responsibilities can be split by up to two people. This is often the case on larger projects, for which one person may focus on client management while the other focuses on project management. However, if the account management role is split by two persons, at least one person must be a MOTU NOVU partner, and the partner is always responsible for the project's P&L and collections.

## **PROFESSIONALS**

MOTU NOVU defines as "professional" any collaborator who is staffed on projects sold under the firm's brand, and who decides to give publicity to his or her affiliation with the firm. By contrast, external resources are people or firms who may on occasion contribute a specific skill set to a project (e.g. an attorney, a university professor, a CPA, a credit rating agency etc.) but who are not routinely engaged in MOTU NOVU projects and/or decides not be listed among the collaborators of MOTU NOVU.

Professionals are assigned a level of seniority, out of five possible ones. The level of seniority is assigned by the partners meeting and revised annually. It determines both the responsibilities that can be





performed by the professional and the degree of autonomy awarded to him or her. In addition, the seniority level is one of the main factors taken into consideration by account managers when negotiating the professional's rate billed to the client (i.e. the "notional rate") and the rate paid to him or her (i.e. the "payout rate").

The five levels of seniority are:

1. **Intern.** Typically have 0-2 years of experience. Interns are staffed on projects to support associates and principals by performing clerical and low value-added activities (i.e. basic research, data entry and processing, etc.) while learning the basics of project management. They are always closely supervised by an associate, principal, specialist, or partner.
2. **Junior Professional.** Typically have 1-4 years of experience. Junior professionals perform most project activities, including desk and field research, analyses, meeting memos and reports, preparation of portions of deliverables, etc. They may coordinate the work of interns and always work under the supervision of a professional, senior professional, or partner.
3. **Professional.** Typically have 3-7 years of experience. Professionals perform high value-added project activity such as client interviews, complex analyses and modeling, drafting of complete deliverables, etc. They may coordinate the work of interns and junior professionals, and can work independently or under the supervision of a partner. Professionals that show potential and choose to commit to the firm for a longer period of time may become partners.
4. **Partners.** Typically have 7-10 or more years of experience. See above.
5. **Senior Professional.** Typically have 7-10 or more years of experience. Senior professionals possess deep knowledge, extensive skills, and/or wide networks in specific realms (e.g. a university professor specializing in family business management, a D.C. lobbyist, a public relations guru, etc.), yet are not inclined to become partners of the firm. They are usually staffed on specific activities and normally report directly to the account manager. They may leverage the help of interns, junior professionals, and professionals as needed.

Each professional, regardless of his or her level of seniority, has the following responsibilities before, during and after projects:

- Publish his or her availability for the upcoming quarter and work with account managers to determine staffing and rates based on the available projects, the client's specific interests and willingness to pay, and the professional's preferences; prepare and submit a statement of work for each project prior to the beginning of the project;
- Make and keep commitments on staffing; cooperate fully with the account manager and with other professionals for the success of the project and the award of follow-on work;
- During the assignment, closely follow MOTU NOVU's guidelines on project management office and in particular those on project deliverables, expense reports, and time sheets; after the assignment, closely follow the guidelines on documentation and knowledge management.
- Whenever possible, sell or contribute to the sale of additional assignments; progress toward the partner level (or specialist level if not inclined to join the partnership).

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## COMPENSATION MODEL

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Since MOTU NOVU is a federation of independent professionals, its compensation model is distinctive and differs greatly from that of traditional consulting firms. In particular, MOTU NOVU is more democratic and awards a very significant part of its revenue to the professionals who have sold, managed, and delivered each project. Please refer to “Appendix A. Formulae” for the analytic definition of marginality and other formulae.

### COMPENSATION OF PROFESSIONALS

Up to 80% of a project’s net revenue is paid to the professionals who have worked on that project. In particular, the compensation of all professionals staffed on a project is determined as follows:

1. The account manager negotiates with the client to determine the daily rate for each professional that the client will pay to MOTU NOVU (i.e. the “notional rate”). This rate is gross of discounts, as MOTU NOVU does not allow for individual rate discounts but only for discounts applied to the overall proposal. The “notional rate” net of a pro-rated portion of the proposal discount, if any, is called “actual rate”.
2. The account manager negotiates with each professional to determine the amount of effort required by the professional on the project (i.e. how many days) and the daily rate that he or she will receive from MOTU NOVU (i.e. the “payout rate”). The payout rate must be lower or equal to 80% of the actual rate. The professional submits a statement of work for the project stating the effort and rate agreement reached with the account manager.
3. The professional submits a monthly timesheet for the project.
4. The professional is paid at the end of the assignment, based on his or her timesheet and within the limits of the aforementioned statement of work.

#### *Project Expenses*

Expenses incurred by a professional on a project are reimbursable, within the limits of the agreement with the client on the specific project, and as long as they fall within MOTU NOVU’s expense guidelines and are promptly reported at the end of each month using MOTU NOVU’s standard expense report template.

## **COMMISSIONS TO ACCOUNT MANAGERS**

Account managers receive a commission (M2) equal to 25% of the project marginality (M1) in exchange for the activities performed (see “Account Managers” above). If there are two account managers working on the same project, the commission is split according to (M3). If an account manager performs billable activities on a project, he or she is entitled to compensation (see “Compensation of Professionals” above) in addition to the commission.

### *Business Development Expenses*

Expenses incurred by a partner in order to develop new business are reimbursable as long as they fall within MOTU NOVU’s expense guidelines and must be promptly reported at the end of each month using MOTU NOVU’s standard expense report template. Business development expenses incurred by non-partners are reimbursable only if/when the project is actually sold.

In particular, each partner has a personal “Business Development Account” (BDA) to which he or she can allocate business development expenses. At any given time, up to \$2,000 (two thousand dollars) or 20% of the marginality of the partnership (M4) for the prior year divided by the number of partners during the current year, whichever is greater, can be allocated to a BDA. Business development expenses incurred in excess of such limit are not reimbursable. However, business development expenses can be transferred from the BDA to the expense account of the project for which the partner has conducted business development if/when such project is actually sold.

## **COMPENSATION OF PARTNERS**

Partners receive compensation as professionals whenever they perform billable activities on projects and are awarded commissions for their role as account managers but, more importantly, all partners have a claim on the firm’s profits. Decisions on dividend distributions are made during the annual partners meeting and are based primarily on each partner’s actual contributions to the firm.

During the partners meeting, the performance of each partner and of the overall firm is examined. If the firm is profitable, dividends may be available for distribution. If the firm is not profitable, the partners must cover the losses. The total profitability (M5) of the firm is calculated by adding all partnership fees received to the overall marginality (M4) and by subtracting all the operating costs incurred in the period.

Total profitability (or loss) is pro-rated to each partner as follows:

1. The contribution of non-partners is allotted to partners based on the relative weight of their contributions. The resulting indicator is called notional dividend (D1).
2. For each partner, the notional dividend is summated to the partnership fee paid by the partner, and then a per-head portion of the operating expenses is subtracted. The resulting indicator is called the theoretical dividend (D3).

3. If the theoretical dividend is positive, the partner has generated profits for the partnership and therefore is entitled to a dividend. If the theoretical dividend is negative, the partner has generated losses for the partnership and must reimburse the partnership by paying back an amount equal to the module of the theoretical dividend.
4. A dividend distribution ratio between 0% and 100% is decided and applied to the theoretical dividend figure, if positive, of each partner, thus computing the actual dividend (D4) which is then paid out.

The dividend distribution ratio is determined by a majority vote of the partners attending the partners meeting. Several factors are taken into account, including but not limited to: the strategy of the firm, the economic outlook, the need or opportunity for investments, and so on. However, the following destination of profits must be upheld unless all partners decide to change it:

- 20% of profits must be allocated to an operating reserve, until such reserve equals \$20,000 (twenty thousand dollars) times the number of partners. The reserve can be used to cover the partnership's losses in the event of a severe downturn, i.e. when (M4) is negative.
- 10% of the profits must be donated to one or more charities, as decided by the partners.

Consequently, in most years the dividend distribution ratio will be capped at 70% until the operating reserve is fully funded, and at 90% afterwards.

## **PAYMENT TERMS**

MOTU NOVU adopts a pass-through, "get paid then pay" philosophy for its payments: compensation of professionals, commissions to account managers, and external resources and services are usually paid only after MOTU NOVU has received full payment from the client for the services rendered. Dividends to partners, with respect to a given calendar year, are paid after the yearly partner meeting held in the spring of the following year. In partial exception to this rule, project and business development expenses incurred and submitted in a given month are normally reimbursed at the beginning of the following month, before they are actually billed to and paid for by the client.

### *Payment Terms for Compensation of Professionals*

Compensation to professionals is paid at the end of the project and after the client has paid in full. Payment is usually processed within 5 business days from the date when MOTU NOVU has received full payment for the services rendered. If only partial payment is received from the client, or if the project contested, the professional may also receive partial payment depending on the severity of the situation.

### *Payment Terms for Commissions to Account Managers*

Commissions to account managers are paid at the end of the project and after the client has paid in full. Payment is usually processed within 5 business days from the date when MOTU NOVU has received full



payment for the services rendered. If only partial payment is received from the client, or if the project contested, the account manager(s) may receive partial or no commission depending on the severity of the situation. In order to receive the commission, the account manager(s) must show the project has been properly documented in accordance with MOTU NOVU's knowledge management procedures.

#### *Payment Terms for External Resources*

External resources are people or firms who may on occasion contribute a specific skill set to a project (e.g. an attorney, a university professor, a CPA, a credit rating agency etc.) but who are not routinely engaged in MOTU NOVU projects and/or decides not be listed among the collaborators of MOTU NOVU. Account managers must ensure that payment terms for external resources are clearly specified in all statements of work or contracts stipulated with external resources. Payment terms should normally follow the "get paid then pay" philosophy unless there are specific and valid reasons not to do so.

#### *Payment Terms for Expenses*

Contrary to standard payment terms for compensation and commissions, reimbursable expenses are normally paid in advance, prior to actual billing to and payment by the client. Expenses submitted by the end of the month are normally reimbursed by the 5<sup>th</sup> business day of the following month. However, exceptions may be made in specific situations and with the prior agreement of all parties involved for particularly large or small amounts. See above under "Project Expenses" and "Business Development Expenses" and consult MOTU NOVU's guidelines on expenses for more information on which expenses are reimbursable.

#### *Payment Terms for Dividends*

The extent of dividend distributions to partners is determined during the yearly partners meeting held in the spring (see "Compensation of Partners" above). If dividends relating to a given year are to be distributed, they are normally paid out during the first week of the month of May of the following year.

#### *Payment Beneficiary*

Professionals, account managers, and partners may be paid directly as individuals (if permitted by the local regulations they are subject to) or may designate an entity to receive payments on their behalf. The latter option is particularly useful for those who have already setup a company, partnership, or other entity in order to consolidate consulting earnings. The payment beneficiary must be clearly specified in the statement of work for each project.

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## APPENDIX A. FORMULAE

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### *Marginality of a project*

The following formula is used to compute the marginality of a generic project  $i$  :

$$\sim_i = R_i - C_i^P - C_i^E + E_i^B - E_i^R - B_i \pm O_i \quad (M1)$$

Where is defined:

$\sim_i$	Marginality of project $i$
$R_i$	Net revenue of project $i$ , defined as summation of actual rates multiplied by effort (as in the proposal) for all professionals staffed on project $i$ pro-rated as actually paid by the client plus the fees invoiced to the client for all external resources used on project $i$
$C_i^P$	Cost for internal resources of project $i$ , defined as summation of payout rates multiplied by effort (as in the timesheets within the limits of the statements of work and the proposal, whichever more stringent) for all professionals staffed on project $i$
$C_i^E$	Cost for external resources of project $i$ , defined as summation of the cost of each external resource (as in the timesheets, if applicable, and within the limits of the statements of work or contracts, and the proposal, whichever more stringent) for all external resources utilized for project $i$
$E_i^B$	Total of all expenses billed to and paid by the client for project $i$
$E_i^R$	Total of all expenses reported by professionals in accordance to MOTU NOVU's expense guidelines and procedures and actually reimbursed to professionals or external resources working on project $i$
$B_i$	Business development expenses allocated to project $i$
$O_i$	Other itemized revenue or cost items for project $i$

The formula (M1) is subject to the following constraints imposed by MOTU NOVU's operating model:

$$C_{i,p}^P \leq 80\% \cdot R_{i,p}$$

For each professional, the payout rate must be lower or equal to 80% of the actual rate.

$$R_i > C_i^P + C_i^E$$

The project's proposal must be negotiated so that net revenues at least cover the cost of internal and external resources. This constraint is violated (resulting in negative project marginality) only if/when the client does not pay in full breaching the service contract.

### *Commission to the account manager of a project*

The following formula is used to compute the commission awarded to the account manager(s) of a generic project  $i$ . Commissions are awarded upon successful completion of the assignment and after MOTU NOVU has received full payment from the client. If the project is not completed successfully and/or the client refuses to pay in full, commissions are not awarded.

$$S_i = 25\% \cdot \sim_i \tag{M2}$$

Where is defined:

$S_i$  Commissions awarded to the account manager(s) of project  $i$

$\sim_i$  Marginality of project  $i$  computed as in (M1)

If the account manager role has been split between two people, commissions are split between the two people based on a ratio that they have to define and to mutually agree to before the beginning of the project. As follows:

$$S_{i,p} = r_p \cdot S_i \tag{M3}$$

Where is defined:

$S_{i,p}$  Commissions awarded to the account manager  $p$  of project  $i$  with  $p = 1 \& 2$

$r_p$  Split ratio between account manager(s) of project  $i$  with  $\forall r_p \in (0,1] \wedge \sum_p r_p = 1$

### *Contribution of a professional to a project*

The following formula is used to compute an indicative measure of economic contribution of generic professional  $p$  to a generic project  $i$ . Such contribution indicator  $f$  is one of the key factors considered by the account manager(s) of project  $i$  at the conclusion of the assignment.

$$f_{p,i} = \left[ \frac{S_{i,p}}{S_i} \cdot s + \frac{C_{i,p}^P}{C_i^P + C_i^E} \cdot (1-s) \right] \cdot \sim_i \quad (\text{P1})$$

Where is defined:

- $f_{p,i}$  Contribution indicator for professional  $p$  on project  $i$
- $S_{i,p}$  Commissions awarded to professional  $p$  on project  $i$ . If  $p$  was an account manager and thereby received a commission,  $S_{i,p} > 0$ , otherwise  $S_{i,p} = 0$
- $S_i$  Total commissions awarded to all account managers for project  $i$  with  $S_i \geq 0$
- $s$  Sales commission parameter, globally set at 25% as in (M2)
- $C_{i,p}^P$  Cost for professional  $p$  on project  $i$ , defined as payout rate multiplied by effort (as in the timesheets within the limits of the statements of work and the proposal, whichever more stringent) for professional  $p$  staffed on project  $i$
- $C_i^P + C_i^E$  Total cost for internal and external resources, defined as summation of payout rates multiplied by effort (as in the timesheets within the limits of the statements of work and the proposal, whichever more stringent) for all professionals staffed on project  $i$  plus the cost negotiated with external resources used on project  $i$ .
- $\sim_i$  Marginality of project  $i$  as in (M1)

### *Overall contribution of a professional*

The following formula is used to compute an indicative measure of economic contribution of a generic professional  $p$  to MOTU NOVU, across all projects  $i = 1, \dots, n$  performed in a given period of time



(usually one year<sup>6</sup>). Such contribution indicator  $f$  is one of the key factors considered by the partners of the firm to evaluate the overall performance of professional  $p$  during the yearly partners meeting<sup>7</sup>.

$$f_p = \sum_i f_{p,i} \quad (P2)$$

Where is defined, for the period being considered:

$f_p$  Performance indicator for professional  $p$  across projects  $i = 1, \dots, n$

$f_{p,i}$  Performance indicator for professional  $p$  on project  $i$  as in (P1)

#### *Notional dividend for a partner*

$$u_k = \frac{f_k}{\sum_k f_k} \cdot \left[ \sum_i \tilde{~}_i - \sum_i S_i \right] \quad (D1)$$

Where is defined, for the period being considered:

$u_k$  Notional dividend for partner  $k$

$f_k$  Contribution indicator for partner  $k$  as in (P2)

$\sum_k f_k$  Summation of the contribution indicators for all partners  $k = 1, \dots, m$  with MOTU NOVU

$\sum_i \tilde{~}_i$  Total marginality of MOTU NOVU (M4)

$\sum_i S_i$  Total commissions paid to account managers

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<sup>6</sup> Projects spanning across two years are usually assigned to either one, not pro-rated. For example, if a project starts during December 2009 and ends in April 2010, it may likely be assigned entirely to 2010. Full assignment, while less accurate than pro-ration, has the obvious benefit of greater simplicity.

<sup>7</sup> While very useful, any formulaic contribution metric must always be intended as just one data point, a starting point for a more complex conversation, and not as a final verdict: MOTU NOVU's performance evaluation process is comprehensive and takes into account several qualitative factors as well as this (important) quantitative metric.

*Profits available for reinvestment or distribution as dividends*

The following formula is used to calculate the total profits available for reinvestment or distribution as dividends after all operating costs for the year have been covered.

$$\Pi = \sum_k F_k + \sum_i \tilde{~}_i - \sum_i S_i - H \quad (M5)$$

Where is defined, for the period being considered:

$\Pi$	Total profits available for reinvestment or distribution
$F_k$	Partnership fee paid by partner $k = 1, \dots, m$
$\sum_i \tilde{~}_i$	Total marginality of MOTU NOVU
$\sum_i S_i$	Total commissions paid to account managers
$H$	Total operating costs and other overhead expenses incurred by the partnership

*Theoretical dividend for a partner*

$$\Delta_k = F_k + u_k - H/m \quad (D3)$$

Where is defined, for the period being considered:

$\Delta_k$	Dividend available for distribution to partner $k$ with $\sum_k \Delta_k \cdot 1/d = \Pi$
$F_k$	Partnership fee paid by partner $k$
$u_k$	Notional dividend for partner $k$
$H$	Total operating costs and other overhead expenses incurred by the partnership
$m$	Number of partners with MOTU NOVU

*Actual dividend for a partner*

$$\Delta_k^A = \begin{cases} d \cdot \Delta_k & \Delta_k \geq 0 \\ |\Delta_k| & \Delta_k < 0 \end{cases} \quad (\text{D4})$$

Where is defined:

- $\Delta_k^A$  Dividend distributed to partner  $k$  (if  $\Delta_k^A \geq 0$ , i.e.  $k$  has generated profits) or payment due by partner  $k$  to the partnership (if  $\Delta_k^A < 0$ , i.e.  $k$  has generated losses)
- $\Delta_k$  Dividend available for distribution to partner  $k$
- $d$  Dividend distribution ratio with  $d \in [0,1]$