The Metric Contract

One-Page Template

Fill one out for each metric in your operating set. Review annually or when your business model changes in a way that affects how you calculate metrics.

FIELD	DESCRIPTION	YOUR ENTRY
Metric Name	What is this metric called in your company?	
Definition	Plain-language definition. What is included? What is not?	
Formula	Exact calculation with inputs listed	
Data Inputs	Where does each input come from? Which system?	
Edge Cases	What situations require a different calculation or flag?	
Data Owner	Who is accountable for the accuracy of inputs?	
Decision Owner	Who acts when this metric crosses a threshold?	
Review Cadence	How often is this reviewed and by whom?	
Decision Rule	What trigger leads to what action?	
Benchmark	Current value and acceptable range	
Last Updated	When was this definition last reviewed and confirmed?	

Decision Rule
Every metric needs a rule that links a threshold to an action. "Below X months: do Y" removes ambiguity at the moment it matters most. Without it, this is a definitions document — not a decision tool.

Tip: if you can't write a specific trigger and action for a metric, your definition isn't ready yet. Finish the Definition and Formula rows first.

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Filled Example — Net Cash Runway

Use this as a reference when completing your own contracts. Adapt edge cases, cadence, and decision rules to your stage and model.

FIELD	FILLED EXAMPLE — NET CASH RUNWAY
Metric Name	Net Cash Runway
Definition	Months of operations remaining, calculated from current cash balance divided by average net burn over the trailing 3 months. Excludes uncommitted pipeline revenue.
Formula	Cash Balance ÷ Average Monthly Net Burn (trailing 3 months)
Data Inputs	Cash balance: bank feed (daily). Burn: finance model (updated monthly, locked by the 5th of each month).
Edge Cases	If annual contracts renewed in the current month inflate cash, note actual vs. normalised burn. If a funding close is within 30 days, runway is reported with and without proceeds.
Data Owner	Head of Finance (or Founder if no Finance function)
Decision Owner	CEO, with CFO/Finance lead preparing the options
Review Cadence	Weekly (internal). Monthly (board/investor update). Ad hoc if burn increases >15% month-over-month.
Decision Rule	Below 9 months: initiate cost scenario planning and investor update. Below 6 months: Board notified; fundraising or cost reduction plan activated.
Benchmark	Current: 14 months. Target: maintain >12 months. Warning zone: <9 months.
Last Updated	Insert date

The rules above guide decisions but don't replace judgment. If a macroeconomic shift, a strategic acquisition opportunity, or a material change in competitive position coincides with a threshold being crossed, the decision owner should weigh those factors. The rule ensures the conversation happens — and happens quickly — not that it happens without context.

HOW TO USE THIS TEMPLATE

1. Start with eight metrics
Runway, net burn, CAC payback, LTV, MRR/ARR, churn, headcount cost, and contribution margin. These cover the decisions most founders face monthly.

2. Fill Definition and Formula first
If your team can't agree on these two fields, the metric isn't ready to use in a board deck.

3. Assign a single Data Owner
Not a team — one person. Shared ownership means inconsistent inputs and no one to call when numbers diverge.

4. Write the Decision Rule last
It forces clarity. If you can't state the trigger and action, the metric is still a reporting metric — not a decision metric.

5. Review annually or after model changes
Pricing restructures, new GTM motions, and funding events often change what counts as "included" in a metric.