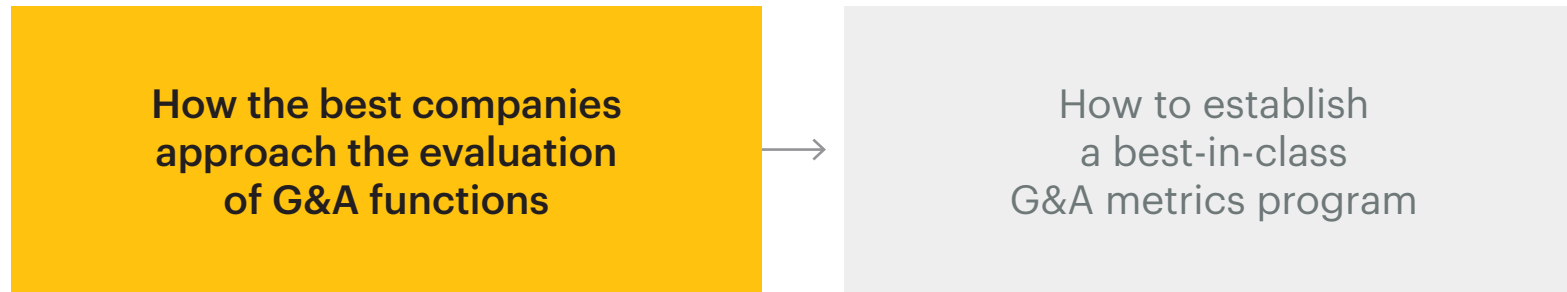


# How to measure G&A productivity

A guide to using metrics

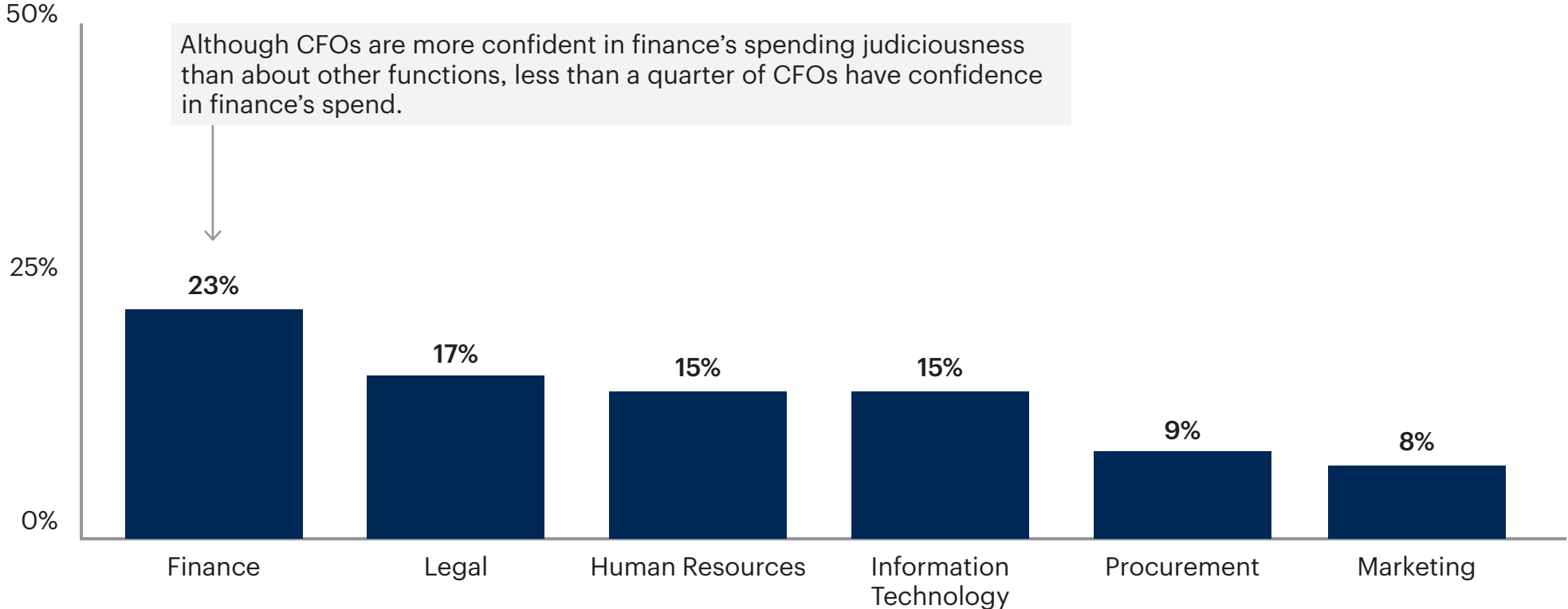
# Roadmap



# No confidence in current composition of G&A spend

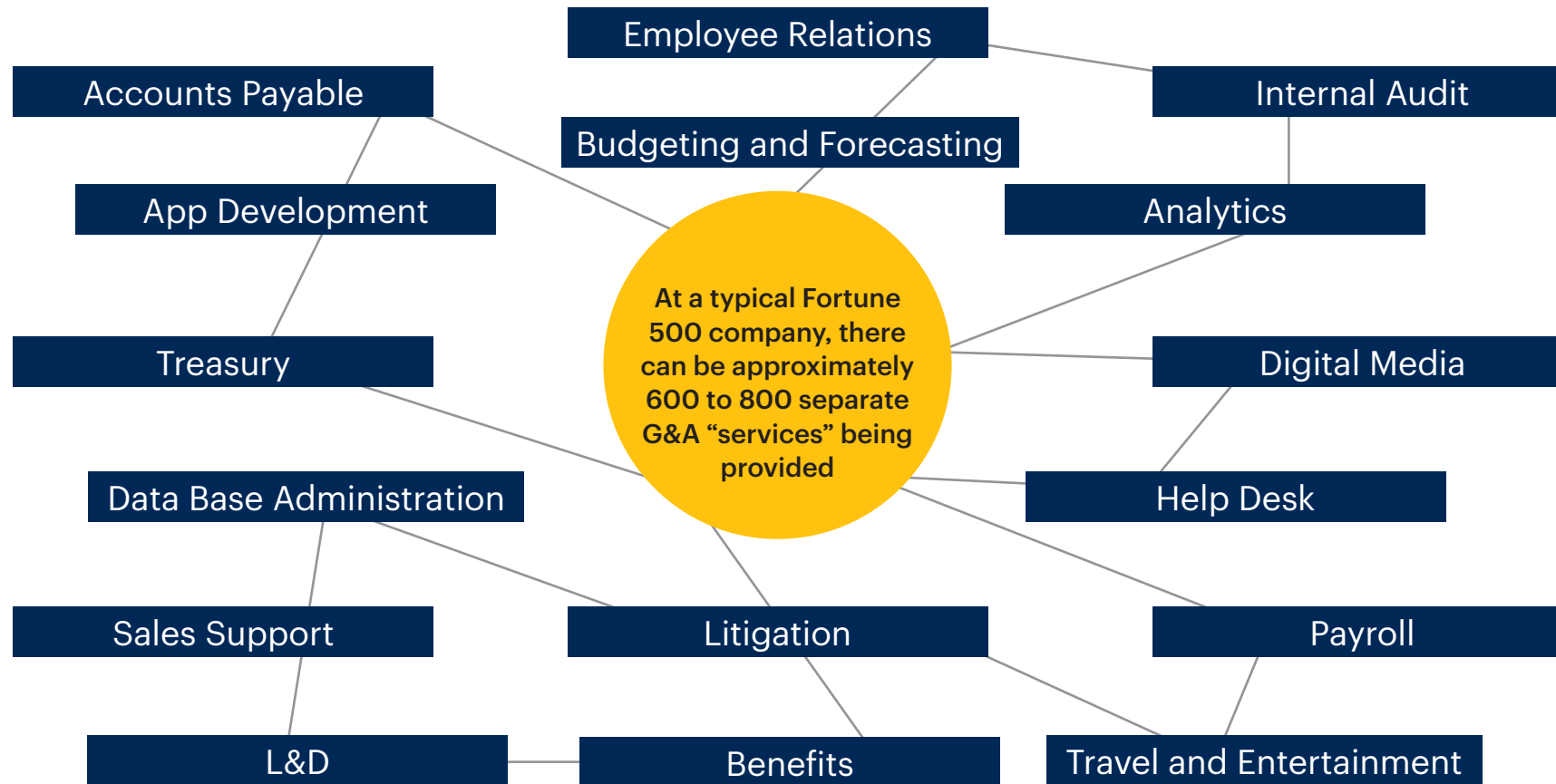
How confident are you that the following functions are spending the right amount in the right area?

Percentage of CFOs/Finance Executives Who Are Confident or Highly Confident



# A complex environment to evaluate

## A Sampling of G&A Activities



# Most companies evaluate G&A like a factory, looking at process efficiency

## A Factory Approach to Evaluating G&A Productivity

1. View overhead functions as a set of routine and repeatable processes.
2. Assess overhead functions for cost, cycle times, and volume measurements (i.e., an approach centered on process efficiency).

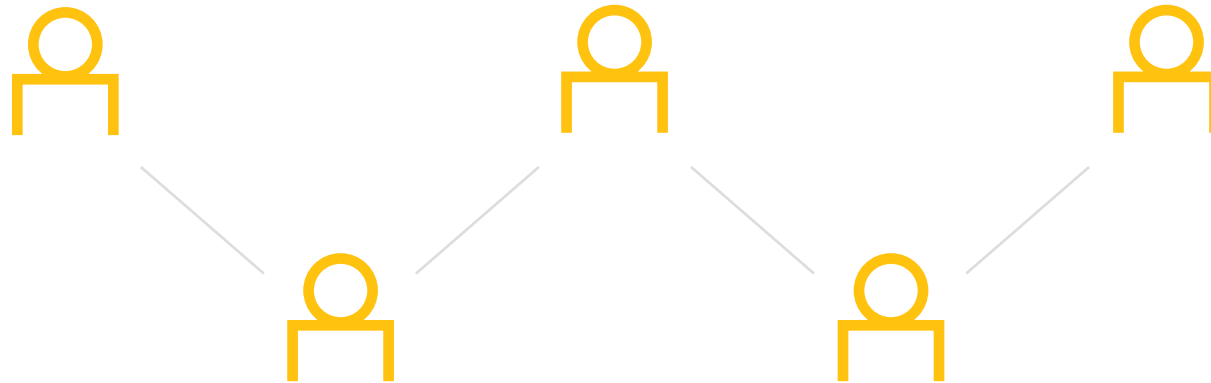




# The best companies evaluate G&A like a consulting firm, looking at business impact

## A Consulting Firm Approach to Evaluating G&A Productivity

1. Recognize the magnitude of ad hoc and initiative-based work.
2. Favor evaluating G&A through an “ROI” lens (rather than purely an “efficiency” lens) by looking at the productivity of people and feedback from the broader business.



# Factory KPIs versus consulting firm KPIs

## Sample Factory KPIs

- Production volume
- Reject ratio
- Production rates
- Units on time
- Overall equipment effectiveness
- Downtime
- Production cost variance

Process Efficiency

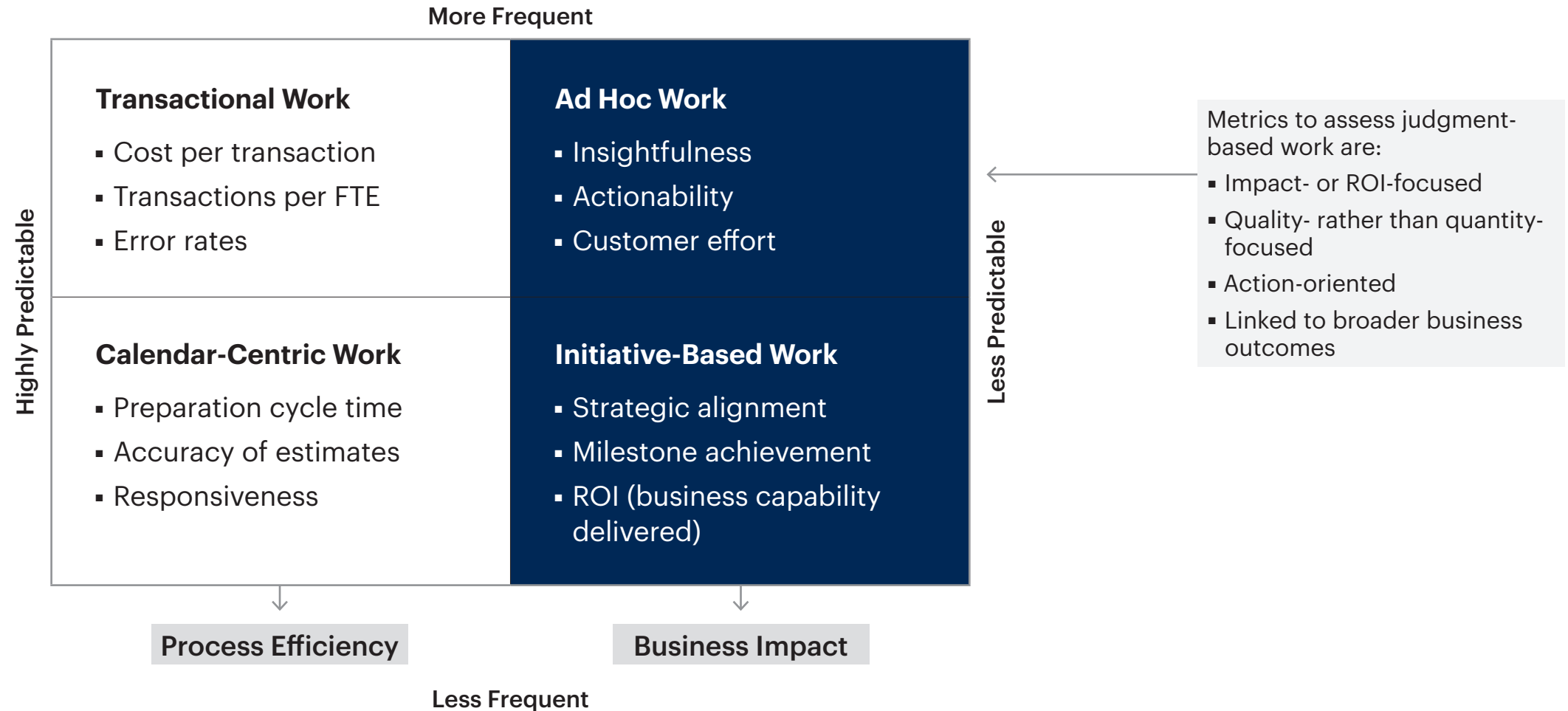
## Sample Consulting Firm KPIs

- New client inquiries
- Leads generated
- Customer acquisition percentage
- Repeat business percentage
- Billable burn
- Billable hours per available hours
- Average fee per hour

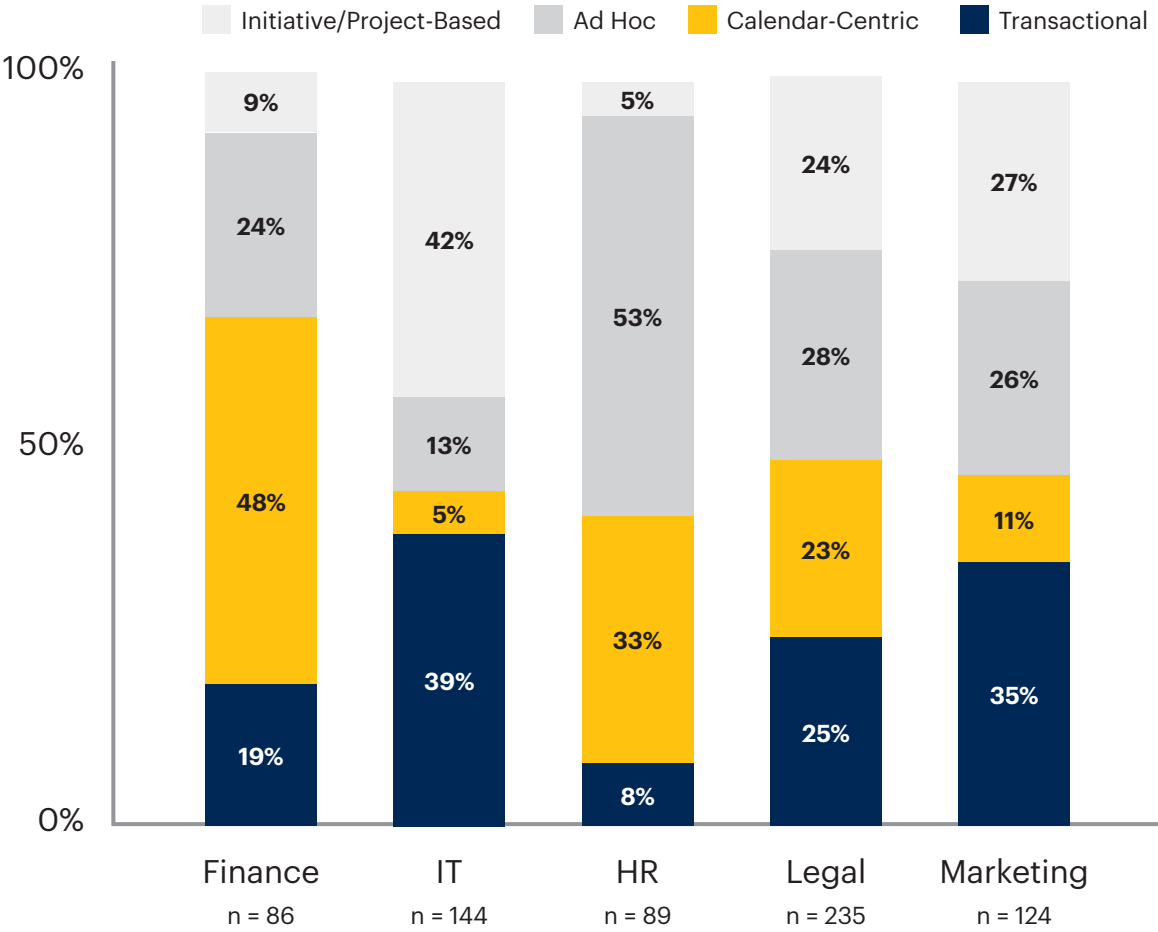
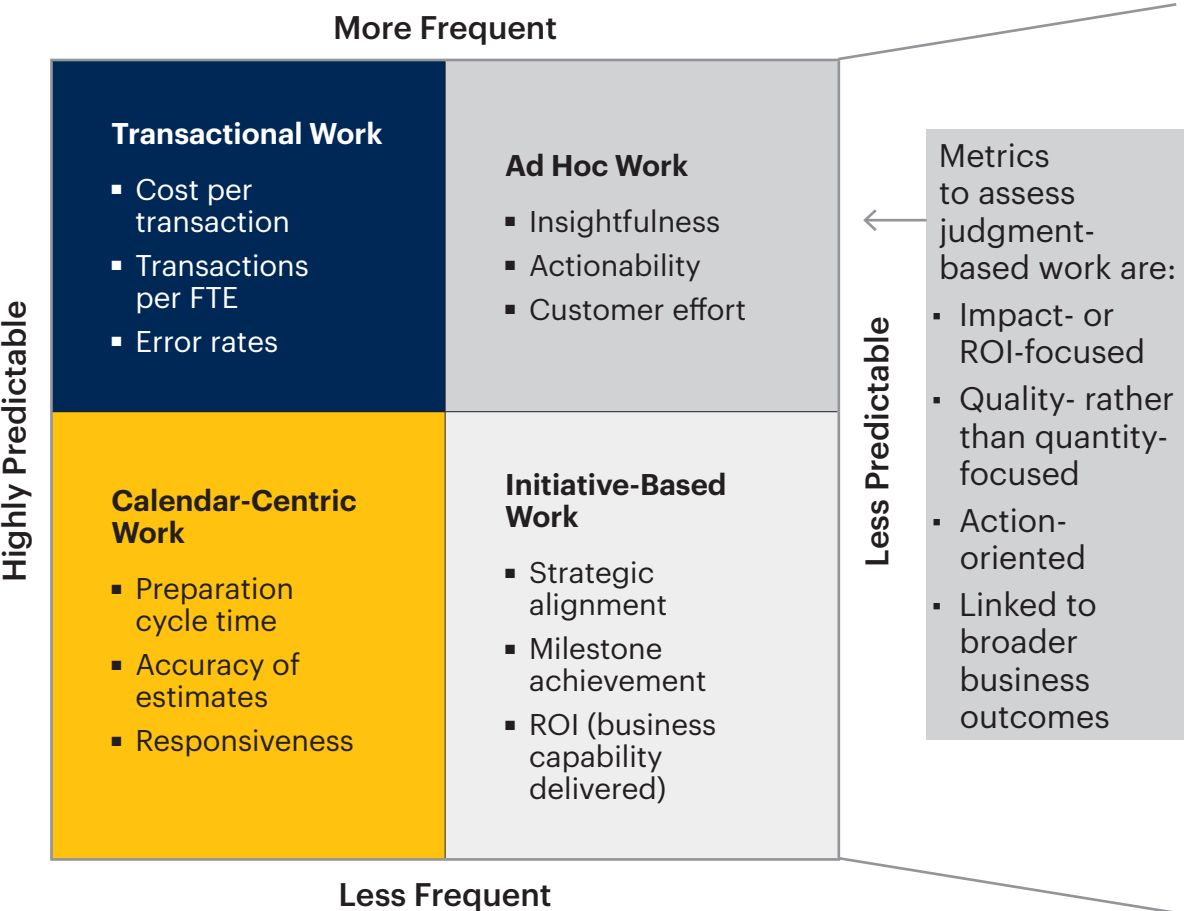
Business Impact

# The metrics to use differ by the nature of G&A work

## Classification of Performance Metrics by the Nature of G&A Work



# Be aware of functional nuances



# Sample G&A business impact metrics by function

## Finance

- Analytics insightfulness
- Analysis response time
- Percentage of analytic recommendations incorporated/followed
- Overall customer satisfaction

## HR

- Changes in employee engagement levels
- Nonstandard hires: Offers accepted as a percentage of offers extended
- Number of “ready now” candidates per succession plan
- Workforce diversity metrics
- Cross-function movements as a percentage of total manager movements

## IT

- Productivity improvement by business function
- Percentage of projects meeting business case milestones
- Number of in-scope business capabilities delivered by IT Project
- Ratio of ideal to actual number of technologies supported

## Legal

- Year-on-year change in outside counsel expenses
- Percentage of managers who have taken compliance training
- Number of disciplinary actions taken as a result of substantiated allegations
- Number of risk incidents by type (e.g., policy violations)
- Number of process changes adopted as a result of legal risk assessments

## Marketing

- Channel management: Profitability by channel
- Internet marketing: Percentage of repeat customers
- New product development: Level of cannibalization
- Trade shows: Cost per lead generated
- New product revenues

# Roadmap



# Key questions for any metrics program

1. What foundational things need to be done before establishing a formal metrics program?
2. What kinds of metrics and KPIs should be tracked centrally versus by functions themselves?
3. How should we determine the best set of metrics to track?
4. How will we effectively measure and report on these metrics?

# Gain transparency into services

## Illustrative G&A Services Map

Services	<b>Information Technology</b> + Workstations + Collaboration + Applications + Data Security <hr/> - Help Desk	<b>Finance</b> + Specialty Services + Planning and Modelling + Transaction Processing + Management Reporting <hr/> - Competitor Analysis	<b>Human Resources</b> + Benefits + Learning and Development + HIPO Management <hr/> - Recruiting and Onboarding
Service Value	Resolving day-to-day technology questions and issues via phone, web or in-person channels.	Assessing and tracking current and potential competitor performance, opportunities and risks	Fill open position and subsequent onboarding of new hire
Work Involved	Hardware and software set up, troubleshooting, ticket tracking and reporting	Comparable metric identification, external data collection, internal business feedback, report delivery	Marketing of vacancies, searches, creation of job ads, interviews and first week onboarding essentials (benefits, workstation access, etc.)
Cost Drivers	Volume of requests, time spent resolving issue	New market exploration, number of data points required	New FTE requests
Service Cost	\$	\$\$\$	\$\$
Allocation (Consumption v. Governance)	Consumption	Consumption	Consumption
Management Levers	Customer satisfaction, issue resolution, speed of resolution	Relevance and actionability of findings	Quality of new hire, manager satisfaction, attrition rate

- ← Map contains services across 12 core G&A domains ...
- ← ... defined from the internal customer's perspective ...
- ← ... deconstructed by type of work ...
- ← ... with drivers that are measurable and can be influenced by the consumer ...
- ← ... with clear costs attached ...
- ← ... and an allocation methodology that segments services by consumption and governance-driven spend.

# Key questions for any metrics program

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# G&A metrics come in two flavors

## Management Metrics

Metrics related to how a function overall is operating and performing

### Types of Management Metrics

1. Cost and FTE Measures
2. Staff Time Allocation Measures
3. Business Partner Feedback
4. Organizational Structure and Staffing Model
5. Talent Management
6. Technology
7. Vendor Management

## Activity Metrics

Metrics related to how much of and how well a specific activity is being carried out within a function

### Types of Activity Metrics

1. Volume of Activity
2. Detail of Deliverables
3. Accuracy of Deliverables
4. Frequency of Services
5. Preparation Cycle Time/Response Time
6. Unit Cost Measures
7. Process Waste Measures
8. Customization of Deliverables/Services
9. Impact of a Service/Activity

# Track management metrics centrally

## Types of Management Metrics

1. Cost and FTE Measures
2. Staff Time Allocation Measures
3. Business Partner Feedback
4. Organizational Structure and Staffing Model
5. Talent Management
6. Technology
7. Vendor Management

Cost and FTE benchmarking, time studies and business partner feedback exercises can all be facilitated by a **central group** for all functions

### Example Metrics

- Service implementation costs
- Users supported per service
- Percent of SLAs at goal

These are the kinds of metrics that procurement can largely take responsibility for tracking

### Example Metrics

- Process automation
- Percent staff trained on new systems
- Average systems per process
- Percent reports generated automatically

These are the kinds of metrics that IT can largely take responsibility for tracking

### Example Metrics

- New hire failure rate
- Absence rate
- Performance appraisal participation rate
- Training hours per employee
- Engagement
- Retention
- Successor growth rate

These are the kinds of metrics that HR can largely take responsibility for tracking

### Example Metrics

- Span of control
- Percent centralized FTEs
- Percent offshore FTEs
- Percent contact labor
- Number of organizational layers

These are the kinds of metrics that HR can largely take responsibility for tracking

# Individual departments track activity metrics

## Standards to Set for Activity Metric Tracking

1. Enforce a balance of efficiency and effectiveness metrics.

2. Remember not to lose focus on the right-hand side.

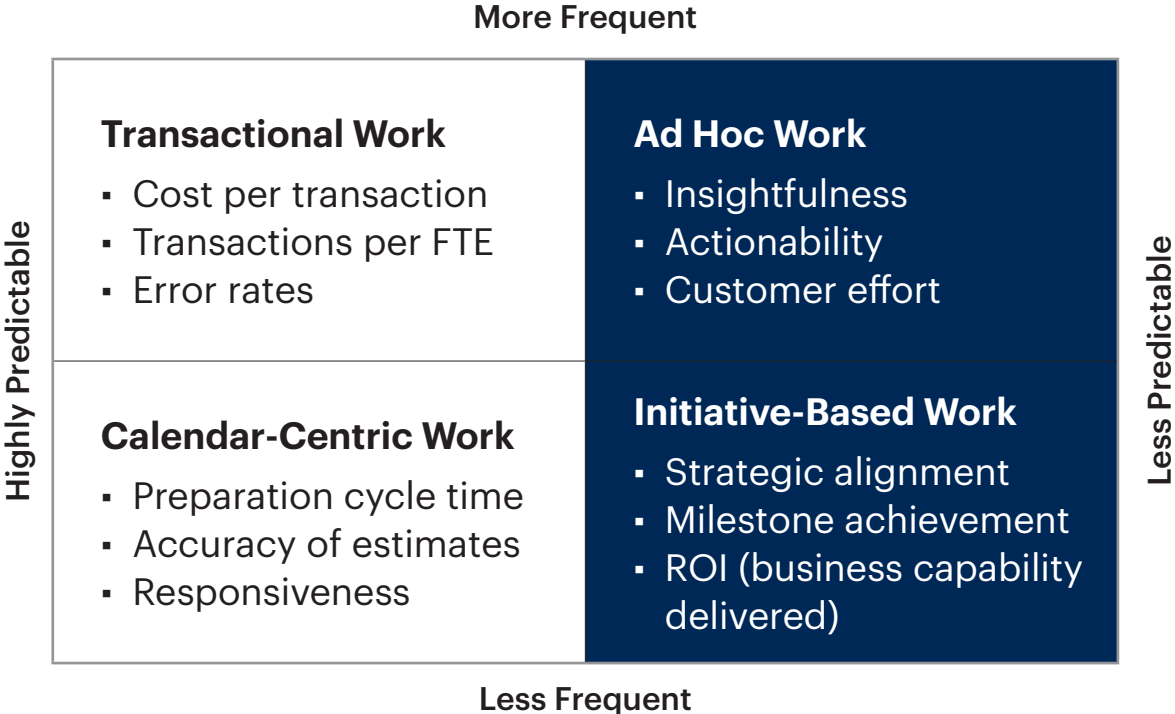
**Productivity = f (Efficiency and Effectiveness)**

### Efficiency = f (Cost and Volume)

Efficiency measures the amount of a function’s resources for time, cost and volume used to produce its output.

### Effectiveness = f (Quality and Impact)

Effectiveness measures the quality of a function’s output and the degree of impact and value delivered to its internal customers.

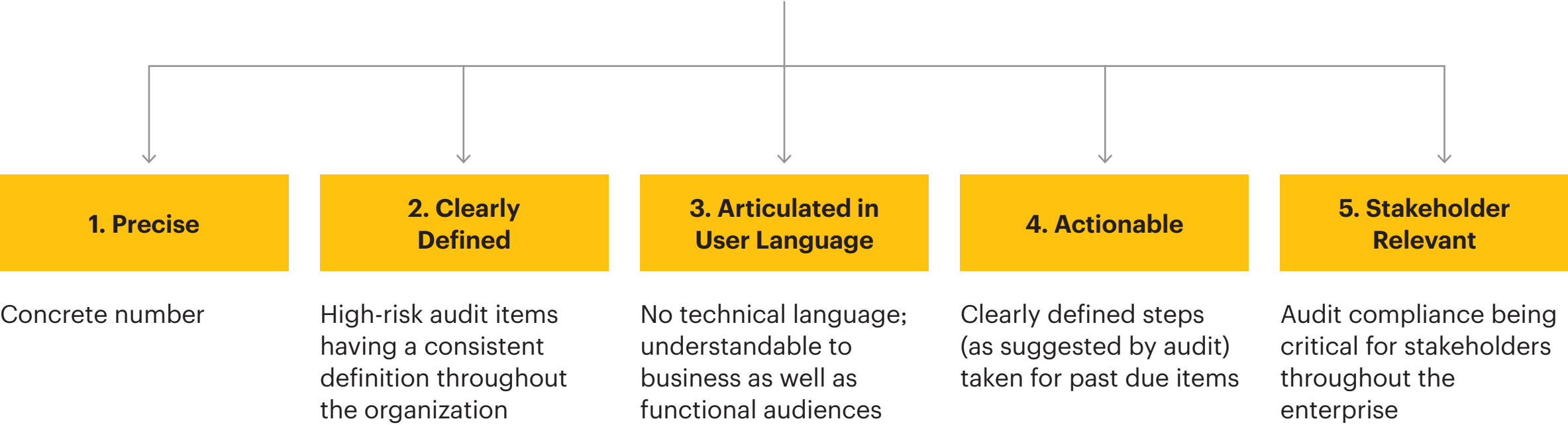


# Key questions for any metrics program

1. What foundational things need to be done before establishing a formal metrics program?
2. What kinds of metrics and KPIs should be tracked centrally versus by functions themselves?
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4. How will we effectively measure and report on these metrics?

# Metrics should not be ambiguous

## Example Metric: Number of High-Risk Audit Items Past Due



# Screen to pressure-test metrics

## Screening Criteria

## Screening Questions

### Economic Relevance

Clarity of Purpose →

- Can you clearly articulate the issue or assumption this metric addresses?
- Can you clearly articulate what action you will take in response to a change in this metric?

Related to Key Assumptions →

- Does this metric either form the basis of a key assumption or allow you to test if a key assumption is valid?
- Does a change in this metric impact a significant portion of the balance sheet or income statement?

Fault Tolerance →

- Is this metric easily collected and reported with a low margin of error?

### Frequency of Update

Variability →

- How often and by what margin does the value of this metric change?
- How predictable are future values of this metric?

Responsiveness →

- How quickly could you alter the operating plan in response to a change in this metric?
- How critical is it that you respond at a given time to a change in this metric?

# Checklist of considerations for each metric

## For each selected metric, determine the appropriate:

- Unit of measure
- Quantitative target
- Threshold (when should it be considered a significant problem?)
- Frequency of measurement
- Frequency of reporting
- Expected “life” of metric (when will this metric be reviewed for relevance and target adjustments?)
- Formula for calculating metric (e.g., critical assumptions, sub-metrics)
- Owner and provider (responsible for acting on metric and collecting data on metric, respectively)
- Data sources
- Estimated cost of measurement (e.g., personnel hours per year, system cost per year)

## Final assessment

- Selected for the given dashboard
- Potential inclusion in another dashboard
- Will be measured but not reported (e.g., data source for another metric)
- Discarded

# Key questions for any metrics program

1. What foundational things need to be done before establishing a formal metrics program?
2. What kinds of metrics and KPIs should be tracked centrally versus by functions themselves?
3. How should we determine the best set of metrics to track?
4. How will we **effectively** measure and report on these metrics?

# Create a measurement plan

## Illustrative Measurement Plan

Metric	Data Source	Person Responsible	Frequency	Target Audience	Type of Metric Data	Automated or Manual Data Collection	Functional Value
Example: Number of contracts created or reviewed in-house by business unit	Contract management system	Legal operations manager	Monthly	Legal leadership	Historical	Manual	Medium
Example: Percentage of systems compliant with IT security standards	IT information security system	IT systems manager	Quarterly	IT leadership	Historical	Manual	Medium
Example: Total spend on vendors providing services to HR	Contract management system	HR manager	Monthly	HR leadership	Historical	Automated	High

# Make reported changes in metrics meaningful

## Illustrative Measurement Update

Goal or Expectation	Ideal Upper Limit	Ideal Lower Limit	Threshold Upper Value	Threshold Lower Value	Green Band	Yellow Band	Red Band
<b>Example 1:</b> A metric with concerning values above and below the goal <b>Metric:</b> Average rounds of review for moderately complex contracts							
3	3.5	2.5	5	2	2.5 – 3.5	2 – 2.5 and 3.5 – 5	< 2 and > 5
<b>Example 2:</b> A metric that only has alarming values when below the goal <b>Metric:</b> Percentage of departmental employees with development plans in place							
90%	N/A	80%	N/A	65%	80% – 100%	65% – 80%	< 65%

### Detail on the bands:

- The Green Band includes the values from the ideal lower limit to the ideal upper limit.
- The Yellow Band includes the values from the threshold lower value to the ideal lower limit and from the ideal upper value to threshold upper value.
- The Red Band includes the values less than the threshold lower value and greater than the threshold upper value.

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