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Operations Practice

The future of G&A: Revitalizing the heart of the organization

General and administrative functions are under pressure to become more digital, more agile, and better aligned to the needs of the wider business. A more strategic model could hold the key.

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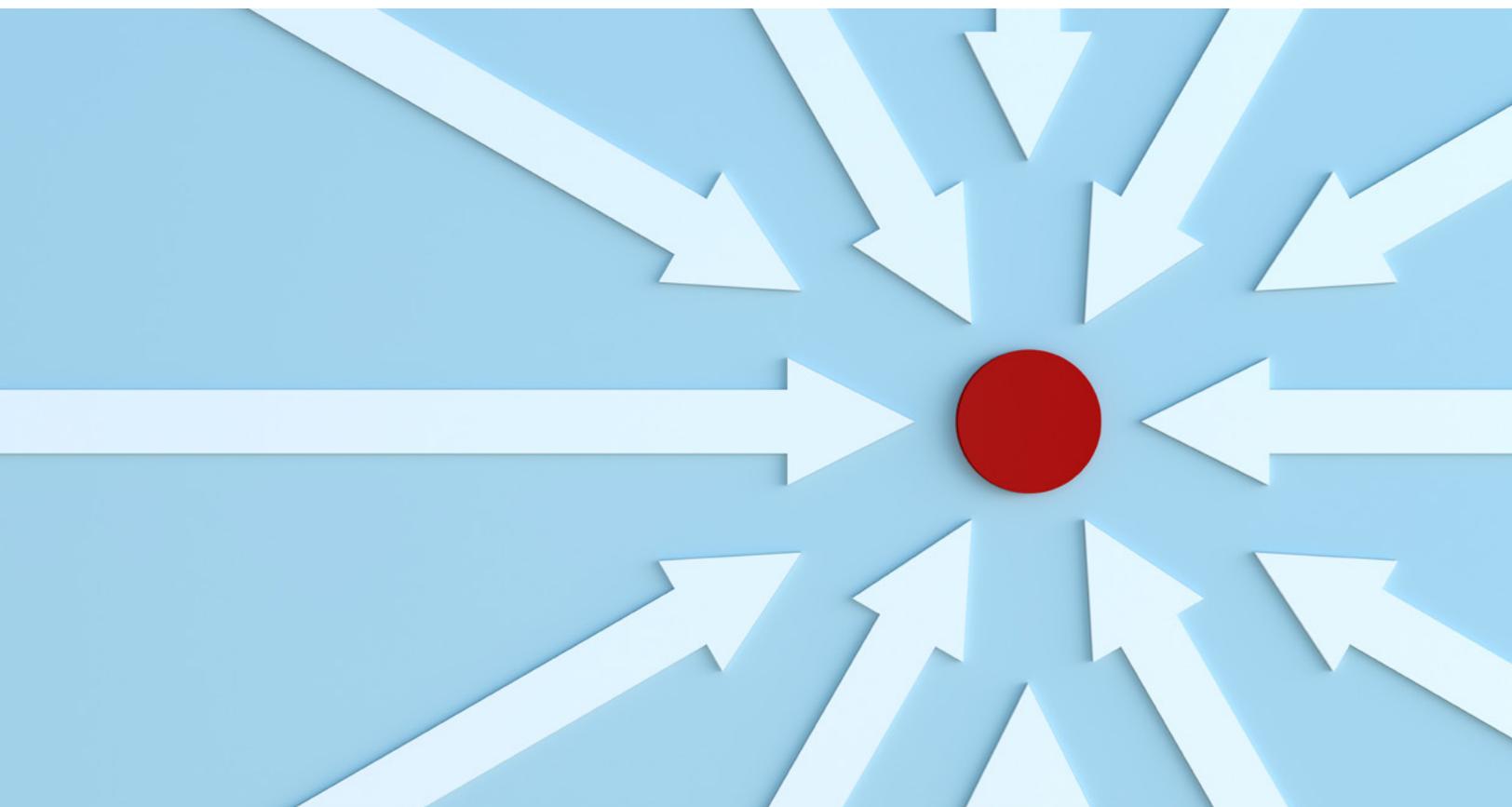
In 2020, businesses faced unprecedented disruption, driven both by the direct impact of the COVID-19 pandemic and the acceleration of preexisting trends in the business, political, and social environment. In response, companies have been forced to rapidly evolve, both in their management processes and their business models.

In this fast-moving and uncertain environment, the pace of change in general and administrative (G&A) functions such as HR, IT, and finance can lag behind the wider organization. These functions have spent years focused on cost reduction and efficiency improvement. Now they are struggling to respond effectively to new demands, while poor coordination between functions slows decision-making and hampers the mobilization of resources to the most pressing issues facing the business.

That's a significant source of frustration for business leaders. Reconfiguring supply chains, implementing mass-scale remote working, or responding to dramatic shifts in customer needs are tough enough tasks on their own. They are even harder if critical internal business functions are unable to provide essential support.

The challenge goes beyond the immediate impact of the crisis and its aftermath. Over the coming decade, multiple interconnected trends will pressure G&A leaders to change both the work that they do and the way that they do it. External forces, such as increasing volatility and the need to balance financial performance and stringent environmental, social, and governance requirements will make G&A work more complex and more variable. Within the business, meanwhile, G&A functions will need adapt their tools, processes, and skills to make use of advanced digital technologies and support a globally dispersed workforce (Exhibit 1).

Exhibit 1

Five emerging trends are shaping the future of G&A.
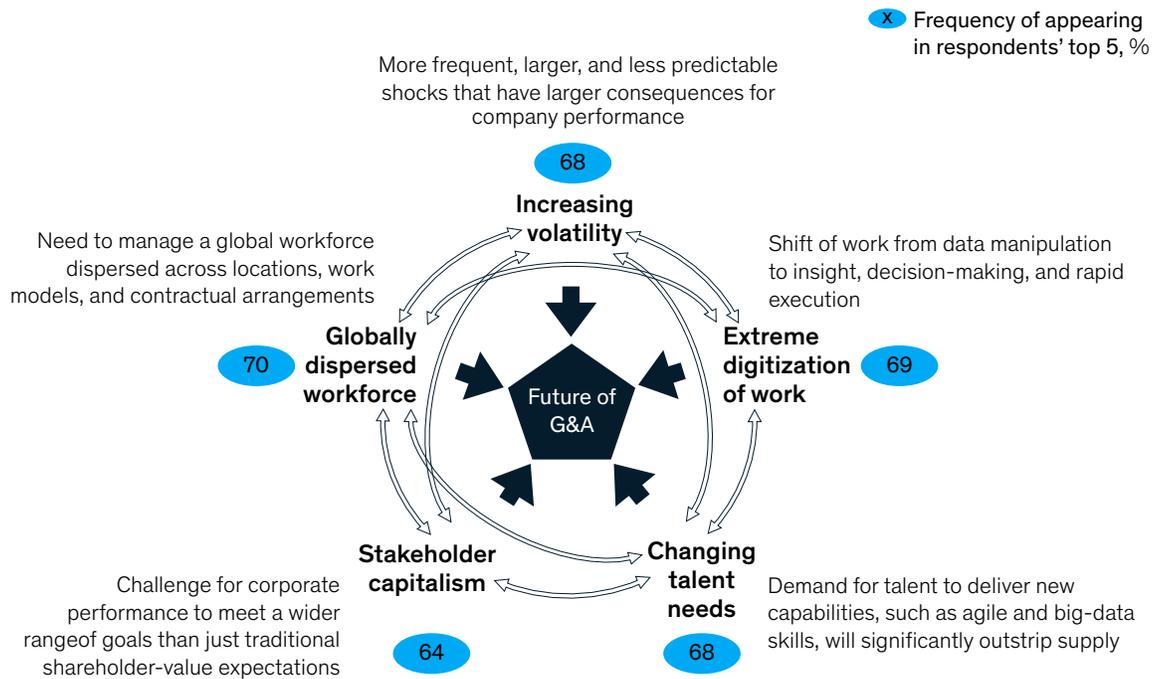
Source: McKinsey Corporate Business Functions Practice

In our recent global survey of more than 200 senior executives, two-thirds of respondents told us that these trends will have a significant impact on the way G&A functions operate in the coming years. An effective response will be challenging for G&A leaders, but we believe that it also presents a chance to rethink the role of general and administrative functions in the modern organization. G&A could reposition itself from a cost of doing business to a key enabler, helping the business manage complex risks, seize emerging opportunities, and make smarter strategic and operational decisions.

A model for the future of G&A

In this article, we propose a new model for G&A functions that is nimbler, even more productive, and more adaptable. It is designed to benefit from advances in digital and analytics, and can provide more commercially and operationally relevant insights.

Our vision for a future G&A model is based on four principles.

— Simplify the administration of the business by eliminating traditional G&A functional silos. Instead, work should be planned and executed along the end-to-end journeys taken by business stakeholders, such as a manager who needs to fill a vacancy, or a product-management team looking for help developing a sales forecast.

— Embed an outward-looking, commercially focused orientation in G&A staff, so they can help the business anticipate and respond to a rapidly evolving environment.

— Use digital and analytics technologies to generate relevant insights for the business, backed by strong automation, workflow, and data-management practices to drive efficiency.

— Separate G&A activities into two distinct types. Tasks that are needed to run the business should be delivered using highly predictable, digitally enabled processes. Elsewhere, companies will use flexible, project-based resources that can quickly be redeployed between initiatives to deliver new capabilities and support changing business priorities.

These principles are realized through a new structure for G&A that reimagines roles across four pillars (Exhibit 2).

The digital G&A backbone

The digital backbone provides the services that the rest of the business relies upon for its day-to-day operations. These services will be organized from the perspective of "customer journeys" taken by their users, who include staff across the wider business along with external stakeholders such as suppliers or job candidates.

In most cases, the delivery of these services will require less direct work by G&A staff. Stakeholders will get what they need through user-friendly self-service interfaces, such as employee and vendor portals or management-reporting dashboards. Back-office tasks will be highly automated.
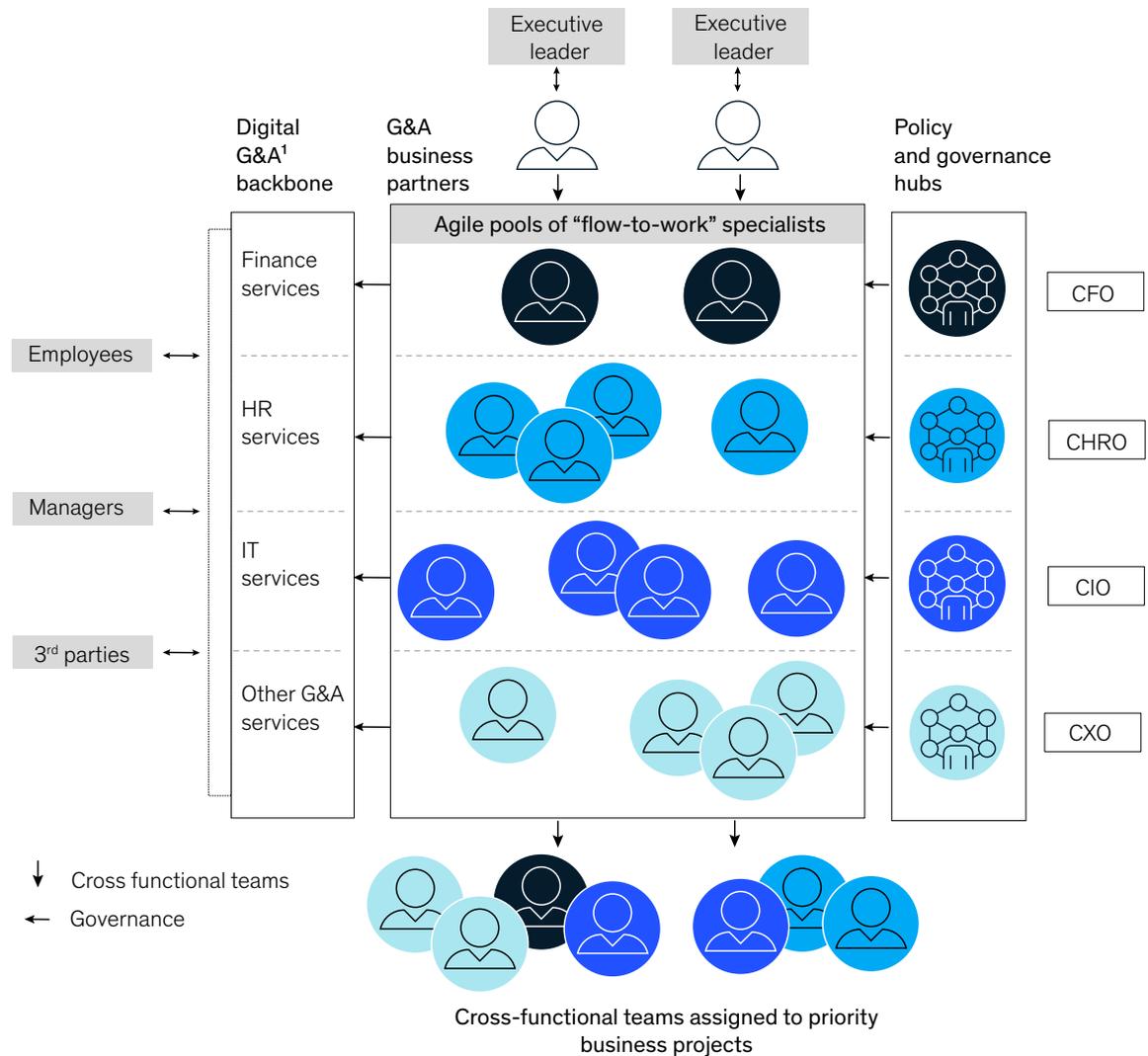
This shift of resources is already underway. Companies have significantly reduced the cost of day-to-day G&A support by using automation and self-service techniques. Across industries, finance costs fell by 25 percent in the decade to 2019, for example. Previous McKinsey research suggests that 64 percent of today's data-collection tasks and 69 percent of data-processing tasks could be automated using existing technologies.

To take full advantage of the potential for automation in transactional tasks, companies will need to move beyond simply stitching together fragmented or inefficient processes with digital connections. Tomorrow's G&A processes can be built from the ground up for the digital environment, allowing them to take full advantage of next-generation enterprise software.

As they design these processes, companies will also want to take the human factor fully into account. A poorly defined or rigid process will inevitably throw up issues and exceptions requiring human intervention to resolve. Leading organizations are

Exhibit 2

The future G&A model reduces silos, quickly reallocates staff to new priorities, and maximizes time on value-added work.

Executive leader

Executive leader

Digital G&A[1] backbone

G&A business partners

Policy and governance hubs

Agile pools of "flow-to-work" specialists

Finance services

Employees

HR services

Managers

IT services

3rd parties

Other G&A services

CFO

CHRO

CIO

CXO

↓ Cross functional teams

← Governance

Cross-functional teams assigned to priority business projects

[1] General and administrative

minimizing these exceptions by designing flexible processes around the specific journeys that different users follow.

One European organization with billions of dollars in annual external spend used design thinking and a customer-journey approach to reconfigure

its procurement process for different roles (such as third-party vendors, production managers, lab technicians, and category managers). It provided each role with a streamlined, digitally enabled experience requiring minimal intervention, which channeled spend to preferred suppliers and delivered transparent outcomes.

The agile pool

A common issue with traditional G&A functions is that resource allocation tends to be sticky. Staff are aligned to a particular role and part of the business and remain there for months or years at a time. As a result, workload may expand to fill the capacity of current roles as defined, while high-priority and strategically important projects may struggle to get the resources they need.

To overcome this challenge, organizations have started to experiment with more agile ways of working, including flow-to-work models in which colleagues are assigned to initiatives across different areas of the business on a project-by-project basis. By setting up these pools of G&A staff with different sets of capabilities, businesses can dynamically provide burst capacity to support priority initiatives in the parts of the business when they are needed, then ramp down and reallocate staff to other areas when they are not. These pools can also serve as skill-building opportunities that expose colleagues to a wider range of experiences.

One North American telecommunications provider, for example, used a simple work-intake tool and triage process to improve workflow in a 70-person financial-reporting and analytics group. Short, daily alignment meetings, backed by new standard operating procedures, helped prioritize requests and make assignments. This ensured staffers were constantly aligned to the most important business priorities, while balancing workload within the group.

Supplementing this closer matching of internal G&A staff to ever-changing organizational priorities, external labor markets are creating new opportunities to more dynamically manage the supply of talent through a wider variety of contractual arrangements beyond full-time staff, traditional contractor roles, or multiyear business-process outsourcing arrangements. Although regulations are in flux, the evolution of gig and part-time working arrangements lets organizations flex G&A staff capacity to fluctuating needs, so they can better manage resources in a zero-based manner from one budgeting period to the next.

In addition, changes in the wider labor market—driven by technology and evolving social preferences—are encouraging organizations to accommodate staff who work remotely part or most of the time. These trends will enable G&A functions to access new sources of talent, but they will also require different working practices and norms to ensure effective integration between employees performing both synchronous and asynchronous work, and potentially operating in different time zones.

Policy and governance hubs

This part of the operating model will be responsible for developing the policies and governance practices needed to comply with internal standards and external stakeholder requirements. Policy and governance hubs will house groups of deep subject-matter experts on particular topics, such as tax planning, compensation, spend-category management, or cybersecurity. While similar to the "centers of excellence" (CoEs) common in today's G&A functions, one major differentiator will be the emphasis on developing an external focus and making extensive use of business analytics to drive insights. For example, a forecasting CoE would work with digital resources to incorporate the most relevant external market trends and macroeconomic data into their models.

Volatile and uncertain environments will continually deliver new challenges, requiring organizations to anticipate, identify, and quickly react to rapid changes. The policy and governance hub can help the wider business with sophisticated modeling and decision-support capabilities, drawing on a wider range of internal and external data sources and advanced analytical skills.

In procurement, for example, a few companies are already using artificial-intelligence technologies to identify potential suppliers from publicly available databases covering millions of firms. In one successful approach, a machine-learning tool compares a natural-language description of the required supplier characteristics with suppliers' descriptions of their own capabilities. Beyond identifying specific high-potential suppliers, the

tool can also create conceptual maps of suppliers sharing similar characteristics. That feature has helped buyers identify opportunities to source from sectors beyond their traditional supply base.

G&A business partners

The need to rapidly deliver complex initiatives will require increased coordination between functions. Last year's mass transition to home working, for example, required IT teams to provide infrastructure and equipment, HR teams to develop new policies, and other functions to adapt their processes to suit the new model.

To better support such initiatives, G&A organizations will want to break down traditional functional silos and develop the capability to rapidly develop complex new services. Doing that requires effective coordination between G&A functions and their customers in the wider business.

This coordinating role would be the responsibility of a group of G&A business partners. These senior managers would work with business leaders to understand their requirements, then convene functional specialists from the agile pool—and experts from the policy and governance hubs—to deliver against those requirements.

This G&A business-partner role is uncommon today, but it has parallels elsewhere in the modern organization. In software and hardware development, for example, companies often appoint product owners or product managers, who act as the voice of the customer within the organization, coordinate work across functions, and are accountable for the financial performance of a product or project.

Getting started toward future G&A

The transition to a next-generation operation model in G&A will not happen overnight, but organizations can chart a journey that builds upon work already underway.

First, companies can ramp up their automation and digitization efforts to build the *digital G&A backbone*. This would involve targeted investment in new technologies, along with a systematic effort to define end-to-end user journeys, followed by streamlining and reconfiguring processes to match. This effort will help G&A functions to provide better service to their customers across the business, while simultaneously releasing capacity to support other parts of the transformation.

The second step involves building the capabilities of existing functional centers of excellence, turning them into *policy and governance hubs*. Subject-matter experts from different G&A functions can be integrated into these hubs, which also become the place where new analytical tools and capabilities are developed. Performance metrics and management systems are adapted to ensure that subject-matter staff spend more of their time focused on business priorities.

Third, companies can define, pilot, and gradually grow *agile pools* of project-focused staff. This can be done incrementally, with the organization first designing the career path, organizational structure, staffing and assignment models, and project-definition and approvals process for this group. The new model can be piloted and refined using small pools of staff and a low volume of projects. Over time, the agile pools can grow as automation and digitization efforts release more capacity.

The fourth step introduces greater cross-functional coordination of responses to business issues. Initially this could be as simple as elevating the level of participation by senior G&A functional staff in business-focused meetings. A logical next step would be to establish a *G&A business partner* role, with a mandate to collaborate with business leaders to prioritize operational issues, convene function-specific subject-matter experts to identify solutions, and mobilize teams of appropriately skilled G&A specialists to define, develop, and deliver the responses needed to address them.

Alongside these changes, organizations should also take a systematic approach to *capability building*. They will need to retrain G&A colleagues for more complex, project- (rather than process-) driven roles, and provide them with tools needed to minimize time spent on low-value-added tasks. They will also need to foster a greater appreciation of the commercial and operational context of the business.

Interventions may include providing "low-code" automation platforms that allow G&A staff to take responsibility for automating the more repeatable parts of their own workload; training staff in techniques such as structured problem solving, influencing, and collaboration skills; or providing on-the-job skill building opportunities via structured short-term assignments and redeployment programs. And to further improve the flexibility of G&A functions, companies will need sustainable models for new ways of working, including the management of remote staff and the use of alternative contractual arrangements.

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Sometimes seen mainly as a cost to be minimized, recent volatility has shown that general and administrative functions play a critical role in an organization's ability to manage risks and respond to emerging opportunities. G&A functions are already changing, for example by embracing new digital technologies at an accelerating rate. We believe that G&A leaders can go further, rethinking their operating models to build functions that can collaborate more effectively, move more quickly, and offer greater support to users across the organization.