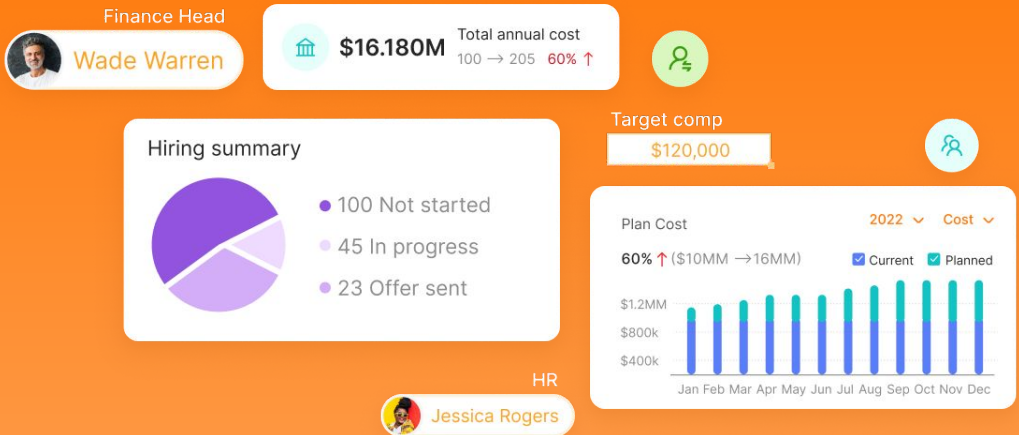# teamohana

Strategic Headcount Management

Control & Forecast the
#1 Spend on Your P&L

Headcount management is one of the biggest challenges at fast-changing businesses, and Finance leaders are the ones who feel the pain. With a Strategic Headcount Management process, they can forecast and manage headcount spend with greater precision and confidence.

E-BOOK FOR FINANCE LEADERS

Strategic Headcount Management

Controlling & Forecasting the #1 Spend on Your P&L

How we created this e-book

Our team spoke to dozens of experienced Finance leaders. We compiled their insights and advice into this definitive guide for managing headcount effectively and collaboratively.

MODERN TREASURY

docker

demostack

POSTMAN

INVOCA

Special thanks to the Finance teams at these companies for their detailed recommendations!

1 WHY IS HEADCOUNT
MANAGEMENT IMPORTANT?

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Why is headcount management important?

In modern businesses today, headcount can easily be the largest item on the P&L.

Managing and controlling that spend is critical for companies that want to grow responsibly. Since market conditions shift quickly and revenue growth is hard to predict, being able to manage the largest item on your P&L is a big advantage. This requires a well-defined headcount management process.

When headcount is managed effectively, your company can join together business objectives, budgets, and hiring plans in a seamless way.

Leaders can make better decisions about their teams and how to spend resources intelligently.

You have better insights into the health of the business so you can make adjustments before it's too late.

Headcount management is important because the stakes are high. Poor headcount management leads to missed business goals and delayed revenue. That's downright scary for growing companies. In fact, it often leads to the grim reality of increased cash burn and, ultimately, layoffs.

Headcount management is important because when layoffs happen, it's not simply canceling a software contract or pulling back on ad spend. It affects real lives and real people.

It's up to Finance to drive better headcount management. This e-book will show you how.

Keith Masuda
VP Finance

MODERN TREASURY

Keith has led Finance teams at venture-backed startups for 15 years, including at Host Analytics, Palo Alto Networks, Segment, Sqreen, and Modern Treasury. He's helped scale companies through IPOs, 7X headcount growth, and more.

"

For many startup leaders, our instincts are to match headcount growth to revenue growth. But we also know that businesses generally need more headcount to increase revenue growth, through building products and closing sales.

Striking the right balance can be difficult in an environment that is often chaotic and uncertain. But at the end of the day, effective headcount management can mean the difference between raising the next up-round or running out of cash.

"

Figures to track

Every finance leader should know the term *effective headcount* and be able to calculate it.

Effective headcount is important for accurate forecasting and budget management.

Effective current headcount

Effective current headcount is not just current employees. It is a snapshot that brings together current employees, plus how many people have accepted an offer to join on a future date, plus how many people have resigned and will leave the company on a future date.

	Existing Headcount In Seat	Pending Starts	Future Terminations	Effective Current Headcount
BY BROADER ORG				
GTM	252	3	2	253
Build	327	4	1	330
G&A	122	6	0	128
Total Headcount	**701**	**13**	**3**	**711**

Effective headcount forecast

Effective headcount forecast will also include all approved headcount that are planned and budgeted to be hired in a given timeframe (including open roles in the ATS), plus any expected attrition based on historic metrics.

	Effective Current Headcount	Approved Hires	Effective Future Headcount
BY BROADER ORG			
GTM	253	31	284
Build	330	21	351
G&A	128	8	136
Total Headcount	**711**	**60**	**771**

Your headcount processes might need improvement if...

➤ It's difficult to get a ***real-time, accurate view*** of effective headcount

➤ Reconciling financial forecast with ***multiple versions*** of shared headcount spreadsheets is a heavy manual effort

➤ Other stakeholders, like Talent and Hiring Managers, don't have ***visibility into headcount or budget*** due to access controls

➤ Keeping track of ***promotions, internal transfers, and employee change requests*** adds complexity and confusion

➤ New and incremental headcount requests come through Slack, email, text, face-to-face conversations... ***channels with no audit trail***

Leading to...

➤ Inaccurate forecasts and high variance

➤ Delayed hiring and missed business goals (e.g. revenue, product roadmap)

➤ Working relationships that can deteriorate when you don't get process right

➤ Over hiring and subsequent layoffs

Let's review an example scenario

Our company - Acme Inc. - may not be real. But the challenge they face is common for many SaaS businesses.

Like many SaaS companies, Acme builds its headcount plan based on top-down planning and high level goals. They need to grow headcount from 300 to 500 in order to achieve their ARR goal of $100 million.

At this point, Acme needs to create a real world operational plan.
- Who are the types of people they are going to hire?
- How much should they be paid?
- Which teams will they be on?
- When should they start?

Acme does this planning mostly in a spreadsheet, which gets passed back and forth between Finance, HR, recruiters, hiring managers, and executives as they refine the plan and collaborate to finalize it.

Then, Acme begins to hire. And we all know that in a growing company, things don't always go according to plan. Specifically, it often takes longer to hire than Acme expects. They assumed that, in order to hit certain revenue targets, they were going to hire ten sales reps in Q1.

Their expected timeline is on the next page. ➡

But what if they cannot hire those people in Q1? That means they cannot onboard in Q2 and the revenue goals that had been set for Q3 and Q4 are in jeopardy.

The big question is: do they still need to hire ten sales reps? If they reduce the revenue goal, they probably should hire less.

But Acme's key stakeholders in Finance, Talent, HR, and Sales can't see this information in real-time, so they can't collaborate to take action and pause the hiring plan. This can lead to full execution of the plan, high burn rate, and a greater likelihood of future layoffs.

Plan

Hire!	Onboard!	Sell!	Sell!
Q1	Q2	Q3	Q4
Hire?	Hire?	Onboard?	Sell?

Reality

"
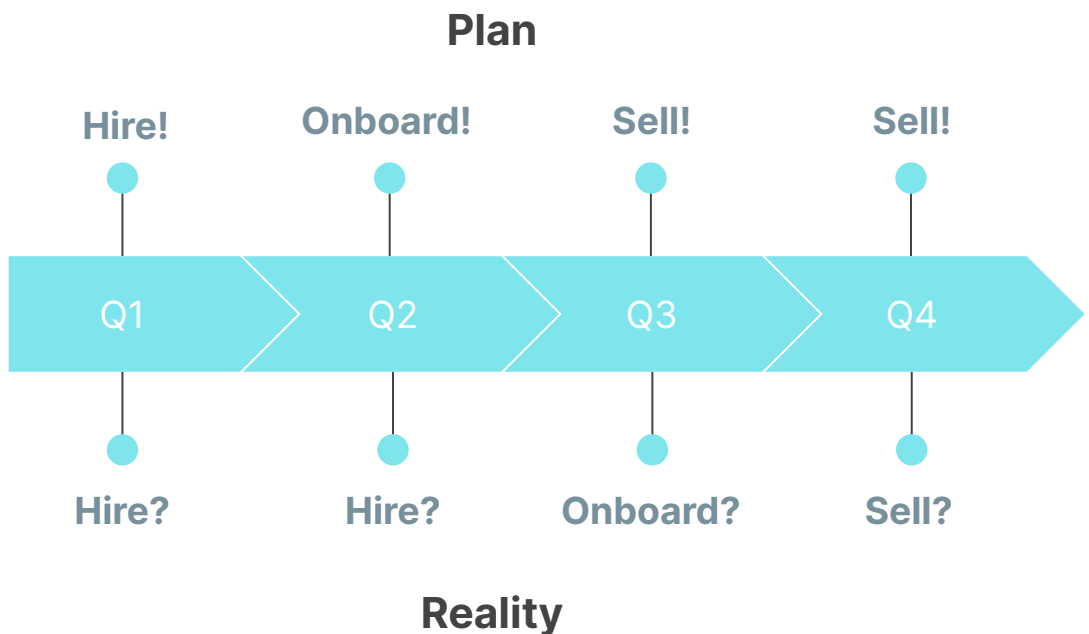
When we first looked at headcount management, we asked a lot of questions to Finance and People leaders to try and understand the root of why it is such a challenge.

Is it a planning issue?

Is it poor communication between teams?

Is it a lack of data?

Ultimately, we determined that it isn't necessarily any of these things. In fact, companies are planning intelligently, communicating (nonstop in some cases), and have access to all the data they needed.

The problem is that, even though the data is accessible, it exists in disparate systems that don't integrate well with each other. So people have to do the work of joining all the data together.

It's a data synchronization problem.

But it is solvable.

"

Baishampayan "BG" Ghose
CTO, TeamOhana

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2 STRATEGIC HEADCOUNT MANAGEMENT

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David Wieseneck
VP Finance

demostack

David has led Finance teams at growing startups for more than seven years, including at letgo, Ollie, and Demostack.

"

Headcount is our #1 cost on our P&L, and it's a pain because there's multiple people that come into the process. When you have a lot of hands in spreadsheets, it can get of hand really quickly.

So you really need a tight process and a system that allows everybody to come together and work collaboratively.

"

What is Strategic Headcount Management?

Strategic Headcount Management empowers you to plan and manage headcount with confidence. It unifies people, processes, and data so that you can make better business decisions as a team.

It brings together Finance, HR, Talent, and budget owners into one single source of truth and breaks down the silos that often arise as a company grows. This creates greater transparency, communication, and collaboration.

Strategic Headcount Management means you can easily track the entire headcount lifecycle in real-time – from approved hire, to an open position in the ATS, to a candidate receiving and accepting an offer, to the hired employee in the HRIS. It also means you can track important elements of the employee lifecycle in real-time, as well – promotions, salary changes, reporting structure, internal transfers, and more.

"It brings real-time visibility and seamless collaboration around your most important asset: people."

The ideal solution for Finance leaders

1. ## Real-time visibility
   Track headcount as you would your sales. Get real-time insights into your effective headcount: butts-in-seats, pending starts, future terminations, approved headcount, and attrition rates.

   Know well in advance where headcount will land at the end of a month, quarter, or year so you can take corrective action.

2. ## Actionable metrics
   Bring the whole team into the headcount process and let them know how it's going.

   - Is hiring for roles properly sequenced?
   - Are staffing ratios tracking to plans?
   - Have you properly balanced span-of-control?
   - Are top strategic initiatives sufficiently resourced?

3. ## Automated workflows
   Shift manual processes to advanced, automated workflows that capture changes to reqs, headcount, salaries, offers, and other information in real-time and push that data downstream to other systems.

   Spend more time with business leaders, HR, and Talent on strategic headcount topics that take your company to the next level.

Build the team as a team.

Many stakeholders play a role in Strategic Headcount Management. They all have different needs and goals.

The key is creating a collaborative environment where everyone's needs are met and you can plan and manage headcount as a team.

Finance

How can we plan and maintain an accurate headcount forecast?

1. Tracking planned and unplanned headcount requests and changes
2. Automating reconciliation of your ATS, HRIS, and plan data
3. Adjusting and updating financial forecasts in real-time
4. Tracking budget variance

HR

How can we partner with the business to plan effectively?

1. Managing all headcount and compensation data in one place
2. Measuring and impacting span of control, diversity, and pay equity
3. Planning and designing your company's future org with confidence

Talent

How can we hire top talent on time to hit our business goals?

1. Working only on pre-approved roles by Finance and HR
2. Connecting approved headcount to open requisitions in your ATS
3. Tracking hiring status from job-open to offer-accept

Budget Owners

How can we build an amazing team to reach our goals?

1. Getting full visibility into all your approved hires
2. Collaborating on hiring plans and requesting new headcount
3. Getting immediate insights on headcount budget and hiring progress

Joe Becic
Director of Finance

docker

Joe spent a few years at Visa before building his career in Financial Planning & Analysis at Docker.

"

It goes beyond just having a tool that consolidates data. It's about how we can track, build, and execute against hiring plans while giving better visibility to folks that need it – with access controls of course. It's about empowering team leaders to manage their headcount budgets with more precision and ownership.

For Docker, bringing the headcount plan seamlessly into the monthly rolling forecast and keeping all that information in sync is powerful.

"

Let's revisit our tech company, SoftWear, hiring 10 sales reps...

With Strategic Headcount Management, all key stakeholders have visibility into a single source of truth about budgets and headcount.

Each time a recruiter pushes out an expected hire date, Finance knows right away and the forecasted spend is updated. The VP Sales is also aware so they can properly reforecast sales targets.

Ultimately, all the stakeholders can come together to make an important business decision around the hiring plan, which so far hasn't come to fruition. The responsible path forward may be to pause four or five approved hires until sales can get back on track and balance the burn that comes with hiring experienced sales reps.

They can make this determination before it's too late – and that is the key. Before, the VP Sales would find out via Slack message that multiple hires were delayed, and Finance would find out two weeks later during a sync call with HR. Now, the information is flowing between stakeholders in real time.

Rather than rely on delayed information, Finance is actually forecasting and guiding the business towards responsible growth.

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THE COMPONENTS OF STRATEGIC HEADCOUNT MANAGEMENT

What are the components of Strategic Headcount Management?

➤ **Pre-approvals for new headcount**

Ensure that every open req has gone through the proper approval process. No hiring surprises.

➤ **Effective current and future headcount and spend**

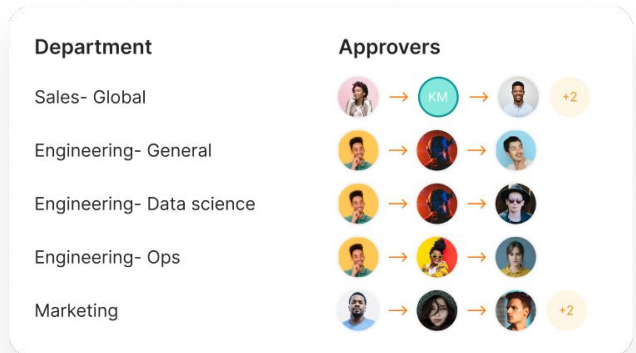Understand who's on your team, who will be on your team, and how they impact the budget.

➤ **Hiring tracker and budget**

Track hiring plan progress in real-time to plan more effectively, make better decisions, and keep budget variance under control.

Pre-approvals for new headcount

Gone are the days when Finance is the last to know about an "approved" headcount... oh and by the way, hiring has already started. Pre-approvals ensure that every incremental headcount is approved with an audit trail prior to any hiring activity. It also ensures that any changes to a pre-approved headcount, such as salary, level, location, and more, are also approved by the right people before any offer is sent.

"In an email or a Slack, approvals can get very confusing. Strategic Headcount Management put us all in a linear structure."

My Doan Cong
VP People

Effective headcount and spend

Effective headcount is the current and forecasted headcount of your company after adjusting for new hires and attrition. You can break down the list to current headcount, pending starts, future terminations, approved hires, and future headcount at the end of the month, quarter, and year. You can break this roster down by team, department, or initiative, and additional details like backfills, internal transfers, and upcoming employee promotions or compensation changes.

Effective headcount is most valuable when it's automatically updating with data from the systems where people data lives, including the applicant tracking system (ATS), HR information system (HRIS), and hiring plans. While many companies today rely on different people within the organization to manually update spreadsheets to join all this data, it should be an automated process to reduce errors and save time.

Aaron Solomon

Finance Analyst

Aaron is the primary owner of headcount management and forecasting at Docker.

"

Every Friday, I used to spend the entire day in a spreadsheet reconciling numbers for an accurate headcount roster that I needed for our financial modeling.
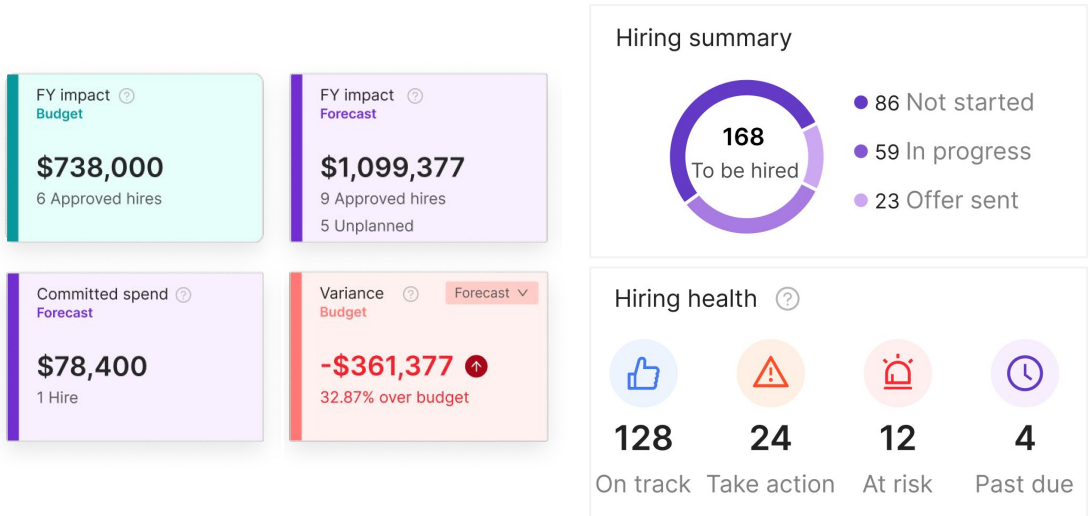
It's so helpful to have everything in one place. Hiring managers can see their approved roles and budget. HR and Talent get the data they need. And I save hours of time that I can spend on higher value work.

I'm not dreading my Fridays anymore. It's a pretty easy process and I enjoy it.

"

Hiring Tracker & Budget

FY impact ⑦
Budget

$738,000
6 Approved hires

FY impact ⑦
Forecast

$1,099,377
9 Approved hires
5 Unplanned

Committed spend ⑦
Forecast

$78,400
1 Hire

Variance ⑦   Forecast ⌄
Budget

-$361,377 ⬆
32.87% over budget

Hiring summary

168
To be hired

- 86 Not started
- 59 In progress
- 23 Offer sent

Hiring health ⑦

👍	⚠	🚨	🕐
128	**24**	**12**	**4**
On track	Take action	At risk	Past due

Unfortunately, there isn't one answer to the question, "How is hiring going?" The answer depends, based on who asked and who's answering. Hiring is a collaborative effort where each stakeholder has different needs and goals.

Strategic Headcount Management unlocks a single view where you can break down the hiring plan by any timeframe and see budget, committed spend, actuals, and forecasts. Finance can maintain accurate forecasts that reflect accurate headcount data like salaries and start dates. Budget owners can easily track the hiring progress of their open roles. HR can track the progress of the entire plan and help guide the business.

It's headcount transparency come to life.

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4 **IT'S ONLY POSSIBLE WITH MODERN TOOLS**

Unlocking Strategic Headcount Management at modern businesses

TeamOhana makes Strategic Headcount Management possible. It is purpose-built to give Finance leaders a single source of truth for accurate headcount data, making it easier to forecast and manage burn. TeamOhana also empowers your key business partners – HR, talent, and budget owners – to work more effectively with you throughout the entire headcount process.

➤ Headcount Ledger

Ensure that every open req has gone through the proper approval process. No hiring surprises.

➤ Requests & Approvals

Set up dynamic workflows for headcount pre-approvals with a complete audit trail.

➤ Budgets & Forecasts

Forecast budget variance in real-time by tracking actual expenses against headcount budget.

➤ Hiring Tracker

Get complete visibility into how hiring is going against the plan.

➤ Recruiter Workboard

Ensure recruiters only work on approved headcount.

We use TeamOhana…

"To run a collaborative hiring process and be more accurate on the forecast."

"For real-time signals to dynamically adapt to business changes and shift capital allocation sooner."

"To eliminate hours and hours of duplicative work."

"To track headcount in a very systematic way without the use of unreliable and inaccurate spreadsheets."

"As a single source of truth for approved headcount, budget, and hiring status shared across Finance, Talent, hiring managers, and department leaders."

teamohana

PLAN & MANAGE HEADCOUNT WITH CONFIDENCE

At TeamOhana, we believe the true power behind any winning organization is the people who comprise it—and how well they work together.

Our vision knocks down brick walls between people and people data to deliver headcount transparency as the superpower for exponential growth.

CONTACT US