Centric Information Management

Centric Metric Formulas & Definitions

T

his document is intended as a master reference for Centric Consulting metric definitions. Each metric is accompanied by a business definition, formula and method for derivation from raw source data (where applicable). Metrics may reference one another in order to reduce complexity of the documentation. In an effort to fully and clearly define metrics, other non-metric business terms may be specified.

Table of Contents

[Chapter 1: Introduction 3](#_Toc423335148)

[Introductory Notes 3](#_Toc423335149)

[Sample Metric 3](#_Toc423335150)

[Metric Naming Conventions 4](#_Toc423335151)

[Chapter 2: Modifiers 5](#_Toc423335152)

[Context Modifiers 5](#_Toc423335153)

[Actual 5](#_Toc423335154)

[Plan 5](#_Toc423335155)

[Booked 5](#_Toc423335156)

[Prospect 5](#_Toc423335157)

[Projected 6](#_Toc423335158)

[Forecast 6](#_Toc423335159)

[Time Basis Modifiers 6](#_Toc423335160)

[Current (C) 6](#_Toc423335161)

[Prior (P) 7](#_Toc423335162)

[*n-*Period Ago 7](#_Toc423335163)

[Time Span Modifiers 7](#_Toc423335164)

[Year-To-Date (YTD) 7](#_Toc423335165)

[Period-To-Date (PTD) 7](#_Toc423335166)

[*n-*Period 8](#_Toc423335167)

[Comparison Modifiers 8](#_Toc423335168)

[Ratio 8](#_Toc423335169)

[% (Percent) 8](#_Toc423335170)

[Variance (Var) and Variance % (Var%) 9](#_Toc423335171)

[Growth and Growth % 10](#_Toc423335172)

[Chapter 3: Financial Metrics 11](#_Toc423335173)

[Financial Metrics 11](#_Toc423335174)

[Income, Revenue 11](#_Toc423335175)

[Expense 12](#_Toc423335176)

[Net COGS Expense 13](#_Toc423335177)

[Discount 13](#_Toc423335178)

[Write-Off 13](#_Toc423335179)

[Reimbursable Expense Cost 14](#_Toc423335180)

[Net Revenue 15](#_Toc423335181)

[Cost of Goods Sold (COGS) 15](#_Toc423335182)

[Net Cost of Goods Sold (Net COGS) 16](#_Toc423335183)

[BU Level Cost 16](#_Toc423335184)

[Gross Profit 17](#_Toc423335185)

[Operating Profit 17](#_Toc423335186)

[Net Profit 18](#_Toc423335187)

[Shared Profit Transfer 18](#_Toc423335188)

[Chapter 4: Project & Resource Metrics 20](#_Toc423335189)

[Leak Hours 20](#_Toc423335190)

[Leak Revenue 20](#_Toc423335191)

[Utilization 20](#_Toc423335192)

[Timesheet Revenue 21](#_Toc423335193)

[Production 21](#_Toc423335194)

[Realization % 22](#_Toc423335195)

[Appendix 1: Other Terms 23](#_Toc423335196)

[Chargeable, Non-Chargeable 23](#_Toc423335197)

[Billable, Non-Billable 23](#_Toc423335198)

[Standard Bill Rate 23](#_Toc423335199)

Chapter 1: Introduction

# Introductory Notes

This document presents terminology specific to Centric Consulting. Definition of terms may not strictly following standard industry terminology.

Metrics are identified by a name that is intended to be an enterprise standard. Each metric has associated information described in the Sample Metric template below:

Sample Metric

### Business Definition

Describes the metric in a parlance that is concise, meaningful and accurate.

The definition is intended for comprehension by lay people in the field. It may not contain the full details of the definition necessary to derive the metric value. A more detailed description of the metric may be included in the commentary section, below.

### Commentary

The commentary builds upon the definition. It should include all information needed to derive the metric, taking into account exclusions or special derivation rules.

This section may also describe variance from industry terminology; and other notes that are relevant to derivation.

### Formulas & Variations

This section contains one or more mathematical formulas that describe the metric calculation.

In particular, this section specifies the calculation time basis: the date (transactional or attributive) used to include related data in the calculation. For example, Revenue has a time basis of GL Transaction Date, whereas Hours has a time basis of Timesheet Task Date.

### Source Derivations

This section describes the details of how the metric – and related information – is sourced from existing Centric systems.

Centric systems include both operational systems and the data warehouse.

# Metric Naming Conventions

Metric naming follows a prescribed convention:

1. [

[Actual Context Modifier vs] Expected Context Modifier

]

1. [

[Current Time Basis Modifier vs] Preceding Time Basis Modifier

]

1. [Time Span Modifier]
2. **[Base Metric]** (*Required*)

(e) [Comparison Modifier]

Each of the components should appear in sequence (a)-(e) in the metric name. Only the base metric component is required in every metric.

The following table shows several example metrics annotated with the components listed in the naming convention.

|  |  |
| --- | --- |
| Metric | Annotated Metric |
| Revenue | (d)Revenue |
| Projected Revenue | (a)Projected (e)Revenue |
| Projected YTD Revenue | (a)Projected (c)YTD (d)Revenue |
| Projected YTD Revenue Var% | (a)Projected (c)YTD (d)Revenue (e)Var% |
| YTD Revenue Growth% | (c)YTD (d)Revenue (e)Growth% |
| 6Mo Gross Profit | (b)6Mo (d)Gross Profit |
| 1Yr Ago YTD Revenue Leakage | (b)1Yr Ago (c)YTD (d)Revenue Leakage |
| 3Mo Avg Net Profit % | (c)3Mo (d)Avg Net Profit % |

Modifiers are described in detail, below.

Chapter 2: Modifiers

General terminology includes those terms that are applicable generally across all subject areas of business metrics.

# Context Modifiers

Context Modifiers describe the scenario that constrains the metric value. As noted below, the default context is “Actual”.

Actual

Actual denotes that the underlying metric is historical fact is not subject to change.

Note that **Actual** is assumed to be the default context modifier; the prefix “Actual” generally does not appear in a metric term.

Plan

Plan denotes that underlying metrics were (a) valued at some point in the past, (b) will not change their value after that point.

Typically Plan is used to indicate annual planning. However, it is possible to specify other frequencies of planning: Semi-Annual Plan, Quarterly Plan, etc.

Plan should not be confused with Projected. The difference is that Projected may change frequently, whereas Plan, once valued, is locked-down.

Book

Book denotes that the underlying metric (a) is anticipated in the future and (b) is agreed to via a formal agreement such as a statement of work.

Pipeline

Pipeline denotes that the underlying metric is associated with a project in the opportunity pipeline. Note that this value is unaffected by the project stage or likelihood that the work will close.

Weighted

Weighted denotes that the underlying metric is associated with a project in the opportunity pipeline multiplied by the likelihood that the project will be won.

The Win Likelihood % is typically based solely on the stage of the opportunity.

Probable

Probable denotes that the value of the underlying metric value is likely to occur. For future periods, Probable is formulated as the sum of Book plus Weighted. Past periods should use Actual.

Projected

Projected denotes that the underlying metric is anticipated based on intuition or experience; all sources may not be fully accounted and may involve some speculation.

Note that future period Projected values are manually specified. The formula above is only applied when deriving Unaccounted.

Unaccounted

Unaccounted denotes that the source of underlying metrics cannot be accounted for through named sources. This is generally used as a placeholder for an unknown component of Projected metrics and is, therefore, always derived.

Unaccounted is not defined for past periods.

Predicted

Predicted denotes that the underlying metric is predicted using statistical method or algorithm. While formulas may take discrete data as input, a Forecast by definition includes numerical methods in its formulation.

Shadow

Shadow denotes that the underlying metric represents a business entity that does not have its own P&L, primarily capabilities (SO/IV). Calculation of Shadow metrics may vary between service lines and IVs but are otherwise consistently applied.

# Time Basis Modifiers

Time Basis Modifiers identify the *basis period* for a metric.

The term, *analysis period*, refers to the period of time for which the metric value is defined or “sliced”. Period is a generalized term that defines a time span, such as a day, week, month, quarter or year.

The term, *basis period,* refers to the period of time on which the metric calculation is based. The *basis period* may derived from the *analysis period* in different ways depending on the time modifier.

As noted below, the default Time Modifier is “Current”.

Current (C)

Current denotes that the underlying metric reflects only those transactions or events occurring within the *analysis period*. Examples may include Current Revenue and Current Hours or simply the respective Revenue and Hours.

In this case, the *basis period* is always the same as the *analysis period*.

Note that Current is assumed to be the default case; the prefix general does not appear in a metric term. The term may be abbreviated as C when paired with other terms indicating time. Examples include CYTD, meaning “current year-to-date”.

Prior (P)

Prior denotes that the underlying metric reflects only those transactions or events occurring in the period of immediately preceding the current time period. Examples include Prior Revenue and Prior Hours.

In this case, the *basis period* is always one period preceding *analysis period*.

This term may be abbreviated as P when paired with other terms indicating time. Examples include PYTD, meaning “prior year-to-date”.

*n-*Period Ago

The term, Ago, defines a *basis period* shifted back in time from the *analysis period*. Ago is always modified by a periodicity (1-2-3…) and period (Week, Month, Quarter, Year). For example, 6Mo Ago Revenue is the Revenue in the *basis period* which is 6 months prior to the *analysis period*.

# Time Span Modifiers

Time Span Modifiers indicate expand the period of time over which the metric is evaluated relative to the *basis period*.

Year-To-Date (YTD)

YTD denotes that the underlying metric reflects only those transactions or events occurring between the beginning of the *basis period*’s year (January 1st) and either the current date or the end of the *basis period*, whichever occurs first.

For example, if the *basis period* is March 2015 and the current date is March 23, 2015 the YTD Revenue metric would include transactions from January 1, 2015 through March 23, 2015.

Period-To-Date (PTD)

PTD denotes that the underlying metric reflects only those transactions or events occurring between the beginning of the *basis period* and the current date.

For example, if the *basis period* is Q2-2015 and the current date is May 9, 2015, the PTD Revenue metric would include transactions from April 1, 2015 through May 9, 2015.

*n-*Period

*n*-Period denotes that the underlying metric reflects transactions or events occurring between the beginning of the (n-1) preceding period and the end of the *basis period*. Examples include 12Mo Revenue and 1Wk Hours.

The calculation of these metrics follows this formula:

For example, if the following metric were evaluated in April 2015, the formula would be

# Comparison Modifiers

Ratio

Ratio metrics are used to indicate a fractional comparison between two values.

By definition, ratios do not have units. This means that the numerator and denominator must have identical units.

Ratios are not percentages. The value of the above ration, 0.8, is different than the related percentage value of 80.

% (Percent)

Percentage metrics are ratios multiplied by 100%.

In general, whenever a metric is representative of a percentage, the modifier should contain a percent symbol, “%”. The percentage symbol literally means “per-100”. This not merely a display format, but rather is a unit of measurement.

Correspondingly, whenever a metric is not a percentage, the units must either be included in the metric name or clearly documented as part of the metric definition.

For example: Utilization % is the hours charged to clients per 100 available work hours. Utilization Hours (no percent symbol) is the number of billable hours, where “hours” is the indicated unit of measure.

Variance (Var) and Variance % (Var%)

Variance or Var denotes that the metric is the difference between two similar metrics. There is an implication that first metric is an *actual* value whereas the second metric is projected, forecast or, through some other method, *expected*.

For example Actual v. Projected Revenue Var is the difference between the Actual Revenue and Projected Revenue.

The following conventions apply:

1. Metrics must reflect the same underlying base metric and time modifier, and they may only vary in their scope. For example, YTD Revenue and Projected YTD Profit could not be combined in a variance metric because they have different underlying concepts: revenue and profit.
2. The underlying formula for Variance always follows this convention:

In the case of Variance %, the *expected value* is always used in the denominator.

1. The metric naming follows this convention:

[Actual Scope Modifier] vs [Expected Metric (Full Name)] Var

[Actual Scope Modifier] vs [Expected Metric (Full Name)] Var%

1. It is acceptable *to suppress the “actual” metric prefix* such that the metric name follows this convention:

[Expected Metric (Full Name)] Var

[Expected Metric (Full Name)] Var%

This naming convention is possible because there is typically only a single actual value, whereas that expected metric value may be derived in many different ways.

Suppressing the actual metric prefix should be done only in cases where the resulting metric term does not obfuscate the meaning.

For example, when determining the variance between actual YTD revenue and projected YTD revenue, the metric would be named Actual vs Projected YTD Revenue Var or Projected YTD Revenue Var.

If the Actual YTD Revenue = $105,000 and Projected YTD Revenue = $100,000, then the Projected YTD Revenue Var = $5,000; Projected YTD Revenue Var% = 5%.

Growth and Growth %

Growth denotes that the metric represents the *change over time* between two similar metrics. There is an implication that first metric is the *current period* value whereas the second metric is a *preceding (earlier) period* value.

For example, CY vs PY Revenue Growth is the change between the prior year PY Revenue and the current year CY Revenue

The following conventions apply:

1. Growth metrics must reflect the same underlying scope and base metric, and differ only time. For example, Prior Revenue and YTD Revenue could not be combined in a growth metric because they have different underlying time periods: prior period and year-to-date.
2. The underlying formula for Variance always follows this convention:

In the case of Growth %, the *preceding value* is always used in the denominator.

1. The metric naming follows this convention:

[Current Time Modifier] vs [Preceding Metric (Full Name)] Growth

[Current Time Modifier] vs [Preceding Metric (Full Name)] Growth%

1. As with Variance metrics, it is acceptable *to suppress the current time modifier* such that the metric name follows this convention:

[Preceding Metric (Full Name)] Growth

[Preceding Metric (Full Name)] Growth%

This naming convention is possible because the periodicity and scope are known, whereas that preceding metric value may be derived in many different ways.

Suppressing the current metric prefix should be done only in cases where the resulting metric term does not obfuscate the meaning.

For example, when determining the growth between Current YTD Revenue and Prior YTD Revenue, the metric would be named Current vs Prior YTD Revenue Growth or Prior YTD Growth.

If the Prior YTD Revenue = $40,000 and Current YTD Revenue = $50,000, then the Prior YTD Revenue Growth = $10,000; Prior YTD Revenue Growth% = 25%.

Chapter 3: Financial Metrics

# Financial Metrics

Financial Metrics address revenue and profitability. Their data is sourced primarily from the GL.

Notes:

1. Centric uses Accrual Basis Accounting for reporting of financial metrics. This means that revenue/expenses are recognized when invoices/bills are posted to the GL.
2. Unless otherwise noted, financial metrics are stated in aggregate as positive values, e.g. Reimbursable Expense Income of $200 (+) would be offset by a Reimbursable Expense Cost of $200 (+). In other words, expenses are not stated as negative values as they would appear on an income statement. There may still exist individual transactions with negative values, such as an adjustment to a Reimbursable Expense Cost.

Income

### Business Definition

Income represents consulting income plus discounts, write-offs, reimbursable expense income and other sources of income.

### Commentary

For Centric, Income is equivalent to “*revenue”* (though it is not the same as Net Revenue). The term, “*revenue*” is not used due to potential confusion with the term Net Revenue.

### Formulas & Variations

Consulting Income

### Business Definition

Consulting Income is the income attributed to delivery of consulting services.

### Commentary

Consulting Income does not include discounts, write-off, etc.

### Formulas & Variations

Discount

### Business Definition

Discount is an offset to Revenue resulting from a planned contractual agreement with a client.

### Commentary

The time basis for Discount is GL Transaction Date.

Write-Off

### Business Definition

Write-Off is an offset to Revenue resulting from an unplanned event.

### Commentary

Write-offs are typically financial concessions to clients resulting from project delivery issues.

The time basis for Write-Off is GL Transaction Date.

Reimbursable Expense Cost & Income

### Business Definition

Reimbursable Expense Cost is an expense that (a) is fully reimbursable by a client, and (b) has been paid to the employee.

Reimbursable Expense Income is the amount corresponding to the Reimbursable Expense Cost that has been invoiced to a client.

### Commentary

Reimbursable Expense Cost and Reimbursable Expense Income are expected to net out to zero for the calendar month in which the employee expense was incurred. This is guaranteed because the client is always invoiced for the Reimbursable Expense in the same month it is paid to the employee.

The time basis for Reimbursable Expense Income and Reimbursable Expense Cost is GL Transaction Date.

### Formulas & Variations

For a given calendar month:

Net Revenue

### Business Definition

Net Revenue is considered to be Services Fees received from clients for professional services offset by Discounts and Write-Offs.

### Commentary

Net Revenue is the dollar amount invoiced to Centric clients exclusive of Reimbursable Expense Income

Net Revenue explicitly excludes Reimbursable Expense Income invoiced to the client. This exclusion deviates from the IRS definition of revenue but makes our analysis more useful for assessing business performance. Similarly Reimbursable Expense Costs paid to Centric employees are excluded from COGS.

Income received as Revenue will be stated as a positive (+) amount.

### Formulas & Variations

The following formula applied:

COGS (Cost of Goods Sold )

### Business Definition

COGS refers to all expenses incurred in the course of delivery of client projects.

### Commentary

COGS generally includes but is not exclusive to: labor, labor burden (payroll taxes), non-billable client expenses. This metric excludes Reimbursable Expenses Cost and Transfer between operating groups (shared profit and national cost allocation).

Expenses paid as COGS will be stated as a positive (+) amount such that:

The time basis for COGS is GL Transaction Date.

### Formulas & Variations

Identifying Reimbursable Expense Cost from existing COGS data is not currently feasible. Therefore, it is necessary to back into COGS from Net COGS and the Reimbursable Expense Cost associated with invoices.

The Reimbursable Expense Cost for a given month may also be derived in the following manner:

Net COGS (Net Cost of Goods Sold)

### Business Definition

Net COGS refers to all expenses incurred in the course of delivery of client projects (i.e. COGS) plus Reimbursable Expense Cost.

### Commentary

Net COGS generally includes but is not exclusive to: labor, labor burden (payroll taxes), non-billable client expenses. This metric excludes Transfer between operating groups (shared profit and national cost allocation).

Unlike COGS, Net COGS includes Reimbursable Expense Cost. This is the value reported to the IRS and other tax agencies.

Expenses paid as Net COGS will be stated as a positive (+) amount such that the following is valid:

The time basis for Net COGS is GL Transaction Date.

### Formulas & Variations

Non-COGS

### Business Definition

Non COGS refers to all expenses incurred in the course of delivery of client projects (i.e. COGS) plus Reimbursable Expense Cost.

### Commentary

Net COGS generally includes but is not exclusive to: labor, labor burden (payroll taxes), non-billable client expenses. This metric excludes Transfer between operating groups (shared profit and national cost allocation).

Unlike COGS, Net COGS includes Reimbursable Expense Cost. This is the value reported to the IRS and other tax agencies.

Expenses paid as Net COGS will be stated as a positive (+) amount such that the following is valid:

The time basis for Net COGS is GL Transaction Date.

### Formulas & Variations

Business Unit Cost (BU Cost)

### Business Definition

BU Cost refers to all expenses incurred for any purpose other than delivery of client projects (i.e. Non-COGS), specific to Business Unit operating groups.

### Commentary

This metric excludes Transfer between operating groups (shared profit and national cost allocation).

The time basis for BU Cost is GL Transaction Date.

### Formulas & Variations

Centric Cost

### Business Definition

Centric Cost is all operating costs incurred by non-BU operating groups: National, Shared Services, Service Lines and Industry Verticals.

### Commentary

The time basis for Centric Cost is GL Transaction Date.

### Formulas & Variations

Net Profit = Net Revenue – Net COGS – BU Cost – Centric Cost

Gross Profit

### Business Definition

Gross Profit is the income remaining from Revenue after deducting COGS.

### Commentary

The time basis for Gross Profit is GL Transaction Date.

### Formulas & Variations

The following formulas apply:

Because reimbursable expense income and cost are equivalent in a period,

Operating Profit

### Business Definition

Operating Profit is the amount remaining from income after deducting COGS and Operating Group Load.

### Commentary

The time basis for Operating Profit is GL Transaction Date.

### Formulas & Variations

The following formulas apply:

Shared Profit Transfer

Shared Profit Transfer is the amount transferred between operating groups resulting from profit splits and other adjustments.

### Commentary

The time basis for Shared Profit Transfer is GL Transaction Date.

This amount may be negative or positive and as a whole these transfers are “net zero”. A positive number indicates $ transferred in from another BU.

Centric Cost Transfer

Centric Cost Transfer is the portion of Centric Cost that is allocated to Business Units.

### Commentary

The time basis for Centric Cost Transfer is GL Transaction Date.

Centric Cost Transfer should “net zero” across all operating groups.

Net Profit

### Business Definition

Net Profit is the income remaining from Income after deducting all expenses (COGS and Non-COGS).

### Commentary

The time basis for Net Profit is GL Transaction Date.

### Formulas & Variations

The following formulas apply:

Chapter 4: Project & Resource Metrics

Leak Hours

### Business Definition

**TBD**

Leak Revenue

### Business Definition

**TBD**

Utility Hours

### Business Definition

Utility Hours is the number of hours that could be utilized by resource.

### Commentary

Utility Hours is total eight-hours for every work day, excluding holidays, company meetings. Utility Hours is not affected by PTO/Vacation.

Utilization

### Business Definition

Utilization is the quantity of Chargeable Hours billed to a client project.

### Commentary

Note that Non-Chargeable hours are excluded from the Utilization formula.

### Formulas & Variations

Utilization % is the portion or Utility Hours applicable to Utilization.

Timesheet Revenue

### Business Definition

Timesheet Revenue is the theoretical revenue charged by a resource on a billable project.

### Commentary

Timesheet Revenue is theoretical because client invoices may contain discounts, write-offs and other adjustments that impact the service fees charged.

### Formulas & Variations

The following formulas apply:

Note that the Bill Rate for non-chargeable or non-billable work is presumed to be zero. Therefore, this formula should be universally applicable without additional business logic.

Production

### Business Definition

Production is the consulting services fees generated for client hours based on a nominal Standard Bill Rate for a resource.

### Commentary

Client hours encompasses both Billable and Non-Billable services performed for a client.

Note that Production is different from Timesheet Revenue; the latter uses the actual Bill Rate for a resource on a project.

### Formulas & Variations

Production Gap

### Business Definition

Production Gap is the amount Production not realized as Net Revenue.

### Commentary

Production Gap may be allocated to resources based on proportional Timesheet Revenue.

Contributions to Production Gap:

* Billing over/under standard bill rate, including free work
* Discounts as identified in the GL data
* Adjustments on non T&M work to represent $’s earned which will be different than based on the assignment bill rate. These adjustments are typically done at a project level, making it hard to get a true “Realization” number for an individual versus a project.
* Write-offs

### Formulas & Variations

Realization %

### Business Definition

Realization % is the percentage of Net Revenue realized as Production.

### Commentary

It is important to note that, while Production can be evaluated for an individual resource, Realization % cannot. This is because Net Revenue is affected by write-offs, discounts and adjustments that are applied at the project or client level.

### Formulas & Variations

Appendix 1: Other Terms

Chargeable, Non-Chargeable

Chargeable indicates that the associated hours are incurred through delivery of services; and are charged to a client at a non-zero bill rate. Non-Chargeable hours are incurred through delivery of services, but have rate of zero ($0/hr).

These terms are not applicable in the context on non-client (i.e. internal) projects.

Billable, Non-Billable

Billable indicates that the hours are incurred through delivery of services. Non-billable hours are incurred for other purposes such as business development, delivery excellence, project planning workshops, client education, etc.

Standard Bill Rate

The Standard Bill Rate is a nominal established at the resource level based on region, level in the organization and other factors. This rate is established periodically (at least once per year) per resource.

Expense

### Non-labor and personnel compensation costs incurred in course of doing business. Expenses will exist within COGS and Non-COGS. COGS expenses will either be billable or not billable to the client.

The memo field for most COGS GL expenses contain info whether the expense is billable or non-billable. In theory, the sum of all “Billable” COGS expenses will equal Reimbursable Expense Cost and in practice this will often be true, but an “unaccounted for” amount will need to be calculated to capture diff between Reimbursable Expense Income and memo expenses flagged “Billable”

“Billable” and Non-Billable info in the Memo field should only be gathered for COGS expenses. While similar data exists in the Memo field of Non-COGS transactions, it doesn’t really have any meaning and there are a lot more records in Non-COGS without that info in the memo field.