



2020 HR Benchmark Survey Vlog Transcript

Cindy Lu:

Hi there. This is Cindy Lu of CHRO Partners and today we're going to cover the results for the HR benchmark study for 2020. This information was gathered from late fall 2019 through April 2020. We had a total of about 314 respondents, but we had to throw out some of the data. There were some discrepancies and duplications. And so we ended up with a total respondent group that we measured of 299.

Cindy Lu:

Just to give you a quick preview of some of the top challenges. You can see it started with business growth, compliance in core HR. I suspect that might be higher today given the current pandemic situation. The top one was HR organizational efficiency, L&D, lack of resources, retention and talent acquisition. So we'll go into a little bit more detail on what these categories mean in a second, but let me just quickly walk you through what we will cover today.

Cindy Lu:

We're going to quickly give you the demographics and background of the respondents, the key findings, the major challenges as well as recommended resources. All right, let's jump right in. As I mentioned, we had 299 respondents. The company size of the respondents were really a wide range, with the largest category of smaller companies under 500 employees. That was 47%.

Cindy Lu:

We had the next largest category is upper middle market companies between a thousand and just under 5,000 and overall companies over 500 employees consisted of over 53% of the respondents. The HR leaders who responded, represented almost a million FTEs. So the companies that they worked for had 947,719 FTEs.

Cindy Lu:

How this breaks down as far as head count is the jumbo companies made up over 60% of this 947,000+ employees. The large companies made up 19% of this population, upper middle market companies about 15% lower middle markets 3% and smaller companies had about 3% of the total FTEs represented in this study.

Cindy Lu:

We had a nice large representation of industries, but the top five category of industries were manufacturing at 17%, professional scientific and technical at 15% healthcare at 11 and other services at nine, and the fifth category is finance and insurance at 7%. We also had a nice distribution of the level of respondents with chief people, officers, or chief HR officers at 18%, vice presidents at 23% director level at 35%, managers at 15% and individual contributors at 9%.



2020 HR Benchmark Survey Vlog Transcript

Cindy Lu:

We also asked about reporting structure and 69% of the respondents report directly to the CEO of the organization. And that was actually a nice surprise to see that. We had about 11% reporting to the CFO, 7% to the COO, 3% to the chief administrative officer, and about 2% to general counsel.

Cindy Lu:

For the 299 HR executives who responded to the survey, they shared that the HR head count within their organizations total 7,404. The jumbo companies over 10,000 employees having over 3,200 HR professionals in their organizations, large companies with around close to 1900 upper middle market, very close to 1500, smaller, lower middle market at 322 and small companies under 500, 476.

Cindy Lu:

And of course, the numbers are just numbers. What will be important is when we share the ratios with you on how that compares to total head count. We also wanted to know how many of the organizations had employees in California. And so of the 299 respondents, 46% of these respondents did have employees in California, 54% with no employees in California.

Cindy Lu:

The companies that responded covered 39,607 locations and 55% of those organizations outsource their payroll versus 45% did not. We also wanted to understand their annual percentage of new hires as it related to their total FTEs. And the call out here is that over 25% of respondents had over 30% new hires per year. You can see there's really some dramatic growth. I suspect that that has slowed down a little bit here now throughout the pandemic.

Cindy Lu:

However, there was a pretty busy clip as far as talent acquisition was concerned for many of these organizations. 64% of the respondents said that they have a high touch HR model versus self-service. So self-service, more low touch self-service model was only 4% and 32% said that they were somewhere in-between. All right, so that wraps it up on the sort of the background on the organizations that responded. We then took the numbers and calculated two different types of measurements for HR head count to FTE head count.

Cindy Lu:

So the first one we did was a number of FTEs per HR staff, which is FTEs minus the HR staff divided by HR staff. Okay. So I'll say that again. The total number of FTEs minus the total number of HR staff divided by the number of HR staff. So that gives us the number of FTEs per HR staff. And what we found is that for the smaller companies under 500 employees, for every one HR person, they would oversee 59 employees.



2020 HR Benchmark Survey Vlog Transcript

Cindy Lu:

On the other extreme, you've got jumbo companies with over 10,000 employees where they have one HR professional for 174 full-time employees. Somewhere in-between here, we've got lower middle market organizations. Those are companies categorized between 500 and 999 employees and they have roughly 95 employees per HR professional. The upper middle market, those companies are categorized as a thousand employees to 4,999. And they have around 91 employees per HR person. The large companies categorized as 5,000 to 9,999 employees. They have around 98 FTEs per HR.

Cindy Lu:

And of course the jumbo ones at 174 FTEs per employee or per HR professionals. So you can see there's a huge discrepancy between the jumbo companies and the smaller ones. I suspect that there's definitely some economies of scale, technology plays a big role in that. We even took out some data that didn't make sense. So we did a little spot auditing with the data and compared that with LinkedIn, as far as employee head count.

Cindy Lu:

And so it's really interesting to see the big discrepancy for this number. I mean, literally almost three times here. All right, now we're going to jump to, I think the more traditional way that folks are calculating this HR to FTE ratio, and that's using the calculation of total number of HR staff divided by FTE, total number of FTEs for the organization times 100.

Cindy Lu:

So HR staff divided by total FTEs times 100. And here's what we came up with. The small companies as expected, had a higher ratio, 1.67. Lower middle market companies at 1.04. Upper middle market companies at 1.09. Large companies at 1.01 and jumbo companies at 0.57, as you can see, there's a wide spread between small company ratio of 1.67 to jumbo companies at 0.57.

Cindy Lu:

And so the conventional wisdom saying, "Hey, you should be targeting 1.0," as far as the ratio for HR head count may not necessarily be accurate. And there's definitely some economies of scale on the larger company side and some challenges that you'll hear about later for the smaller companies and why their ratios tend to be higher. So then we wanted to know whether or not they felt like their HR function was adequately staffed. And this is of course, a self-assessment, which I think most benchmark studies may not ask this question, but I think perception is reality.

Cindy Lu:

And we found that 67% of the respondents said that they were not adequately staffed. How that broke down as far as the size of company, is that we really all across the board, right? There were about 200



2020 HR Benchmark Survey Vlog Transcript

that said they were not adequately staffed. And we asked them by company size, "How many more HR staff do you need in order to really be strategic?" And smaller companies said that "They needed 2.4 more HR professionals." Lower middle market 2.2 upper middle market 5.4, large companies 5.9, jumbo companies 13.4 and jumbo companies C-suite only respondents 16.7.

Cindy Lu:

So we wanted to look at that just because we were wondering if perhaps people in the ranks would have actually a larger number than the C-suite, but actually the C-suite, the head of HR actually in the jumbo companies said that "They need more head count." And that certainly makes sense given the ratios that we just saw. All right, we also wanted to look at this data based on the HR ratio that we calculated by size company.

Cindy Lu:

So just as a recap, the smaller companies were at 1.29, the lower middle market at 0.94, upper middle market at 1.13, large companies at 0.95 and jumbo companies at 0.51. We then wanted to compare the respondents who said that they were not adequately staffed versus the ones who said they were adequately staffed. So about 200 responses versus 99 and compare their HR ratio.

Cindy Lu:

So as you can see with the smaller companies, the companies that said they were not adequately staffed had a ratio of 1.29 versus if they were adequately staffed, they were at 2.48. The lower middle market was if they weren't adequately staffed at 0.94 and if they were at 1.18. Here's the anomaly here with the upper middle market companies. And we'll explain why this is in a minute.

Cindy Lu:

But for upper middle market companies, if they weren't adequately staffed, they actually had a higher ratio than the ones that said that they were adequately staffed. And like I said, we'll share why in a minute. The large companies, if they weren't staffed correctly, had a 0.95 versus if they were 1.11. The jumbo companies, if not adequately staffed at 0.51 and the ones who were adequately staffed at 0.55. All right.

Cindy Lu:

So across the board, pretty consistent, the ones that were not adequately staffed had lower ratios than the ones that were adequately staffed with the exception of the upper middle market. The biggest variance is with the smaller companies. Now, how that looks from a percentage standpoint is for the smaller companies, there was 192% difference. For the lower middle market companies, 126% difference.



2020 HR Benchmark Survey Vlog Transcript

Cindy Lu:

Of course, we have a negative percentage for the middle market companies at -88 larger companies, 117% difference and with jumbo companies 106% difference. So what that means for these smaller companies is the ones that say they were adequately staffed are almost two times, they have two times as many HR staff as the ones that feel they were not adequately staffed.

Cindy Lu:

All right, so I want to answer the burning question as to why do upper middle market companies who answered yes to being adequately staffed, have a lower HR ratio than those who answered no? And I'll let you just ponder that for a second. I think I hinted earlier that the talent acquisition function was quite busy before COVID and probably still is for other reasons.

Cindy Lu:

In any case, we did a lot of slicing and dicing of the data to try to figure out why this was happening. And as it turns out, the middle market companies who answered that they were not adequately staffed, even though they had better ratios had almost five times as many hires as those who said that they were adequately staffed. All right? So basically there was a lot more hiring going on in these middle market companies that had a better ratio, but still felt like they were not adequately staffed.

Cindy Lu:

All right. So one of the questions we also asked was "What is your biggest challenge in HR?" And we asked this in basically an open-ended question because we wanted to see everybody's results. Now, once we got the open ended questions, we went back and then categorize them into chunks. Sort of the chunks that were popping out as recurring themes.

Cindy Lu:

And we had business growth, as I mentioned before, compliance or core HR, which we suspect is much higher today, HR, organizational efficiency, L&D, lack of resources, retention and talent acquisition. So let me just pop through these. We're not going to cover every single one of them, but I want to just explain to you, for example, what does business growth mean and how did people describe that?

Cindy Lu:

And so that was described with words like business transformation, rapid growth, mergers, acquisitions, change management. And so we went back into our library of resources and procured some of the vlogs as well as lessons if you're a member that you can go back and refer to if these are some of the challenges that you're experiencing.

Cindy Lu:



2020 HR Benchmark Survey Vlog Transcript

And so we have a free vlog with Julie Hoagland, the Chief People Officer of A.H. Belo also known as Dallas Morning News and other entities. And she has a great story about culture transformation. For members only on the HR mastermind side, we've got the CHRO of L'Oréal Stephane who shared with us their story about digital transformation, which I think is speeding up for everybody dramatically.

Cindy Lu:

We've got some free blogs here from Marion Terrell, the head of HR for Flagships Facilities on change management, as well as last year's big HR speaker did a quick interview with us, Charlene Lee on disruption and what HR can do. All right. So on the core HR front, of course, compliance ranked lower a pre-COVID, but we wanted to just highlight that we have some resources that might be useful to you.

Cindy Lu:

So in the PDF download, we'll have a link to this COVID-19 survival kit in case you have not downloaded that yet. And in that kit, we've got some virtual meeting tips. We have a protocol, COVID-19 protocol, samples, as well as a Family First Act information that's streamlined a bit more. Now, if you notice, we skipped over the HR organizational efficiency one, since it's the biggest category, we're going to leave that for last.

Cindy Lu:

So on the L&D front, basically the respondents were telling us that there were challenges with career development, succession planning, organizational design, strategic workforce planning, learning and development and leadership challenges. So we have procured a few videos that might be interesting to you. Some of these are members only videos. So we've got talent management focused on over investing in high potentials with Patrick McLaughlin at Frito-Lay PepsiCo. We have the retired CHRO of McDonald's Rich Floersch, who talks about his succession planning, experiences and thoughts. He went through three CEOs.

Cindy Lu:

We have Mark Benton, VP of Talent Management and Diversity at McKesson, who's going to talk to us about our coaching for leadership IQ and Bonnie Endicott of Southwest Airlines. Bonnie shared with us how they simplified the performance review process. So, as I mentioned, some of these are going to be out on the website and others are for members only, but we'll have links to all of them for your convenience.

Cindy Lu:

The next major challenge is lack of resources and what was behind that was basically lack of staff, budget, no time for meaningful or strategic HR work. That seemed to be a big issue. And just being overworked, barely getting the minimum done. Some of the resources we might recommend. We have a



2020 HR Benchmark Survey Vlog Transcript

resource that you can download HR priorities matrix, and this will help you set expectations with the business leaders. And it's a comprehensive list of all HR responsibilities and possible projects.

Cindy Lu:

So I think that would be helpful just for non-HR folks to see everything that goes into creating that amazing employee experience. We've got a summary of the Harvard Business School case study book, where it outlines step-by-step and condenses the whole process of building a business case in order to get more resources. We've got a great video from Tom Lokar on how to leverage technology.

Cindy Lu:

And in our membership portal, we have an awesome video from Billy Parsons, the Chief People Officer at US Dermatology Partners, who really talks to us about streamlining HR. So sort of a step-by-step so that you can make time for that more strategic work. In the retention category, the challenges are really of course, retention, turnover and engagement. So there are a couple of resources here on our public internet. We have one where I interview my past director of HR, Eric Mraz, and we talk a lot about this career pathing process we put together that really reduced turnover from 50% to 10% and the process that we took there.

Cindy Lu:

And then Emma Lokar shares with us last year survey or was it two years ago on employee experience and some thoughts around employee experience, engagement and retention. And then in the TA category, you'll find a couple of free vlog posts, one webinar, five steps to building a highly effective talent acquisition function.

Cindy Lu:

So even though at this point, you're probably more worried about, in some cases laying people off, you will have to ramp that talent acquisition engine back on. And so this is a great time to get that set up and really tweak and polish up the talent acquisition function so it's ready to go. And then we have a great blog post from Adrienne Court on the public internet, focused on how she built a very proactive talent acquisition process.

Cindy Lu:

And last but not least the HR organizational efficiency. So what went into that was really a lot of discussion around HR team skills and HR teams professionals skill alignment. We also heard a lot about HR process improvements needed. Much more self-service, as you saw. There's a huge percentage of companies that were high touch and not as much self-service. A lot of comments still around the HR departments or functions reputation, their brand, having that seat at the table. HRIS optimization and data and communications.



2020 HR Benchmark Survey Vlog Transcript

Cindy Lu:

And we have some awesome free videos out there. Debbie Dennis CHRO and Chief Customer Officer of Oncore talks to us about coaching the C-suite. We have Kristin Trecker CHRO of Visteon gives us her tips around building business acumen. Deslyn Norris, who is the Chief People Officer at Fitness Connection and Deslyn shares with us, sort of the next level of strategic HR skills needed. Tony Bridwell from Ryan. He really helps us focus in on culture. And I think today culture is so, so important because it is the glue that will carry us through these challenging times.

Cindy Lu:

Then Michelle Rand about getting that seat at the table. And inside the member area, we have Tiffany Haynes CPO of Jack Henry & Assoc. who will speak to us about corporate courage and how important that is as far as HR skills are concerned. And then my last piece of advice is really, you don't have to go it alone. And so consider joining an HR peer group, if you haven't already, whether it's ours or another one in the marketplace.

Cindy Lu:

It's one of those things where if HR is not filling their cup, it's really hard to create that transformation that you want for your organization. So what you'll do is you can click on the link in the post. It's chropartners.com/HRCircle19a as an Apple. So chropartners.com/HRCircle19a and we'll have that posted down below as well.

Cindy Lu:

And also once you review the requirements who can join basically, this is reserved for HR managers and above. And once you join, then you will be directed to a short application page where you can complete your member profile and then go through the LMS to watch a lot of these posts reshared in the LMS.

Cindy Lu:

And then we'll see you on a group Zoom call every third Friday of the month from 11:30 central time to 1:00 with hundreds of HR executives across the country. All right. So I hope you have enjoyed this talk today and you're able to use the data to help you get the resources, budget, and staff that you need. I hope everyone is well and staying safe. Talk to you soon.

CHRO Partners' HR Benchmark Survey

Fall 2019 – Spring 2020

In conducting our HR Benchmark Survey, we highlighted several key challenges HR functions are struggling across many industries and different sized companies. To help you attack some of these challenges in your own HR functions we have provided a one-pager with resources derived from our expert guest speaker's video blogs, HR Masterminds & HR Circle members, and tips & tools we've put together on our website. Additionally, we have provided a list of recommended vlog posts to further enrich your personal development.

| Key | |
|------------------------------------|-------|
| Free Video | Red |
| HRMM or HRC Membership Only | Black |

Resources for Business Growth Challenges

| | | |
|---------------------------------------------------------------------------------|----------------------|----------------------------------|
| Culture Transformation Success Story | Amy Hoagland | Chief People Officer, A.H. Belo |
| A Highly Successful Digital Transformation Success Story | Stephane Charbonnier | CHRO, L'Oreal U.S.A. |
| Disruption & What HR Can Do About it | Charlene Li | Author & Speaker, Altimeter |
| 4 Key Steps to Master Change Management | Marion C. Terrell | CHRO, Flagship Facility Services |

Resources for Learning & Development and Talent Management Challenges

| | | |
|-----------------------------------------------------------------------------|--------------------|-----------------------------------------------|
| Talent Management: Over Invest in High Potentials | Patrick McLaughlin | CHRO, Frito-Lay/PEPSICO |
| Succession Planning: A Story of Three CEOs | Rich Floeresh | CHRO (retired), McDonalds |
| Coaching for Leadership IQ | Mark Benton | VP of Talent Management & Diversity, McKesson |
| Simplifying Performance Reviews for Business Results | Bonnie Endicott | Head of Talent Management, Southwest Airlines |

Resources for Lack of Resources

| | | |
|--------------------------------------------------------------------------------------------|---------------|---------------------------------|
| Comprehensive HR Priorities List & Matrix | Cindy Lu | CEO & Founder, CHRO Partners |
| 13 Tips to Change your Luck | Cindy Lu | CEO & Founder, CHRO Partners |
| Making Technology the Foundation of HR so you can be more Strategic | Tom Lokar | CHRO, Mitel (Prior) |
| Streamlining HR to Have More Time for Strategic Work | Billy Parsons | CHRO, U.S. Dermatology Partners |

Resources for Retention, Turnover, and Engagement

| | | |
|-----------------------------------------------------------------------------------------|------------|-----------------------------------------|
| <u>Career Pathing Success Story: Decreased Turnover from 50% to 10%</u> | Eric Mraz | Founder, R3 Strategic Search |
| <u>Employee Engagement Survey Results</u> | Emma Lokar | Intern & Recent Graduate, CHRO Partners |

Resources for Talent Acquisition Processes

| | | |
|-------------------------------------------------------------------------------------------------------|----------------|------------------------------|
| <u>Masterclass: 5 Steps to Building a Highly Effective In-house TA Function</u> | Cindy Lu | CEO & Founder, CHRO Partners |
| <u>Creating a Proactive TA Process to Increase Quality & Decrease Search Fees</u> | Adrienne Court | CHRO, Alkami Tech |

Resources for HR Organizational Efficiency Challenges

| | | |
|--------------------------------------------------------------------------|-----------------|------------------------------------------|
| <u>Corporate Courage: A Critical HR Skill</u> | Tiffany Haynes | Chief People Officer, Jack Henry |
| <u>Coaching the "C-Suite"</u> | Debbie Dennis | CHRO, Oncor Electric |
| <u>3 Tips on How to Build the Business Acumen Muscle</u> | Kristin Trecker | CHRO, Visteon |
| <u>Taking your Seat at the Table</u> | Michelle Rand | VP of HR, Hitachi Ventura |
| <u>Next Level Strategic HR Skills</u> | Deslyn Norris | Chief People Officer, Fitness Connection |
| <u>Leaders Aren't Pushers</u> | Tony Bridwell | Chief People Officer, Ryan LLC |