David vs. Goliath?
The Talent Management Outlook in Midsized vs. Large Organizations
In the 2014 Workforce Talent and Workforce Management Outlook survey, Human Capital Media Advisory Group, the research arm of Workforce magazine, in partnership with Cornerstone OnDemand set out to discover where HR leaders are seeing their greatest successes and feeling the greatest pain. Additionally, we explored how HR leaders are setting priorities for the coming years. While there are surveys that address how the needs of HR vary, many focus on the difference between small and large organizations with the assumption that midsized organizations are similar enough to large organizations not to require extra focus. To get a different perspective, we looked specifically at how the HR function in midsized organizations compares to their much larger counterparts. Are they as similar as is popularly believed?

**Method**

This survey invited participation from HR management professionals across a range of industries. Final participation included 422 respondents across 14 industries.

Size:
- Midsized organizations: 400 to 2,499 employees.
- Large organizations: More than 5,000 employees.

**Top Findings**

- **Making the business case**: Executives in larger organizations value the HR function more than those in midsized organizations, where leadership is 13 percent less likely to value the contribution of HR.
- **Making the people case**: The HR function in midsized organizations makes a better impression on employees and nonexecutives, who feel more strongly about the contribution of HR to their success, with 83.4 percent valuing the contribution of HR.
- **Getting integrated**: Medium-scale enterprises are almost 10 percent more likely to use integrated tools than larger organizations.
- **Priorities are different**: Midsized organizations are working toward being a business partner, where organizations with more than 5,000 employees want better intelligence.
- **Bottom line vs. resources**: Regardless of size, HR leaders are challenged by a lack of resources.
The Business Case

Human resources plays an important role in any organization as it gains size, managing not just needs for compliance, but also working with people and development to increase skills and capabilities that improve performance across the organization. While the HR function has matured considerably, HR professionals still face many challenges. One of the biggest is getting the support they need — whether it is the need for executives to have a better understanding of the critical impact HR has on the organization, or increasing awareness among employees about programs and resources HR provides that contribute to their success — getting buy-in across the enterprise is a key concern for many in HR leadership. Does organization size impact how HR is valued within organizations?

On the surface, it doesn’t appear that size affects roles assigned to HR. In midsized and large organizations the HR function typically includes recruiting and acquisition, performance management, compensation management, succession planning, and learning and development (Chart 1). In large organizations, HR is much less likely to be involved in compliance management (24 percent) compared to midsized organizations (46.2 percent); large-scale enterprises are more likely to have a compliance department directed by a compliance officer, freeing up HR to focus on areas that more directly impact workforce skills and productivity, the leadership pipeline and increasing the available pool of talent. At a glance, it appears that size doesn’t affect the role of HR.

CHART 1: At My Organization, Workforce Management Includes the Following Areas:

<table>
<thead>
<tr>
<th>Area</th>
<th>MIDSIZED</th>
<th>LARGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruiting/Talent Acquisition</td>
<td>87%</td>
<td>82.1%</td>
</tr>
<tr>
<td>Performance Management</td>
<td>90.9%</td>
<td>81.4%</td>
</tr>
<tr>
<td>Compensation Management</td>
<td>62.5%</td>
<td>49.4%</td>
</tr>
<tr>
<td>Succession Planning</td>
<td>69.7%</td>
<td>79.5%</td>
</tr>
<tr>
<td>Learning And Development</td>
<td>84.1%</td>
<td>81.4%</td>
</tr>
<tr>
<td>Compliance</td>
<td>46.2%</td>
<td>24%</td>
</tr>
</tbody>
</table>

However, with a deeper look, it becomes clear that size does have an impact on the perceived value of HR (Chart 2). In large organizations, those with more than 5,000 employees, 9 out of 10 HR professionals say their senior leaders value the contribution of HR (91.8 percent), compared to 8 out of 10 in midsized organizations (83.5 percent). Overall, executives in midsized organizations are almost 10 percent less likely to value the contribution of HR. This lack of buy-in creates a challenge for many HR professionals in the mid-market, where there is a greater uphill battle to make the business case for the value of HR (Chart 6, page 9). Additionally, that drop in leadership support has a significant impact on HR performance, as research has shown that the relationship between HR and leaders can directly affect engagement, satisfaction and the clarity of employee roles, a straight line to negative business impact at the organization. Larger organizations are set to get better impact from the HR function than midsized organizations, signaling a need for midsized organizations to improve the perception of HR in the C-suite.

But how can midsized organizations get better reception in the C-suite? When HR leaders at midsized organizations were asked to describe how they can add value, the answers showed a clear trend. Making the business case was imperative. One respondent stated it’s about “knowing the business... identifying and measuring ROI on key talent management metrics and analytics.” Another added a need to “understand the business better and contribute ideas that may not be purely HR-related.” Partnering with the business was also expressed as a way to improve the value with HR, which needs executive support to happen. As one HR professional explained “Executive management needs to begin to realize the value of HR as a corporate partner rather than an administrative department.” However, while larger organizations may have already made a solid business case for the value of HR and enjoy the advantages of a substantial relationship with leadership, midsized organizations may be making a better people case.

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CHART 2:
Executive Leadership Highly Values the Contribution of HR:

- **MIDSIZED**
  - Strongly Agree: 15.8%
  - Agree: 31.6%
  - Disagree: 6.9%
  - Strongly Disagree: 0.8%
  - Total: 51.9%

- **LARGE**
  - Strongly Agree: 27.7%
  - Agree: 64.6%
  - Disagree: 0.8%
  - Strongly Disagree: 0.8%
  - Total: 93.1%

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**The People Case**

When the HR function is able to communicate a direct message of positive return and personal benefit to employees, employees respond with improved levels of commitment and satisfaction; this results in increased engagement and improved productivity. This productivity, in turn, improves the overall functionality of HR. In 22 percent of midsized organizations, HR professionals report that employees feel strongly that HR contributes to their success; that is a difference in satisfaction of almost 10 percent compared to larger organizations (Chart 3). While human resources executives believe that employees generally value the contribution of HR in both midsized and large organizations, those in medium-sized companies have a stronger feeling of satisfaction — an indication that HR leaders in midsized organizations are better connected to employees and their needs than those in larger organizations.

This struggle for midsized organizations to be recognized as a strategic partner to the business may also be related to how HR leaders make the business case in organizations (Chart 4). Both midsized and large companies believe that metrics related to employee retention are the most important for making the business case. However, large organizations are 8 to 10 percent more likely to make the business case for HR using bench strength and the succession pipeline as key metrics, both of which are of key concern to senior leadership. Midsized organizations are 9 to 10 percent more likely to make the business case with employee retention and employee engagement. The increased focus in the midmarket on employee engagement may explain, in part, why employees in midsized organizations are more likely to feel that HR contributes to their success, but this could also have the consequence of a perception that HR is not focused on key areas of need for leadership. Midsized organizations remain competitive by keeping employees engaged and providing value to the workforce. Larger organizations put their competitive strength in the business case and securing perceived value from executives. It will be interesting to monitor this situation further to see which tactic has the best result for organizations long-term.

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**Chart 3: Employees and Nonexecutives Feel HR Contributes to Their Success:**

<table>
<thead>
<tr>
<th></th>
<th>MIDSIZED</th>
<th>LARGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRONGLY AGREE</td>
<td>17.4%</td>
<td>6.8%</td>
</tr>
<tr>
<td>AGREE</td>
<td>22%</td>
<td>11.5%</td>
</tr>
<tr>
<td>DISAGREE</td>
<td>20%</td>
<td>67.7%</td>
</tr>
<tr>
<td>STRONGLY DISAGREE</td>
<td>11.5%</td>
<td>60.6%</td>
</tr>
</tbody>
</table>

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Ibid.
CHART 4: What Metrics Are Most Effective for Making the Business Case?

MIDSIZED
- Employee Retention: 62.9%
- Employee Engagement: 58.6%
- Bench Strength: 36.2%
- Succession Pipeline Utilization: 39.7%
- Skills Gap Analysis: 37.1%

LARGE
- Employee Retention: 53%
- Employee Engagement: 49.6%
- Bench Strength: 47%
- Succession Pipeline Utilization: 47.8%
- Skills Gap Analysis: 45.2%
Getting Integrated

Staying abreast of talent management and developing a strong succession pipeline is supported by access to quality information. Both midsized and large organizations are looking for ways to stay competitive when it comes to tracking and maintaining that information. Midsized organizations appear to have a competitive advantage when it comes to the use of integrated tools, with almost half (49.2 percent) of midsized organizations using some type of integrated system to process information (Chart 5). Midsized organizations are 3 percent more likely to use integrated technology than larger counterparts. Large organizations are more likely to be using nonintegrated tools (41.3 percent), which could point to divisions that arise from siloed HR areas and the use of legacy systems that are expensive to replace.

Another reason that midsized organizations may be demonstrating more system integration could also be related to the willingness to take risks on new technology compared to larger organizations, which take a considerable risk when investing in new integrated systems that must be deployed at scale. An interesting finding is that while midsized organizations are more likely to have integrated HR tools, larger organizations are more likely to use HR tools in the first place. Midsized organizations are 6.2 percent more likely to still be using spreadsheets and paper-based tools, suggesting that they have had a slower pace of adoption of HR tools and technology. Midsized organizations may be catching up to larger organizations in the use of HR technologies. However, when they decide to employ these technologies, they are more likely to use integrated systems.

A more tightly integrated HR function becomes a distinct competitive advantage for an organization as it breaks down silos, improves the speed of direct action and decision-making based on the most accurate information, and improves communication between HR and employees. When it comes to technology, larger organizations are clearly on board with utilizing programs to improve workflow and manage the HR function. However, midsized organizations maintain their competitive edge by having more agility with their integrated technology.

<table>
<thead>
<tr>
<th>CHART 5: What Type of HR Technology or Tools Do You Have in Place to Track and Administer Workforce Management?</th>
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</thead>
<tbody>
<tr>
<td><strong>MIDSIZED</strong></td>
</tr>
<tr>
<td>Single Unified Solution:</td>
</tr>
<tr>
<td>12.1%</td>
</tr>
<tr>
<td>Several Different Integrated Tools:</td>
</tr>
<tr>
<td>37.1%</td>
</tr>
<tr>
<td>Several Different Unintegrated Tools:</td>
</tr>
<tr>
<td>31.5%</td>
</tr>
<tr>
<td>Spreadsheets or Paper-Based System:</td>
</tr>
<tr>
<td>16.1%</td>
</tr>
<tr>
<td><strong>LARGE</strong></td>
</tr>
<tr>
<td>Single Unified Solution:</td>
</tr>
<tr>
<td>9.9%</td>
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<tr>
<td>Several Different Integrated Tools:</td>
</tr>
<tr>
<td>36.4%</td>
</tr>
<tr>
<td>Several Different Unintegrated Tools:</td>
</tr>
<tr>
<td>41.3%</td>
</tr>
<tr>
<td>Spreadsheets or Paper-Based System:</td>
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<tr>
<td>9.9%</td>
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</tbody>
</table>

Priorities of HR

Considering how HR varies in organizations by size, it may not be a surprise that the priorities (Figure 1) for organizations are different. In midsized organizations it is all about the business case, where 70.3 percent of HR professionals describe their top priority in the next five years as being perceived as a valuable strategic partner. In large organizations the emphasis is strongly focused on getting better data, with 72.2 percent of HR professionals saying they need better workforce intelligence to make informed decisions. The switch in top priorities may be due to larger organizations having made solid inroads in making the business case for HR with senior leadership during the past several years.

**FIGURE 1:**

**Five-Year Priorities**

**MIDSIZED ORGANIZATIONS**

» To have HR perceived as a business partner
» To have strong strategies and process aligned to the business
» To have HR provide better workforce intelligence

**LARGE ORGANIZATIONS**

» To have HR provide better workforce intelligence
» To have strong strategies and process aligned to the business
» To have HR be perceived as a business partner
**Bottom Line: HR Needs Resources**

To be successful with long-term plans, even though the priorities by organization size are different, the solution is similar. Improved ability to demonstrate workforce intelligence and provide metrics to make the business case will provide HR professionals with the tools they need to do the job. And getting access to those resources is the biggest barrier (Chart 6). Both midsized (42 percent) and large organizations (40.5 percent) rank lack of IT resources as a top concern. Considering the perception at midsized organizations that HR is less valued by the executive function, improved leadership support and buy-in is the second most important priority for midsized organizations (40.3 percent), but surprisingly, also a priority for large organizations (38.8 percent).

With the right resources and information, the job of communicating the value of HR would certainly be easier. As one HR professional from the midsized group described it, “[We need sophisticated]… strategies and improvement of analytical capability… to tell meaningful stories using data.” Lack of resources could also be a factor in why HR in midsized organizations is less focused on succession planning. As one midsized respondent related, “[We need] more strategic insight and analytics to support leaders in talent decisions.”

The desire for improved IT resources in large organizations also comes right down to business. As one HR professional from a large organization described it, “Metrics … demonstrate the return of all of the investment on development and the undisputable impact that the investment has on business results.” Another HR professional was much more straightforward, saying that his organization needs to find “a way to save money AND put all HRIS functions into one system that also provides advanced data analytics capabilities and is user friendly.” Of course, having the right technology also supports large organizations that want to make a clear business case. As one respondent described it, “proving, through quantitative data, the impact HR can have on the business.”

**Conclusion**

Larger organizations may have an advantage when it comes to making the business case, but midsized organizations are getting better buy-in from their employees, which helps them stay competitive. When it comes to using technology, midsized organizations have implemented integrated systems more often, which could help the HR functions at midsized organizations outperform large organizations in the race to recruit top talent, retain key employees, and develop leaders. However, regardless of size, HR leaders are still challenged by resource limitations, lack of understanding of their function, and a need to closer align to the business.
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