CFO EDITION

How to Confidently Approach your Headcount Planning

ChartHop

Why headcount planning matters

No business can survive by staying stagnant.

Growth and development can come from many areas of the business — product advancements, customer expansions, viral marketing, and more — but wherever you look, it all boils down to one ingredient: Having the right people on board.

This makes it no surprise that **74% of CEOs** are worried their organizations will struggle to find the talent they need to grow. It's also why **81% of CFOs** are concerned about high turnover and labor shortages impacting revenue growth.

Despite the importance of headcount planning in identifying the roles and hiring timelines needed to support revenue growth, the process has traditionally been very complex.

It requires CFOs to partner with HR in aligning the strategic vision of the business with the budget, presenting data-backed recommendations, and encouraging responsible workforce planning collaboration across the company.

It also requires balancing roles and priorities across the organization, thinking through implications for existing employees, and gaining a deep understanding of how growth (or lack thereof) in one area of the business will affect other teams.

All of these complexities mean headcount planning can't happen in a vacuum, but all of the moving pieces can make it difficult for finance leaders to provide the necessary visibility for organization-wide collaboration.

And headcount planning has never been as important as it is now, when employees feel more empowered than ever, making it absolutely critical for CFOs and their HR counterparts to get it right. This guide will explore exactly what that takes, including the realities of headcount planning for CFOs and actionable advice for easing the complexities that have previously plagued this process.

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The realities of headcount planning

At this point, we're all too familiar with the unfamiliar. The events of 2020 and beyond have forced CFOs into uncharted territory.

Against this backdrop, three critical areas make headcount planning more important than

Volatility and Uncertainty in the Job Market

The second half of 2021 plunged us into the Great Resignation, and the trend has continued. The US Department of Labor reported **11.5 million people quit their jobs in Q2 of 2021**, while a Microsoft survey of 30,000 workers found that **41% of people are still considering quitting**. This reality will force CFOs to take a close look at their existing workforce, thinking through opportunities to better support existing employees to help stem attrition. It also means finance teams will have to account for the cost of inevitable turnover in headcount plans.

At the same time as a record number of people look for new positions, pressure is higher than ever in the so-called “war for talent.” Over the past decade, hiring for the best talent has proven competitive, with companies touting benefits, perks, awards, and more to win over top candidates. The accelerated digital transformation ushered in by the pandemic has only heightened this war for talent, particularly for those **skilled in digital platform and automated technologies.**

Now, CFOs need to plan thoughtfully to ensure their workforce has the necessary skills, whether that’s through upskilling or reskilling existing employees, bringing in external talent, or a combination of both.

In either case, competition will be higher than ever for people who do have the necessary digital skills, underscoring the importance of proactive planning to build or acquire these skills and then retain those employees. This is especially the case given how people issues can impact finance forecasts, with **more than 75% of CFOs** reporting that changing compensation models are affecting their go-forward plans and another 75% sharing concerns about how staffing shortages will impact their company’s ability to take on new business.

The Great Resignation: Challenge or Opportunity?

Depending on how you look at it, the Great Resignation is both a challenge and an opportunity.

On the one hand, organizations must take action to stem attrition, for example by finding ways to stave off burnout and reduce overall dissatisfaction. After all, retaining and growing talent is just as critical to headcount planning as hiring new talent. The best way to go about this is to tailor support for employees to the intense macro environment in which we now live. This includes planning thoughtfully to ensure employees can be on the right projects and in the right roles to stay motivated and allocating enough resources to hiring to avoid overloading employees, especially those who are also managing a lot in their personal lives.

On the other hand, organizations now face a strong job market, with people across the board looking to make a change — something that could not be said early on in the pandemic when those who did keep their jobs were hesitant to leave any kind of stability. The key to success for CFOs will be to help position their organization as a desirable place to work. Some of the best ways to do so center around funding programs focused on leadership, culture, company purpose, company values, and growth opportunities offered to employees (especially in any kind of remote setting), not just surface-level perks like free snacks or lunches.

Volatility in Business Plans

As much volatility as there is in the current job market, most organizations have just as much volatility in their business plans.

First, if and when a return to office will happen remains a looming question, let alone what that return will look like for employees. Will organizations adopt a hybrid approach? And what about those people who moved during the pandemic? Not only are these questions that existing employees and candidates alike will ask as they evaluate their options, but it's also critical for your finance team to consider as you build out hiring plans and think through budgets for headcount, office plans, and technology.

- **Does a continued remote team or even a hybrid one give the organization flexibility to hire across geographies?**
- **And if so, what will that plan look like for everything from compensation to team gatherings?**
- **Or, if a return to office is near, what capacity does the space have for a growing team?**

The answers to all of these questions will impact exactly what hiring plans will look like, including the breadth of the potential job market your organization can go after, when you should consider opening certain roles, and what compensation packages need to include.

Second, the volatility of the world more generally requires more than just a single headcount plan. The most prepared organizations will also have backup plans so that they can stay resilient as any number of predictable or unpredictable situations unfold.

Having multiple scenarios for headcount plans based on factors like low, medium, and high growth has long been a best practice for organizations, but the current climate has taken this type of scenario planning to a new extreme — making it no surprise that **66% of FP&A leaders** spent more time on scenario planning in 2021. Now, organizations should also consider whether they need headcount plans for scenarios like another lockdown that prevents in-person activity for everyone but essential workers or even a sudden reopening of all in-person activities at 2019 levels.

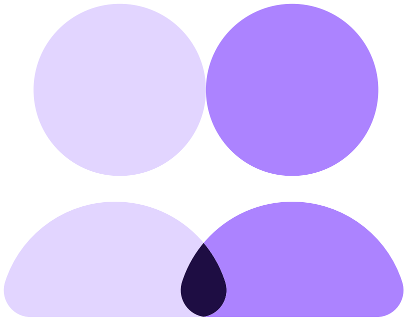
Investing in People Responsibly and Intentionally

For all the praise that goes to high growth organizations, it's essential to [make sure this growth is intentional]. Growth that is too fast or disproportionate can just as quickly lead to the demise of a company.

In contrast, growing intentionally gives teams a clear direction to work toward and can inspire confidence in the ability to get there — which can also help boost employee retention and attract top candidates in the war for talent.

The organizations that grow most effectively focus on growing their people commensurate with business goals and doing so appropriately across the organization. This means ensuring there is a clear and immediate business need for creating new roles and monitoring how cross-functional teams are growing in relation to one another.

For instance, if you can't meet your upcoming sales targets with your existing sales team, you have a clear and immediate business need to hire more sales reps. At the same time, you should consider if hiring more sales reps means you'll also need to grow the marketing team to better support the expanded sales team, who will inevitably need more leads and more support around content, events, presentations, and so on.



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Why headcount planning has traditionally been so complex

The volatility of the current environment adds enormous complexity to headcount planning. But even without these unusual circumstances, headcount planning has never been easy.

Quite the opposite, the number of considerations and moving pieces that go into headcount planning, particularly for organizations of a certain size, have made for a historically challenging process.

Overall, headcount planning requires aligning a long-term strategy with short-term operational efforts, and blending those two elements requires deep visibility and collaboration across the business.

The biggest complexities with which CFOs have traditionally had to contend include:

Overlaying Internal Mobility with External Hires

Headcount planning requires teams to overlay internal and external factors, both of which are quite variable. Specifically, once you have an ideal org structure in place, you need to consider what roles can be filled internally (and what new gaps that might create) and what roles should be filled with net-new hires.

In terms of internal mobility, it's important to understand the skill sets and competencies your existing team has, as well as the areas each of those people wants to grow into. This type of skills mapping and potential upskilling will help support growth from within the company, which can create a better employee experience and reduce recruitment costs.

However, prioritizing internal mobility does have a downstream impact, such as:

- **Creating new gaps that need to be filled with external hires as existing employees advance into new roles**
- **Delaying filling a role if someone internally who will take on those new responsibilities needs a few more months to be ready**
- **Thinking through span of control**

Understanding Span of Control

Span of control looks at a manager's scope of responsibilities and how many people they're looking after. Different departments with different objectives and skill profiles will thrive under different spans of control.

If everyone under a manager's purview has the same role (e.g. in the case of a sales leader managing account executives), it becomes easier to have a bigger span of control. The magic number here is generally eight direct reports.

If everyone under a manager's purview has different roles (as is typically the case on teams like marketing), the situation becomes more complex. As a result, the magic number here is typically closer to six.

It's extremely important to think through span of control when looking at headcount planning. Too often, span of control becomes an afterthought, and that leaves teams scrambling to hire a new manager after they already need the support. In the rush to hire, it's easy to forego elements like diversity in background and manager level.

Overall, CFOs should pay close attention to span of control during headcount planning in order to dedicate the appropriate amount of time and budget to searches for new managers — whether that search happens internally or externally.

Another big factor that impacts internal mobility is attrition risk, particularly in the age of the Great Resignation. Against this backdrop, taking the time to understand who might be a flight risk will be essential to headcount planning going forward.

Factors to consider include:

- **Who has received low performance reviews**
- **Who hasn't gotten a raise in the past year**
- **Who is fully vested in any equity your company offers.**

Based on this information, you can make plans to help retain these people (if appropriate) and also develop contingencies in the form of succession plans that identify who can take over a high priority role if someone leaves. Succession planning is particularly important for C-suite and other leadership roles that need to be filled fast and effectively to maintain business operations.

After you've determined what roles can be filled internally, identified potential gaps that may create, and detailed any succession plans, it's time to consider external factors in hiring. These factors include everything from how much time you'll need to hire and onboard new employees so they're ramped in time to contribute to revenue goals to how you'll differentiate your company and structure competitive compensation packages.

Highly Manual Planning Solutions

Historically, headcount planning has been a highly manual process that takes place largely in spreadsheets. Not only does this create inefficiencies throughout the process, but it also introduces room for human error, like mistakenly hiring for not yet approved roles or double-counting roles.

The manual nature of all this can also slow down processes like approvals for new roles. These approvals typically need to go through multiple layers, but it's very difficult for finance leaders making those approvals to get a sense of where the rest of the organization stands and what headcount plans look like across teams when all of that information lives in ad hoc spreadsheets.

Further, the manual processes make it more difficult to apply information from compensation bands, forecast budgets, integrate benefits and equity data, and overlay recruiting costs. It only becomes more complicated for teams that hire globally and need to manually update exchange rates for currency conversions. Together, this makes keeping everything up to date an extraordinary feat and means it's out of the question for teams to maintain any kind of alignment between headcount planning and efforts like performance management and compensation planning. Additionally, there's no way to quickly visualize the difference between scenarios based on cost variables, like hiring eight more junior people vs. five more senior people.

As organizations grow, the manual nature of these processes only becomes more cumbersome. At a certain point, it's nearly impossible: Keeping track of 200 potential roles, including how they might impact budget, revenue, and overall org structure is nearly impossible in a spreadsheet. And as roles are filled, keeping track of the ever-evolving open headcount becomes just as difficult.

In response to these challenges, what teams really need is a way to automate this entire process, from approvals to merging various scenarios across teams to updating the status of roles as they get filled. This type of automation is also essential to making sure finance teams can efficiently account for any changes, such as raises and promotions, in their overall business plans.

Lack of Collaboration and Visibility Across the Organization

One major downstream impact of highly manual processes that rely on spreadsheets is a lack of collaboration and visibility — both of which make headcount planning extremely difficult.

While the finance and HR teams should join forces to lead headcount planning, individual managers should have a sense of ownership in the process. However, managers need to have the proper visibility into other teams' plans, potential growth scenarios, and compensation bands (including equity and any variable pay) in order to play this collaborative role.

Granting the necessary visibility becomes challenging in spreadsheets, as finance teams often need to lock down planning information to protect sensitive employee data, like org-wide pay. Unfortunately, because spreadsheets don't have granular sensitivity controls, managers also end up getting locked out from information they do need to see to participate in the planning process. This situation creates significant red tape by requiring managers to rely more heavily on finance and HR for planning details, making it incredibly challenging to scale a company while operating nimbly.

Ultimately, there are two ways to do headcount planning. Teams can build plans in isolation before bringing them up for approval, however this generally creates conflicts across the organization and leads to a huge sprint to get everything approved in time.

The more successful approach is a highly collaborative one in which leadership aligns on a high level plan, including a number of new headcount with budget constraints and rough expectations on how that will play out across the organization. Then they distribute that plan across teams and work with managers on specifics within the broader framework. This approach leads to fewer conflicts and more time saved. But working within a more collaborative framework is nearly impossible when relying on spreadsheets.

"ChartHop reduces the operational hurdle of the dreaded annual planning process and allows managers to access accurate people data any time they want. This has allowed us to make more thoughtful personnel decisions throughout the year and provided increased transparency to all of our employees.

— JORDAN WAN
CEO at CloserIQ

Easing complexity with best practices for strategic headcount planning

Making headcount planning an ongoing, strategic activity doesn't have to be so complex. With the right approach — one that's centralized, automated, and regularly considers internal and external changes in the workforce — headcount planning can become an exciting process that gets employees across the organization contributing and helps move the needle for organizational growth. Here's a look at what it takes.

Bridge the Gap Between Company Strategy and Workforce Strategy

Most organizations face pressure to see to immediate staffing needs, which results in hiring to address short-term issues. Hiring is reactive, and the organization may struggle to predict skills shortages because of a narrow focus on urgent hiring needs. McKinsey suggests this **"irritating talent gap"** may become a "fatal competitive liability."

Instead, you need a strategic approach to headcount planning. One that aligns company and workforce strategy to **create a long-term context** for staffing decisions to ensure the organization has the right talent at the right time to support business and revenue growth.

Doing so requires finance leaders to have 1) knowledge of the business' strategic direction and 2) an understanding of how talent management contributes to delivering on that strategy.

To connect company strategy and workforce strategy:

01 **Develop your headcount plan within the context of the longer-term business strategy**

02 **Review upcoming business milestones (whether that's a new department or a round of company fundraising) and factor these into headcount planning**

03 **Account for new budgets, timelines, and product roadmaps**

This approach makes hiring proactive, giving the business time to bring on the right talent to effectively respond to opportunities and shifts in the market.

"

ChartHop gives me a time series view of our workforce and easily allows leaders to see how company resourcing needs change over time. This allows me to forecast future headcount and spend changes.

— WEIFANG ZHU
SVP Growth & Operations at Even Financial

EVEN

Adopt an Aligned Approach to Headcount Planning

Too often, headcount plans are created in silos. This leads to hiring managers developing staffing plans that aren't adequately integrated with the company budget, which stalls the hiring process.

CFOs can avoid silos and a stalled hiring process with an aligned approach to headcount planning in which people across the organization contribute to the shared goal of ensuring the business has the skills to meet its growth goals. This kind of collaboration gives relevant stakeholders context on the organization's workforce plan and how it links up with company objectives.

Ed Schaffer, former CFO at Hired, says there are three relevant stakeholders that need to be involved in **headcount planning meetings**: Finance, "the business group," and talent.

"Finance, because they assemble the picture and understanding...The business group, because they bring more definition to the need and benefit. And talent, because they bring knowledge of time-to-hire, market demands, competition, etc."

Together, these teams can review the company's most urgent talent needs and allocate a budget for the headcount plan. Financial Executives International share that this **collaborative approach** allows each business unit to add its perspective to the headcount planning process.

"...business unit leaders can map hiring strategies to their business plans, while finance and HR teams can model hiring, retention, and attrition, plus their associated costs. At the same time, execs can create what-if scenarios to compare possible workforce restructurings depending on M&A, divestiture, or relocations—and quickly analyze the relative costs and benefits."

Additionally, giving teams from across the company visibility to review the range of headcount planning data — from open roles and job descriptions to forecasts and budgets — improves collaboration and sheds light on hiring dependencies. In turn, this allows for more informed, cross-functional planning to meet key business goals. High-volume recruitment in engineering, for example, may require a need for roles in product management, while ramping up the sales headcount by 50% may trigger new roles for marketing.

Sample Approach for Aligned Headcount Planning

1. Start with the sales plan (this is the most scientific piece of the puzzle).

How much do you need to sell?

How many reps does that mean you need?

2. Align the go-to-market team (what you need to support your sales goals).

How many sales development reps do you need to support the new sales team?

How many marketing team members do you need to support the new sales team?

How many customer success managers do you need to support the customer growth based on sales goals?

How many professional services team members do you need to support the customer growth based on sales goals?

How many customer support reps do you need to support the customer growth based on sales goals?

3. Move to the R&D team (this is more of an art since it doesn't tie directly to sales).

How many engineers do you need to meet your roadmap goals?

How many UX team members do you need to support those engineers?

4. Round out your plan with G&A roles (what you need to support the growing business).

How many HR team members do you need to support this org size?

How many recruiters do you need to hit your headcount goals?

How many finance team members do you need to manage this org size and scale the company based on these goals?

*Be sure to consider possible promotions and span of control against these growth plans.

Practice Data-Driven Headcount Planning

In the absence of supporting data, headcount planning is based on little more than a gut feeling, which may result in incorrect assumptions about the need and pace of hiring.

Practicing data-driven headcount planning improves the accuracy of your forecasts by using information about the workforce, business environment, and labor market to predict future headcount needs.

Internally, you should use information around span of control and skills gaps to identify areas where you can fill roles with existing employees and areas where you need to bring in outside talent. For instance, to get started with a skills assessment you can:

- **Use online skills assessments to gauge where employees stand**
- **Build a skills matrix to capture the depth of skills that already exists in your workforce and what's missing**
- **Centralize skills data by giving team members easy access to information about the skills needed for certain roles and where they fall in relation to that**
- **Offer opportunities for existing employees to reskill as desired to move into new roles**

Externally, you can use data from a range of sources to establish a benchmark of current HR metrics, predict future needs, and understand the availability of talent:

HR metrics: Time to fill, total number of training hours, cost of hiring, measures of employee diversity, turnover data.

Manager and team lead data: Open position metrics, span of control, revenue per full-time employee.

Labor market analysis: Quit rates, job openings, hiring rate.

Ultimately, once your headcount plan gets approved, you can keep a pulse on progress by looking at data like open headcount by location, open headcount by department, open roles by base salary, estimated recruiting costs, and more. **This type of data can help your team stay aligned and informed about how your plans are actually playing out and their impact on the business.**

Spotlight on Starburst Data

Starburst helps companies quickly unlock the value of their data by making it easy to access through an open source SQL query engine. At the start of 2021, Starburst announced they had grown headcount 3x year over year. Along the way, CEO Justin Borgman has viewed their approach to headcount planning as a competitive advantage for the company.

Borgman is a big believer in empowering the management team to own their respective corners of the business and to use their direct insight to build their future teams. But this does not mean working in silos. Rather, it requires clarity and visibility into workforce data.

That's where ChartHop comes into play.

ChartHop offers an easy way for Starburst to define the impact of headcount planning. Specifically, Starburst's management team uses ChartHop's headcount planning tools to gain visibility into everything from the budget impact of salary changes to how each team is scaling in proportion to one another.

"ChartHop creates more transparency around the organization, which ensures that teams can work seamlessly together to achieve our goals," Borgman shares. "It's the perfect tool to foster two-way communication so each team can tell me what they need rather than me dictating headcount for them."

Ultimately, this transparency means that an exercise that would have previously cost the company tens of thousands of dollars in time spent gathering data and building spreadsheets is now more efficiently routed through the management team, who has easy access to the context they need to create the best plans for the business.

On top of that, ChartHop's ability to quickly tabulate headcount budgets based on proposed plans ultimately reduces Starbursts' needs for a large finance team, saving them hundreds of thousands in annual headcount costs.

Prepare for the Unexpected

Internal and external risks may impact your ability to execute your headcount plan. However, preparing for these risks can help your organization respond to sudden changes — whether that's an economic downturn, increased turnover, or a national crisis.

The pandemic was one such unexpected risk, and most finance teams would have supported the organization adjusting the headcount plan to account for remote work. More companies started recruiting from anywhere in the country or even globally. For some, this meant **reviewing salary models** and choosing new pay structures. Other organizations consulted their headcount plan to help consolidate office space.

Stacey Harris, Chief Research Officer and Managing Partner with Sapient Insights Group, explains how companies ran **headcount planning forecasts** for different scenarios during 2020: **"COVID-19 required over 50% of organizations to redistribute their workforce, and many organizations did use multiple data sets, and run multiple forecasts and what-if scenarios before making decisions that would impact employees."**

To prepare for the unexpected, work across departments to identify potential risks and create alternative staffing plans. Then, consider how your contingency plan will manage the risk and affect your employees.

Prioritize the Employee Experience

Gallup defines the employee experience as someone's journey across the talent lifecycle, from hiring to departure. Poor employee experience leads to employee churn, and unexpected turnover makes it challenging to create accurate forecasts and support business goals. According to PwC, recruitment, retention, and people growth are now top priorities on the CFO agenda to keep employees engaged and support business goals.

To improve employee retention and reduce attrition, you need to prioritize the employee experience. Research by Willis Towers Watson finds companies that prioritize the employee experience outperform their peers in profitability and revenue. In its employee experience study, EY found improving company culture and equipping employees with the right technology could contribute to a positive employee experience.

Issuing short surveys on a regular basis is one of the best ways to gain insights into employee needs. For example, you can use eNPS surveys to gauge whether employees feel they have enough bandwidth to do their jobs.

Questions may include:

- **On a scale of 1–10, do you feel like you have enough capacity to do your job successfully?**
- **Do you feel burnt out?**
- **Do you feel like you have enough people on your team to meet your goals as a manager successfully?**

This is also a valuable opportunity to consider the diversity of your workforce to ensure your demographics reflect your commitment to diversity and inclusion, which is a top priority for 57% of CFOs. As you do so, look at metrics like representation, attrition, and employee relations issues to make sure these numbers are moving in the right direction.

Overall, this type of focus can help stem the impact of the Great Resignation and give your leadership team a greater pulse on how employees are feeling to better identify those who are flight risks and develop plans accordingly.

"I think everyone who works here deserves to be part of an organization where personal growth is fostered. And ChartHop gives us a complete picture of where we're going and how we're going to grow our people."

— CEO & CO-FOUNDER, HIGH GROWTH STARTUP

Give your headcount planning the strategic attention it deserves

Effective headcount planning can prove a game-changer for any business. It can drive faster growth, greater innovation, and promote a better employee experience that leads to increased retention.

Attaining these results requires a strategic approach to headcount planning. Specifically, it requires finance leaders to work collaboratively with the executive team, especially HR leaders, as well as managers to think through implications of growing different areas of the business in different ways. It also means finance teams must have visibility into needs across the business to take a proactive approach to planning for and hiring headcount to avoid scrambling to fill roles after the need has come about.

This alignment, collaboration, and visibility will be even more important for headcount planning going forward, with factors like the Great Resignation, volatility in the job market, and the need to invest in people responsibly creating a unique environment for CFOs.

Fortunately, all of this doesn't have to be so difficult.

With the right technology, your organization can easily facilitate this alignment and deep visibility to overcome the many complexities that have traditionally plagued headcount planning. Instead, what you'll end up with is a highly collaborative, easy to manage, and easy to understand process that incorporates insights from across the organization to build the best possible team for helping your company grow.

Talk to ChartHop Today

Plan for anything with ChartHop: The only approach to scenario planning that puts people first.

Plan with context

Centralize current and historic data to create informed plans, without the manual work.

Visualize changes

Build plans visually and understand the structural implications from the get go.

Track impact

Measure how every change impacts people analytics metrics, operational KPIs & budget.

Streamline workflows

Create scalable processes for Headcount approvals, compensation reviews & more.

Centralize changes

Iterate on plans with stakeholders and keep all discussions within the platform.

Save hours of time

Easily consolidate plans with the click of a button, no copy and paste needed.

“

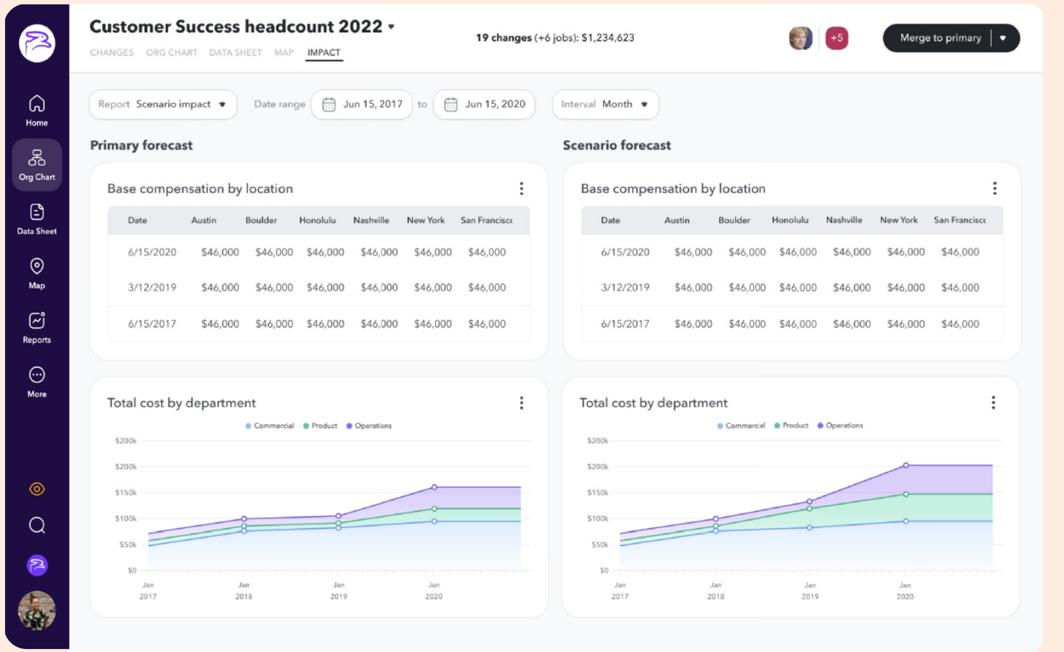
ChartHop helped us centralize over a hundred headcount planning spreadsheets into a single platform. We could easily monitor people’s access, progress and consolidate multiple plans with a couple of clicks.”

— ALEX KOYKOVA
Director, People Operations

ChartHop

Approach your headcount plans confidently

Discover how ChartHop can help you tackle headcount planning without the headache. Talk to our team today to learn how ChartHop makes collaborative, data-driven workforce planning a reality.



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