Headcount Budgeting Discovery Research

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The Research Objectives

We aimed to:

- **understand** the **headcount budgeting process** companies go through each year

- **understand** our customers' **needs** and **pain points**

- identify **opportunity areas** for Dayforce to better support and empower our customers

Q1

How are people doing headcount budgeting doing this today? (agnostic of tool)

Slides 4-8, 10, 27

Q2

What is the overarching process of headcount budgeting?

Slides 10, 27

Q3

Does it make sense for us to build something or acquire something?

Slide 25

Q4

How big is the gap? (between what we have and what customers need)

Slides 15, 19, 23, 25

Q5

Where are the opportunities for Dayforce to improve the experience of doing HB?

Slides 12, 14, 18, 22

Q6

What is the scope of the needs our users/customers have?

Slides 12, 14, 18, 22

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Part 1:
Identifying the Key Players

Understanding Headcount Budgeting

Q1
How are people doing
headcount budgeting
doing this today?
(agnostic of tool)

We learned that headcount budgeting is a collaborative process, with **different roles** owning **different pieces** of the process. We interviewed every role to understand the bigger picture.

4 People Managers

6 HR Leaders

10 Finance Experts

6 Executive Leaders

We talked to **26 people** in **18 interviews** across all 4 roles, with a mix of customers, internal employees of Dayforce, and external participants

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The People Manager

Q1
How are people doing
headcount budgeting
doing this today?
(agnostic of tool)

Focus

Challenges

My focus is on my people and making sure they have work to do, stable pay, and real career growth opportunities

We want to grow our department's capabilities, but we have to compete with other budget needs

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The Human Resources Leader

Focus

Challenges

I'm thinking about the health of the organization from raises, promotions, benefits, turnover and the ways our workforce will change and grow in the future

I feel like I often don't have all the information I need to make strategic decisions

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The Finance Expert

Q1
How are people doing
headcount budgeting
doing this today?
(agnostic of tool)

Focus

Challenges

I'm focused on the financial health of the company, including the headcount budget, but also the overall company spending and revenue.

We run financial projections quarterly, but often real life doesn't match what we predicted

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The Executive Leader

Focus

Challenges

I'm focused on the big strategic goals for the company: where we are and where we could be. I'm thinking about our company but also our customers.

I have so much information to process, and I'm responsible for making decisions that affect so many people. I want to make sure I get it right.
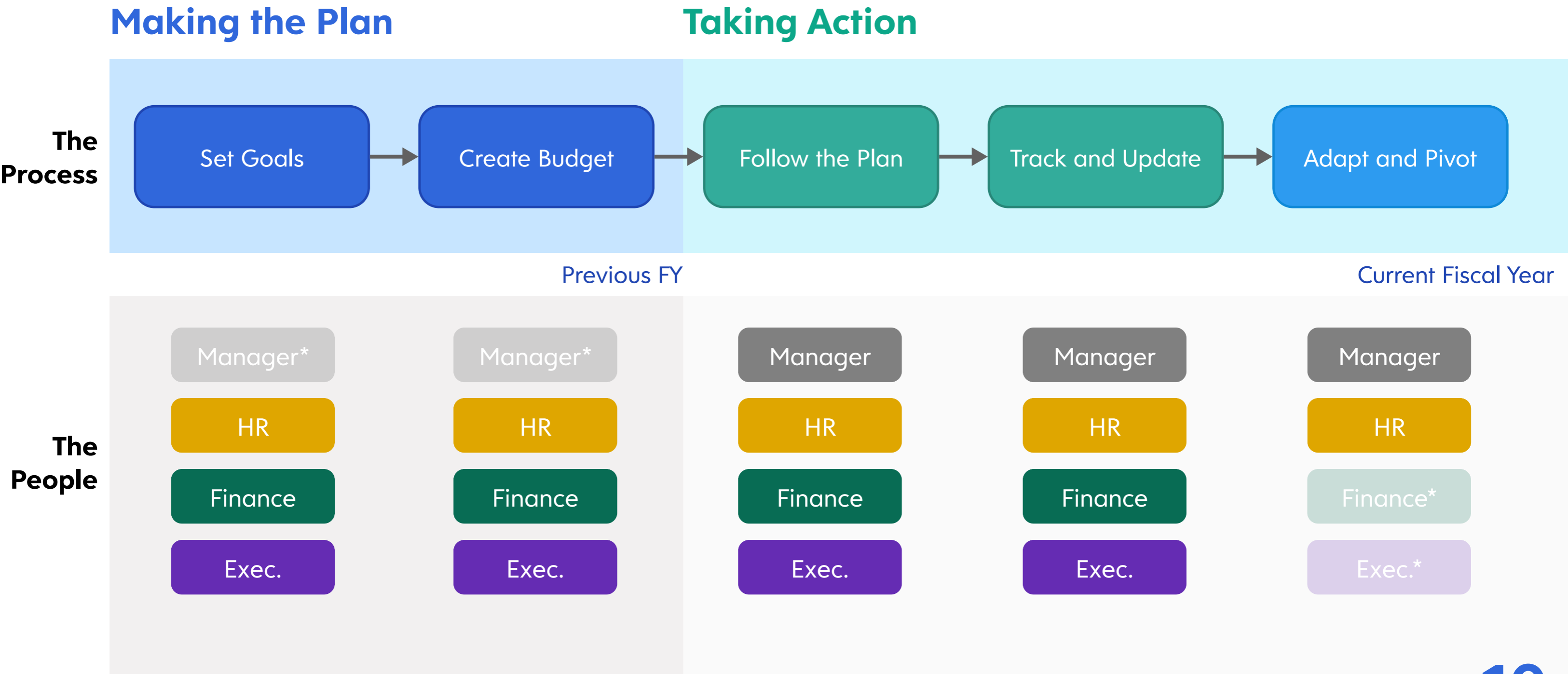
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Part 2:
Clarifying the Process and the People

The Headcount Budgeting Process

Q1
How are people doing headcount budgeting doing this today? (agnostic of tool)

Q2
what is the over-arching process of headcount budgeting?

Making the Plan

Taking Action

The Process

| Set Goals | → | Create Budget | → | Follow the Plan | → | Track and Update | → | Adapt and Pivot |

Previous FY

Current Fiscal Year

The People

Manager*	Manager*	Manager	Manager	Manager
HR	HR	HR	HR	HR
Finance	Finance	Finance	Finance	Finance*
Exec.	Exec.	Exec.	Exec.	Exec.*

*greyed out personas represent less active involvement in the phase, but all personas are involved across all phases

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Part 3:

The Findings and Opportunity Areas

Headcount budgeting is valuable and high impact for companies, but they need support in 3 big areas
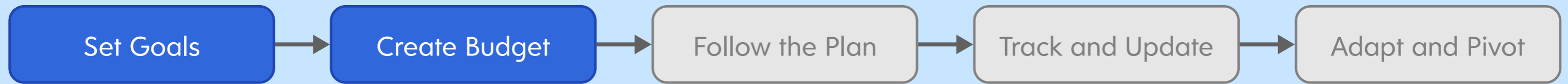
Setting Data-Driven, Achievable Goals

Reducing risk by setting the right company goals, informed by real data rather than assumptions

Early Awareness and Action

Avoiding costly outcomes with early and effective action

A Flexible, Single Source of Truth

Staying in tighter alignment, and adjusting as our needs and situations change

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| Set Goals | → | Create Budget | → | Follow the Plan | → | Track and Update | → | Adapt and Pivot |

Theme 1
Setting data-driven, achievable goals

HR   Finance   Exec.

"We need a much more data-driven approach to (headcount budgeting) because our company is growing extremely rapidly."

- Customer Quote

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Finding: Need For Data-Driven Goals

Q5
where are the opportunities for Dayforce to improve the experience of doing HB?

Q6
What is the scope of the needs our users/customers have?

To set **feasible goals** that align with business plans and long-term objectives, companies need **the right data**.

Without data on....   *companies risk...*

expected turnover ———————————————▶ over or under hiring

market compensation trends ———————————▶ struggling to fill roles

previous years' productivity ———————————▶ not planning for their hiring needs

current workforce skillset —————————————▶ under-utilizing their existing staff

expected raises and promotions —————————▶ employee dissatisfaction

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Gaps: Data-Driven Goals in Context

Q4
How big is the gap?
(between what we
have and what
customers need)

In order to set the right goals, companies needed **the right data** during the goal setting phase, but they had to make **assumptions** to finish on time.

Because they didn't know....

the market was slowing down ·········▶ they didn't budget enough for our current staff and had to enact a hiring freeze

salary rates were increasing in our area ·········▶ they didn't budget enough for our growth areas

our previous years' productivity per headcount ·········▶ they didn't know how many new hires we'd need to meet our goals

our current workforce skillset ·········▶ they planned for hiring new staff, which delayed our projects

how much to budget for raises and promotions ·········▶ they struggled to improve morale and productivity due to employee dissatisfaction

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The Big Takeaway: Theme 1

Every assumption companies make in goal setting increases the risk of costly negative outcomes.

Opportunity: How might Dayforce help customers improve their goal setting through providing **real, actionable data** to inform their decisions?

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Set Goals → Create Budget → **Follow the Plan** → **Track and Update** → Adapt and Pivot
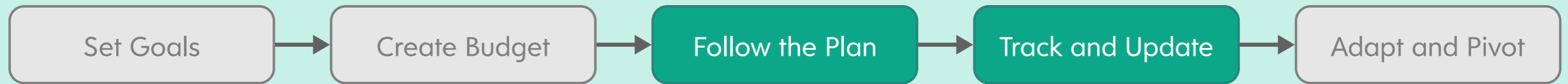
Theme 2
Early awareness and action

| Manager | HR | Finance | Exec. |

"We over hired in Q4 of last year. So we started off the year way over our expected point in our budget which drove our expenses up. So we had to put a hiring freeze on. No one could move anything forward. We had to wait until probably April before we were back in line with our hiring plan. So that was a frustration, a pain point."

- Participant Quote

Finding: Need For Proactive Up-to-Date Information

Q5
where are the opportunities for Dayforce to improve the experience of doing HB?

Q6
What is the scope of the needs our users/customers have?

Before things don't go according to plan, companies need **timely information** to **avoid costly outcomes** with **early and effective action**

If companies don't know that...   *they risk...*

they're hiring too quickly   →   a hiring freeze or layoffs

roles are sitting unfilled   →   missing out on new talent

less people are resigning than expected   →   over-hiring and budget cuts

a manager has hired for a budgeted role   →   another manager hiring for the same slot

the market salary for a role has increased   →   struggling to hire at too low a salary

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Gaps: Proactive Up-to-Date Information **in Context**

Q4
How big is the gap?
(between what we
have and what
customers need)

Companies run quarterly calculations, but that's often too late to head off potential problems. They need **timely information** to **take action** as soon as possible.

If they had been alerted to...   *they would have....*

how quickly they were spending their new hire budget ······▶ slowed spending and spaced out new hires further throughout the year

approved headcount sitting unfilled for years ······▶ re-allocated or adjusted that headcount

a predicted slow in the hiring market ······▶ slowed hiring to account for reduced turnover

two separate managers claiming the same headcount budget for their own org ······▶ negotiated before two new hires were onboarded

the fact that their pay range for a new hire was below market rate ······▶ worked with HR and Recruiting to adjust the posting (different region, change salary, etc)

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The Big Takeaway: Theme 2

When things change, companies need to take action as soon as possible. The longer they wait, the harder it is to course correct.

Opportunity: How might Dayforce help customers **learn** about **potential pitfalls** as early as possible and empower them to make the **right course corrections**?

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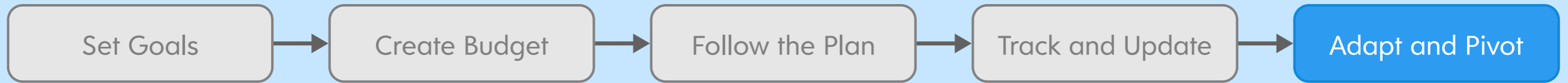
Theme 3
A flexible, single source of truth

Manager   HR

"If I could fix part of the process, it would be that it was a bit faster, and we didn't (spend) so much time on sending files back and forth. Maybe if there was a centralized location."

- Participant Quote

"Anything to do with humans starts in Dayforce"

- Customer Quote

Finding: Need for a Flexible, Single Source of Truth

Q5
where are the opportunities for Dayforce to improve the experience of doing HB?

Q6
What is the scope of the needs our users/customers have?

As needs and situations change, our customers need Dayforce to be **flexible,** and the **single source of truth**.

Companies need to change and track...   *in order to...*

when a role can be filled ──────────▶ slow or speed hiring as needed

how a headcount is assigned ──────────▶ hire at different levels or share schedules

the salary band of a role ──────────▶ match market values and stay competitive

the department or location of a role ──────▶ hire where skills are most needed

current org makeup including open, vacant, and budgeted roles ──────▶ empower leadership to make strategic decisions with up-to-date information
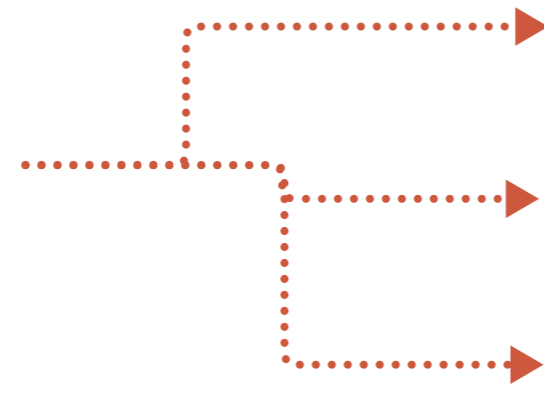
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Gaps: A Flexible, Single Source of Truth in Context

Q4
How big is the gap?
(between what we
have and what
customers need)

As needs and situations change, people across the company get out of alignment with each other. They need Dayforce to be **flexible,** and their **single source of truth**.

They need flexibility and accuracy...   *so that they can...*

to adjust approved headcount positions around when and where new budgeted roles are assigned

grow in the areas that are most essential and keep track of how they're growing

merge, split, or change roles to meet their needs within the budgeted dollar amount

request additional budget as needed

when understanding and updating their company's org chart

have an accurate picture of what the org structure looks like, and how it has changed

empower leadership to understand the full picture of the workforce and make strategic decisions

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The Big Takeaway: Theme 3

As their needs and situations change, companies need their people platform to be flexible, accurate and up to date so they can collaborate effectively and avoid miscommunication.

Opportunity: How might Dayforce **help customers adapt** to meet their business needs in a **collaborative**, **clear**, and **accurate** way?

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How might we solve these problems for our customers?

How Might We Empower Our Customers To...

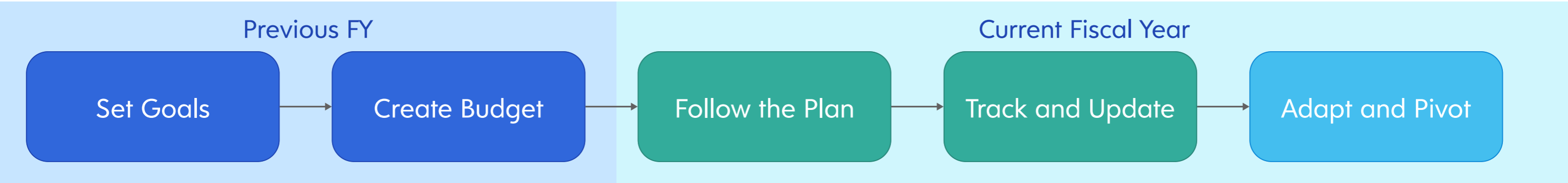through improving the experience for

	set achievable, data-driven goals	avoid costly outcomes with early and effective action	use Dayforce as their flexible, single source of truth when tracking headcount	improve headcount budgeting in general
People Managers				
Finance Experts				
Human Resources Leaders				
Executive Leadership				

Headcount Budgeting Process and Activities Journey

Previous FY

Set Goals → **Create Budget**

Current Fiscal Year

Follow the Plan → **Track and Update** → **Adapt and Pivot**

Set Goals

- High Risk — Set company goals for the next year
- High Risk — Set department and organization goals for the next year
- Med Risk — Managers submit requests for new headcount for the upcoming year

Create Budget

- High Risk — Understand expected revenue and expenses
- Med Risk — Determine the headcount and work that will be needed to meet company goals
- Med Risk — Assess current headcount and capabilities
- Med Risk — Estimate new headcount needed
- Med Risk — Estimate total financial cost for all proposed headcount
- High Risk — Negotiate budgetary needs within and between departments
- High Risk — Approve budget at all levels

Follow the Plan

- Med Risk — Open new positions for approved roles
- Med Risk — Recruit and hire for open positions
- High Risk — Stagger new headcount throughout the year to stay on track
- High Risk — Avoid two managers hiring for the same headcount slot

Track and Update

- Med Risk — Save or store approved headcount in official location
- Low Risk — Track actual headcount, including new hires, temporary hires, unbudgeted and attrition
- Low Risk — Communicate across departments and organizations to get latest information
- Low Risk — Remind managers when they have unfilled headcount
- Med Risk — Report up on company organization structure and vertical headcounts

Adapt and Pivot

- Low Risk — Adjust dates for new headcount to stay on track
- Low Risk — Split or merge approved headcount by full-time equivalent
- Low Risk — Alter approved salary range for positions to meet market needs
- Low Risk — Change or move a headcount
- High Risk — Alter the plan if market or revenue drives new strategies
- High Risk — Enact hiring freeze or layoffs to course correct

How painful is this experience?
- not at all
- slightly
- moderately
- very
- extremely

What is the risk if this activity fails or is incorrect?
- Low Risk
- Med Risk
- High Risk

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Key Takeaways for Position Management

1. The larger a company is, the greater the need for a way to track positions/roles separate from the people who fill them, and the greater the need for high level "roll-ups" of company structure and headcount reports by department

2. Many of the biggest pain points that emerged from this study are addressed by position management, even though this study was about headcount budgeting and our participants were heavily from non-position management users.

3. **Currently supported features** that were heavily requested by participants include:
   a. Tracking positions separate from user filling the role
   b. Organization chart
   c. Visibility towards filled and vacant headcount
   d. Requests for new positions
   e. Tracking of approvals and updates
   f. View of org changes over time

4. Dayforce has a big **opportunity** to be the **single source of truth** for key company data including:
   a. up-to-date company org chart that can be exported
   b. official approved headcount budget
   c. progress toward headcount budgeting goals
   d. approvals and alternations to the budget
   e. the budgeted cost of a position (salary, payroll, taxes, benefits)
   f. headcount and people data forecasting based on real world and company data analytics

5. Dayforce has a big **opportunity** to **surface actionable and impactful recommendations** to help our customers stay on track
   a. recommended pay grades
   b. market predictions
   c. burn rates of approved budget
   d. unfilled roles

Part 4:
Appendix

Research Objectives

Research objectives:
1. Understand the headcount budgeting process
   a. Process
   b. Core problems
   c. Roles and responsibilities
   d. Outputs
   e. Needs and Decisions supported
   f. Benefit and risk/value of doing it
   g. Tools used
2. Understand current experiences and use cases for the headcount budgeting process
   a. What is the process like?
   b. High and low points
   c. Opportunities for solutions

Q1
How are people doing headcount budgeting doing this today? (agnostic of tool)

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Customer and Participant Quotes

"It is connected to actually being able to perform as a company. If you don't do that planning, you're either going to run into teams that are overworked because they're understaffed and then you're not going to be able to make your same business output. Or the flip side, you could accidentally overstaff. But then your company maybe doesn't need that many people and then you end up in a layoff. So you have to be very careful in the headcount budgeting process to make sure you're budgeting in the right number of people. And then also the right salaries to match that so that it keeps up with your business performance."

"It's all a bit of a balancing act between: What are our revenue targets? What are our expenses? What resources do we need to deliver them? What can we afford? etc, etc. Obviously, we are always trying to control our expenses."

"About two years ago, we realized we needed a much more data driven approach to this because our company is growing extremely rapidly. And looking at our, our future business plans, we were looking at how many homes we projected to build throughout all of 2024 (and) our business plan goes to 2028. And so we saw that rapid growth and the major question that our CEO had was how are we going to keep up with this...when do we need to hire the right people?
But also we really want to avoid a layoff situation. So we needed to be very data-driven in where we staff up and how quickly we staff up."

"The beginning part is exciting of trying to, trying to estimate how many people we actually need. That I'm not sure is as much a day force kind of decision as it is more just a business planning decision. I would foresee that still being probably outside of Dayforce because it is tied to our business plan projections that finance puts out... But then we would decide the number of people we would then hire and then put that into Dayforce and try and go from there."

(Lack of alignment between stakeholders) comes down to being a big pain point. It's not just about the understanding being aligned, but the alignment of disparate sources of truth, right? And the drive here is really to move everything into one single source of truth. So that (ideally) when they're (finance) sitting down for their budget meetings with the managers, they actually pull up the ORG designer as the the place where the actual positions that are happening today exist.

And ideally, we would like some type of history trail that showed us that one position number turned into two position numbers because it's very difficult because this happens all the time for us through the year, there is changing positions and we want to be able to show that whilst that team went from five positions to six positions, essentially, they were all still approved within the budget because it was one position that split into two lower level positions."

"Whilst the like the headcount number is important, the salary budget overall is also important. And if you are keeping within the salary budget, then it may be ok, or approved that you can use that one budgeted position for two positions that became approved as part of the budget as well because it's within the salary."

At its core, our organization is a really big law firm and lawyers love paper. They love pushing paper around, they love files. That's starting to shift in the legal profession, but it still is one of those things that's like a challenge. When I started in 2022, there were still triplicate vacation leave forms sitting around that somebody would complete by hand and they would pass to somebody and they take a carbon copy of it and then pass to somebody else and everybody's got a copy of this thing sitting around in their office, like for eternity. So we've gotten rid of lots of that and got people using Dayforce for all of that kind of stuff. Those are quick wins, but the bigger win would be getting all of their employee records into the system.

Except for me going to the manager once in a while, like, hey, what do you think about posting that procurement analyst position? Like then, like, they're not doing anything with it, like, I mean, maybe then you want to hire another general accountant or something like that instead and like may change that position to a G A position or, or a budget analyst or whatever you guys want and nothing moves on it. At what point does that flag up to the, to their supervisor? Right. In this case, it would be the vice president of corporate services who would get that to say like, hey, have a position that's in your downstream, that hasn't been filled for 24 months.

You know, that, that from like being a crown court, being a funded agency, from that perspective, that would actually give insight to the, to those, you know, division leaders, the VPs.

We could have on the hub that just like this is your dashboard and give that to a VP that would change the game in right away in terms of them seeing the, the insight value of what Dayforce can offer because right now, what they're getting is all coming from Finance to help them make those budgeting decisions, and I think there's a much better way to offer this information that's live versus an as of date.

So if that could be lined up in Dayforce, that would help a ton for the approval process of requisitions because then we would know exactly: Do you have that role open? Yes or no. Maybe it's even like a **position ID that links to an employee ID, but that position ID can switch to a different solution if a person moves.** So if that could all be in Dayforce that **would help a ton just making sure you don't accidentally hire two people for the same job.**

I think that would really close the loop of tracking throughout the year because we really want to reduce the amount of manual trackers that we're keeping up. Even though Smartsheets is a more advanced tool, it really is still just a manual tracker at the end of the day for the purpose that we're currently using it for.

But **if we could import that final approved list of positions into Dayforce and then from there have Dayforce own how current incumbents are linked and the roles that still need to be opened. Yeah, that would be super helpful.**

"(It's hard when) the scope of the projects that we're contracted for change and therefore the clients change their minds about what they really want and therefore the headcount and staffing needs change based on how the client changes their scope of work."

I think if I could fix any part of that, I think maybe it'd be to have some linkage that showed in real time the cost of the change of people's decisions. So if you hired someone six months earlier, how much additional cost would that be to the organization?

We could have on the hub that just like this is your dashboard and give that to a VP that would change the game in right away in terms of them seeing the insight value of what Dayforce can offer...right now, **what they're getting is all coming from Finance to help them make those budgeting decisions**, and I think **there's a much better way to offer this** information that's live versus an as of date.

Sometimes what we run into is like halfway through the year we realize: actually, we don't need to fill that role.

So you might be able to mark it as like deferred or no longer planning on hiring or something like that. So there does need to be a little bit of flexibility still. Sometimes these slots actually should go away. So there has to be that little extra functionality built in there somehow too.

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But also **we really want to avoid a layoff situation. So we needed to be very data-driven in where we staff up and how quickly we staff up."**