



The Compass Report

Department Benchmarking

winmark

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SUSTAINABILITY OFFICER

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Foreword

Every department head faces pressure to carefully control budgets and to provide evidence that their function is contributing to the organisation efficiently and cost-effectively.

The current social, economic and geopolitical environment has, arguably, increased these pressures to their most intense levels for decades. High inflation driven by energy and commodity price increases, coupled with supply chain disruptions have created an uncertain and volatile business environment. And this is on top of an already challenging situation where organisations have been grappling with a rapid acceleration in technological innovation and having to respond to the pandemic's seismic impact on employee and consumer relationships.

As a result, department heads are increasingly focused on resource optimisation by assessing staffing levels, reviewing and renegotiating supplier costs and identifying opportunities for automation, outsourcing and external knowledge that will make them more agile and efficient.

This report aims to help department heads in this process by providing a benchmark of their own headcount and spend relative to their peers and other key functional departments. It also provides a benchmark of the perceived maturity of departments and the split of staff according to seniority.

While every department will have its own unique demands and characteristics, the data will help provide important context and a useful yardstick for leaders embarking on their cost savings initiatives.



John Jeffcock,
Chief Executive Officer, Winmark

This report is based on research with 166 organisations. The study measured staff headcount, running costs and stage of maturity for the following departments: Finance, HR, IT, Legal, Marketing, Operations, Procurement and Sustainability.

Differences are highlighted between the five departments with a sufficiently large sample to make comparisons: **Finance, HR, IT, Legal and Sustainability.**

To find out how your department's headcount compares, refer to *Section 1 - Department headcount and growth trend*. To find out how your department's running costs compare see *Section 3 - Department running costs and growth trend*. *Section 2* provides a comparison of the seniority of department teams, and *Section 4* enables you to compare the maturity of your department.

Contents

Key findings

1 Department headcount and growth trend

- 1.1 Department headcount as a proportion of total: key departments
- 1.2 Department headcount as a proportion of total: by turnover
- 1.3 Department headcount growth: key departments
- 1.4 Department headcount growth: by turnover

2 Seniority of departmental teams

- 2.1 Seniority by department
- 2.2 Seniority by turnover

3 Department running costs

- 3.1 Department running costs as a proportion of total: key departments
- 3.2 Department running costs as a proportion of total: by turnover
- 3.3 Department running cost growth: key departments
- 3.4 Department external spend as a proportion of budget

4 Stage of maturity and performance

- 4.1 Stage of maturity by department
- 4.2 Stage of performance by department

Appendix 1: Detailed benchmark data

- A1 Department headcount as a proportion of total, split by turnover band
- A2 Department seniority, split by turnover band
- A3 Department maturity, split by turnover band

Appendix 2: Sample

Key findings

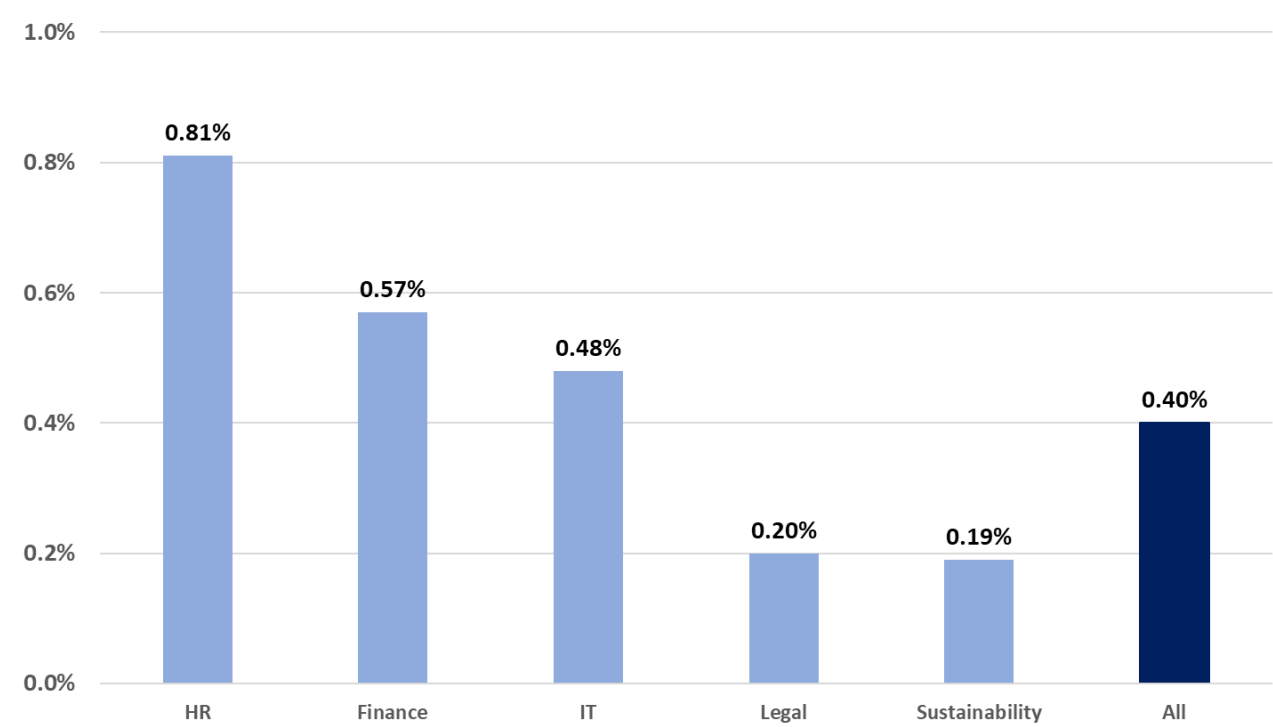
 Headcount	• HR and Finance departments have the highest headcount as a proportion of all employees (0.81% and 0.57% respectively). Sustainability departments have the lowest - 0.19% overall. • All departments are expecting headcount growth in the coming year, but (with the exception of Finance and Sustainability) are expecting the rate of growth to be less than the year before. • IT departments are expecting the highest headcount growth next year - 9% compared to 5% across other departments. HR and Legal departments are only expecting a 2% increase. • Mid-tier companies (i.e., those with revenues of between £25 million and £249 million) have been under pressure over the past year, with heads of all departments reporting a reduction in staffing.
 Seniority	• The Legal (24%) and Sustainability (20%) departments have the highest proportion of staff occupying 'Chiefs, Directors or Head' roles. • HR is one of the least 'top heavy' departments with one in ten staff occupying 'Chiefs, Directors or Head' roles - roughly half the proportion of other departments. • Mid-tier 'Manager' positions split roughly into two thirds who are 'Technical Experts and Managers' and one third who are 'Operations, Information and Project managers' – overall, 28% of all 'Managers' are now 'Operations, Information and Project managers'
 Running costs	• The IT department has the highest running costs as a proportion of company revenue (0.61%). • The Legal department has relatively low running costs as a proportion of revenue (0.26%) – only the Sustainability department is lower, at 0.19%. • The Legal department has the highest cost per head (£131,777) with the IT and Finance departments next with approximately £106,000 cost per head. • IT, Sustainability and Finance departments are expecting the largest cost increases in the year ahead – all predicting 9% increases. HR and Legal departments are expecting just a 2% and 4% increase respectively.
 External spend	• Finance and IT departments spend the highest proportion of their budgets externally (41% and 39% respectively). HR departments have significantly lower external spend than other departments – just 10% compared to the 'all-department' average of 31%.
 Maturity	• The most commonly reported stage of maturity is 'Mid transition or mid-change'. Approximately one third to two fifths of all departments identify themselves being at this transitional stage in their development.
 Performance	• Between a half and two thirds of departments define themselves as 'In change'. This is by some distance the largest category, underlining the fact that many departments and organisations are in a transitional stage of development. • A third of departments define as 'Performing'. • One in 10 define as 'Needing Change' – this is higher in IT (21%) and HR (16%) departments, reflecting their position at the frontline of addressing the high priority people and technology challenges facing many organisations.

1 Department headcount and growth trend

1.1 Department headcount as a proportion of total: key departments

The average department accounts for 0.4% of all staff within the company.

Amongst individual departments, the fundamental administrative functions - HR (0.81%) and Finance (0.57%) – have the highest proportional employee headcount. Sustainability departments have the lowest proportional headcount - 0.19% overall.



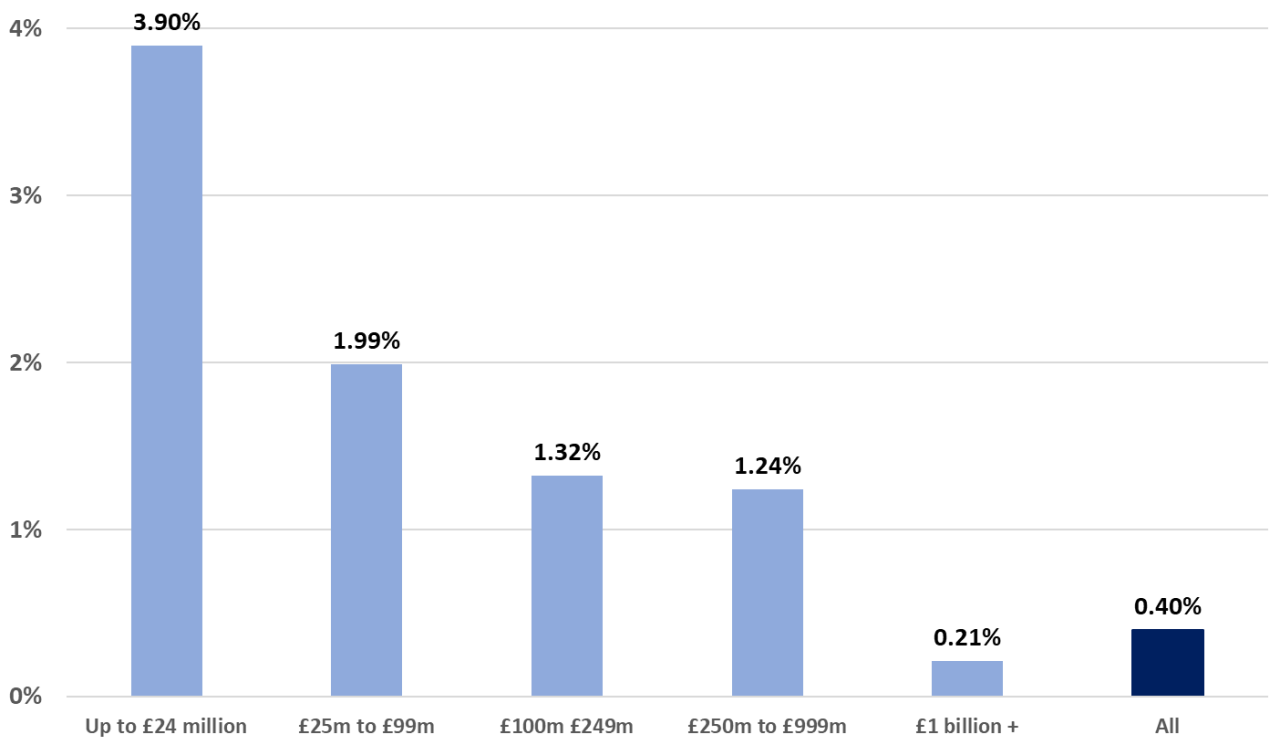
1.2 Department headcount as a proportion of total: by turnover

The table below summarises the average department staff headcount as a proportion of the total company headcount, split by turnover band.

Unsurprisingly, overall department headcount as a proportion of the total decreases in higher revenue companies.

The average department headcount is 29 employees (representing 0.4% of the total company headcount).

In companies with turnover below £24 million, average department headcount is 4 employees per department (3.9% of the total). Headcount is 52 employees (0.2% of the total) in companies with more than £1 billion revenue.



All companies: turnover	Total Headcount	Department Headcount	Department Headcount as a proportion of total
Up to £24 million	108	4	3.90%
£25 million to £99 million	545	11	1.99%
£100 million to £249 million	1,941	26	1.32%
£250 million to £999 million	3,580	44	1.24%
£1 billion +	25,025	52	0.21%
All	7,162	29	0.40%

1.3 Department headcount growth: key departments

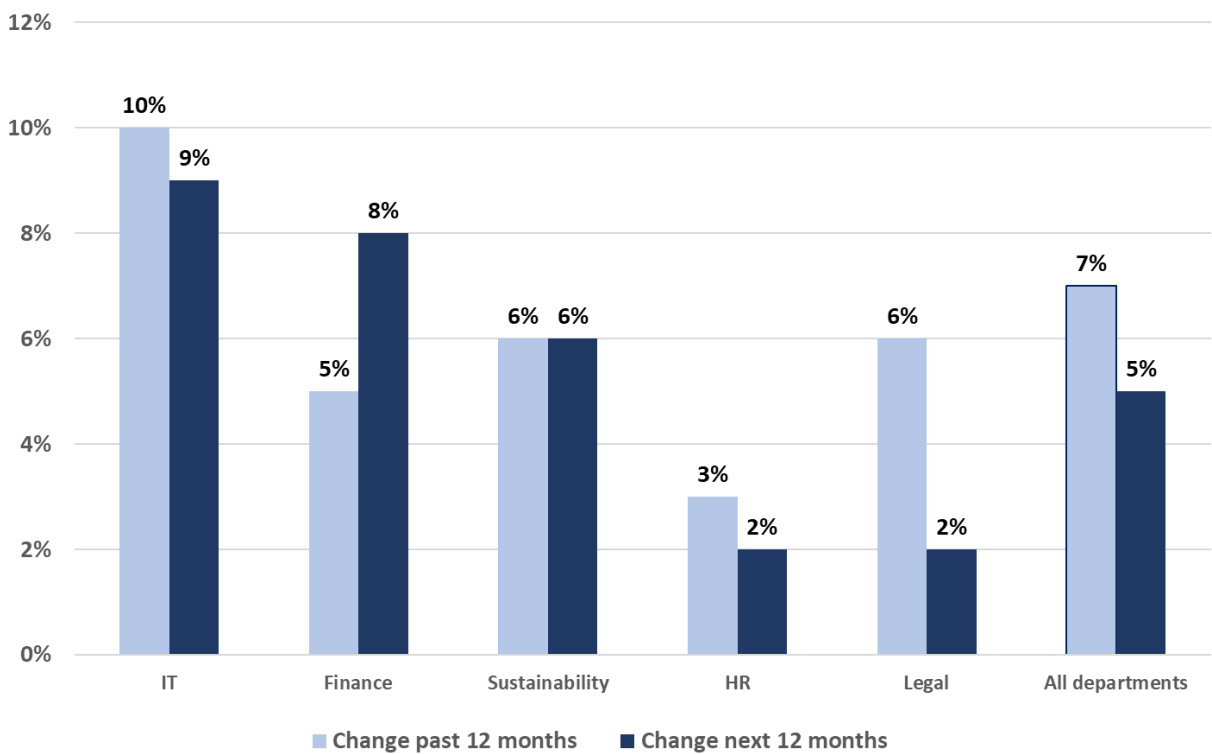
All departments reported growth in employee numbers over the previous 12-month period – a 7% increase overall. However, they are anticipating less growth in the year ahead – just 5% on average.

This decrease is roughly in line with projected reductions in overall global growth over a similar time period. For example, the [World Economic Outlook](#) predicts that growth will fall from its recent high of 6% in 2021 down to 2.7% by 2023.

All individual departments are expecting headcount growth in the coming year, but (with the exception of Finance and Sustainability) are expecting the rate of growth to be less than the year before.

As companies continue to invest in technology to support digital transformation of processes and business models, IT departments are increasing staff numbers the most. Heads of IT are predicting 9% employee growth in the year ahead.

HR and Legal departments are expecting just a 2% increase in headcount - behind the Sustainability (6%) and Finance (8%) departments.

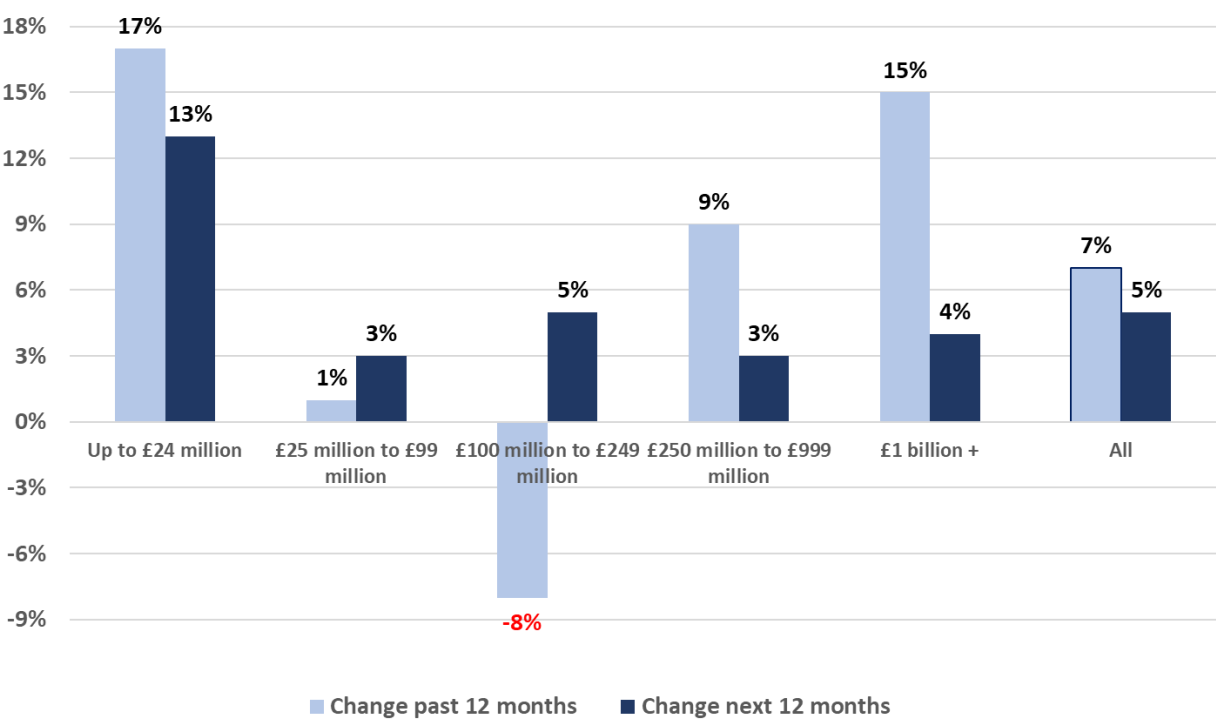


1.4 Department headcount growth: by turnover

Results suggest that mid-tier companies (i.e., those with revenues of between £25 million and £249 million) have been under the most cost pressure over the past year, with department heads reporting a reduction in headcount.

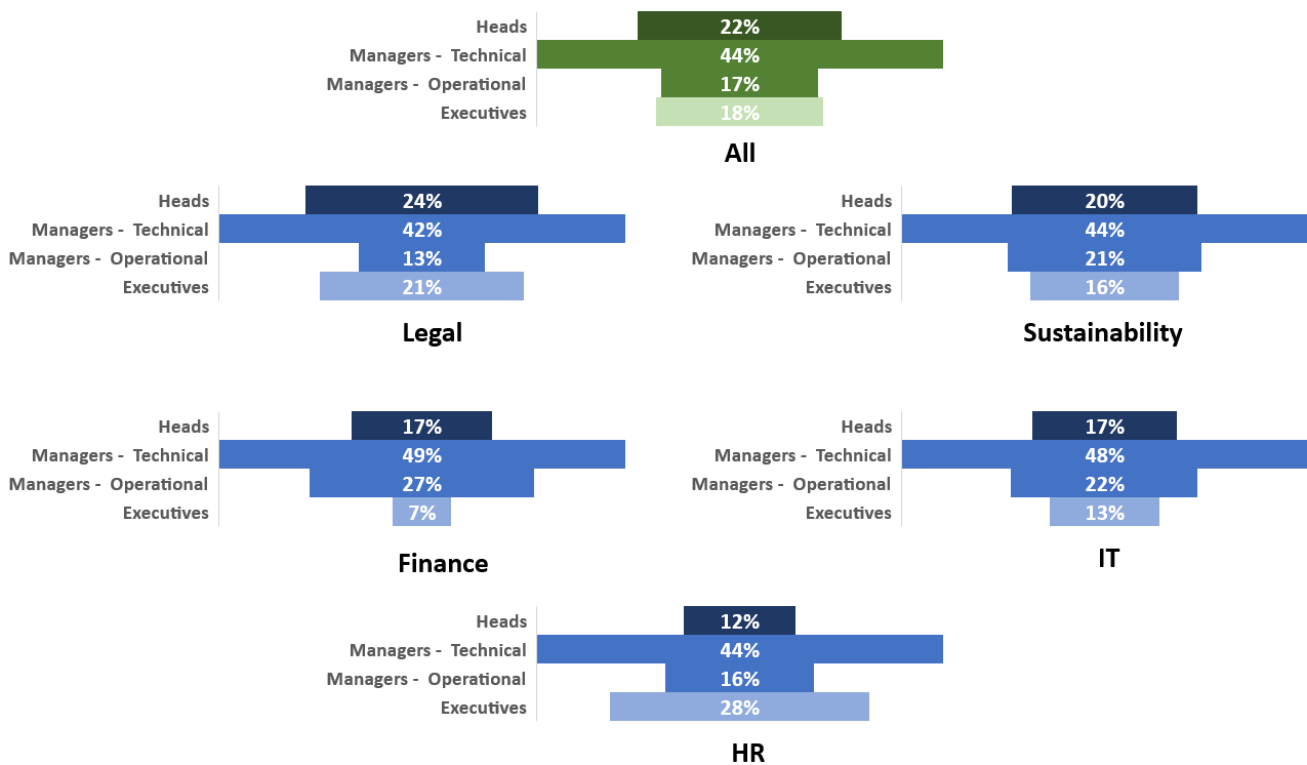
Department heads in smaller companies (i.e., with revenues up to £24 million) are reporting growing headcounts, with many companies being at a stage of relatively rapid growth.

However, smaller companies, along with most larger companies, are expecting staff growth to slow down in the year ahead.



2 Seniority of departmental teams

2.1 Seniority by department



Across all individual departments, roughly a fifth of staff are ‘*Chiefs, Directors or Heads*’, two fifths are ‘*Technical Experts and Managers*’, a fifth are ‘*Operations, Information and Project managers*’ and a fifth are ‘*Executives, PAs and other Administrative staff*’.

The Legal (24%) and Sustainability (20%) departments have the highest proportion of staff occupying ‘*Chiefs, Directors or Head*’ roles.

HR is the least ‘top heavy’ department with 12% occupying ‘*Chiefs, Directors or Head*’ roles.

Mid-tier ‘Manager’ positions split roughly into two thirds who are ‘*Technical Experts and Managers*’ and one third who are ‘*Operations, Information and Project managers*’ – overall, 28% of all ‘Managers’ are now ‘*Operations, Information and Project managers*’

2.2 Seniority by turnover

When examining the seniority of staff within different turnover bands, it is striking that the proportion of the ‘mid-tier’ positions of *‘Technical Experts and Managers’* and *‘Operations, Information and Project managers’* is quite consistent, irrespective of the size of the company.

As revenues increases, the proportion of *‘Chiefs, Directors or Head’* roles decreases as the proportion of *‘Executives, PAs and other Administrative staff’* increases, in roughly equal measure.

All companies	Chiefs, Directors & Heads of Department	Technical Experts & Managers	Operations, Information and Project Managers	Others: executives, PAs, administration, clerks
Up to £24 million	26%	41%	15%	18%
£25 million to £99 million	27%	46%	19%	8%
£100 million to £249 million	18%	38%	26%	18%
£250 million to £999 million	16%	47%	14%	23%
£1 billion +	15%	47%	11%	27%
All	22%	44%	17%	18%

3 Department running costs and growth trend

3.1 Department running costs as a proportion of total: key departments

The running costs of the different department functions as a proportion of company revenue varies considerably – for example, IT is twice the size of Finance and HR is twice the size of Legal.

The IT department has the highest running costs (0.61%).

The Legal department has relatively low running costs as a proportion of revenue (0.26%) – this is smaller than Finance (0.31%).

The Sustainability department has the lowest running costs at 0.19%, but this is a reasonable size given that the function is relatively new in most organisations.

	<i>Department Headcount as a proportion of total</i>	<i>Department cost as a proportion of revenue</i>	<i>Cost to headcount ratio</i>
IT	0.48%	0.61%	1.3
HR	0.81%	0.47%	0.6
Finance	0.57%	0.31%	0.5
Legal	0.20%	0.26%	1.3
Sustainability	0.19%	0.18%	0.9
All departments	0.40%	0.37%	0.6

The Legal Department has the highest cost per head (£131,777) with the IT and Finance Departments next with approximately £106,000 cost per head.

Departments	<i>Average cost per head - total spend</i>	<i>Average cost per head -internal spend only</i>
Legal	£202,734	£131,777
IT	£175,359	£106,969
Finance	£179,864	£106,120
HR	£88,364	£79,528
Sustainability	£111,018	£76,603
All	£151,468	£100,199

3.2 Department running costs as a proportion of total: by turnover

The table below summarises the average department running costs as a proportion of the total company running costs, split by turnover band.

As would be expected, the overall department running costs as a proportion of the total decreases in higher revenue companies.

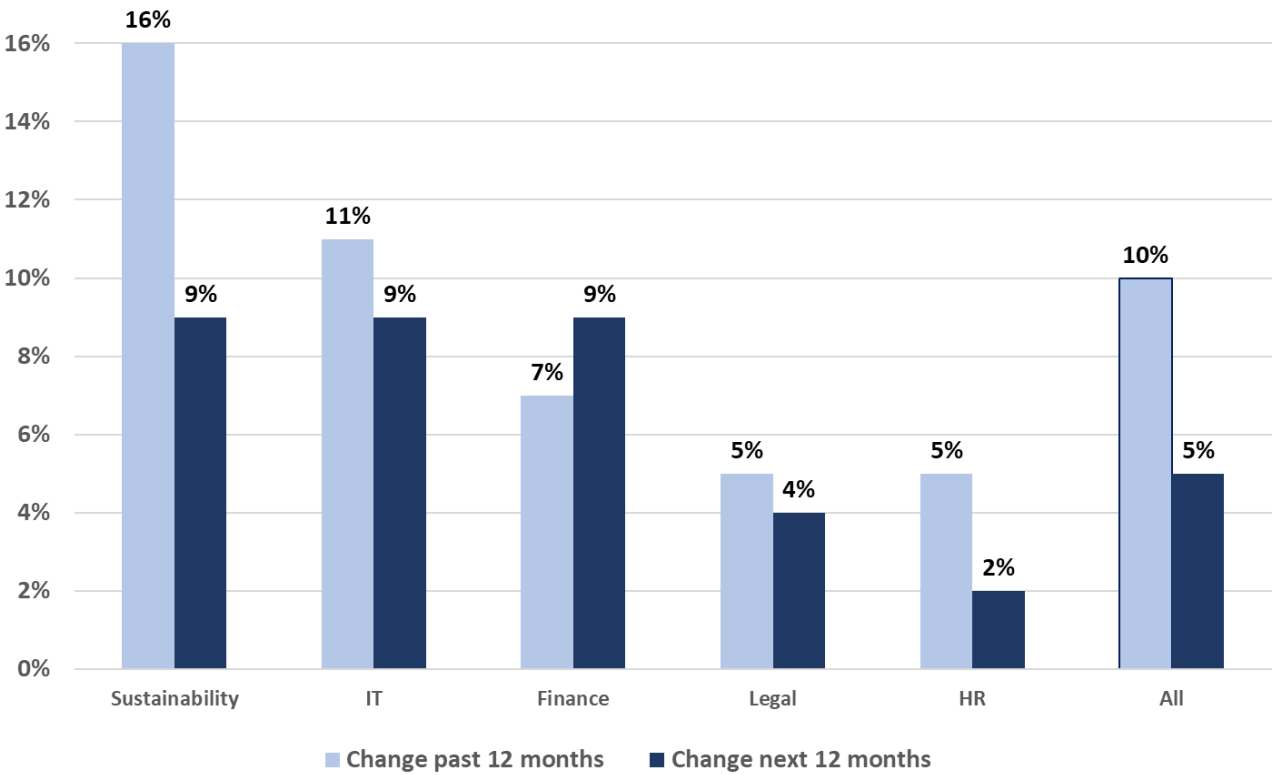
All companies: turnover	<i>Cost as a proportion of revenue</i>
Up to £24 million	3.30%
£25 million to £99 million	2.17%
£100 million to £249 million	1.81%
£250 million to £999 million	1.16%
£1 billion +	0.13%
All	0.37%

3.3 Department running cost growth: key departments

All departments reported an increase in department running costs in the previous 12-month period – with a 10% increase overall. However, they are anticipating less cost growth in the year ahead - 5% on average.

All individual departments (with the exception of Finance) are expecting reduced cost growth in the coming year when compared to last year.

IT, Sustainability and Finance departments are expecting the largest cost increases – all predicting 9% higher costs. HR and Legal departments are expecting just a 2% and 4% increase respectively.



3.4 Department external spend as a proportion of budget

Finance and IT departments spend the highest proportion of their budgets externally (41% and 39% respectively) - and these are also the only departments expecting a significant increase in external spend as a proportion of budgets in the coming year - 7% for Finance and 5% for IT.

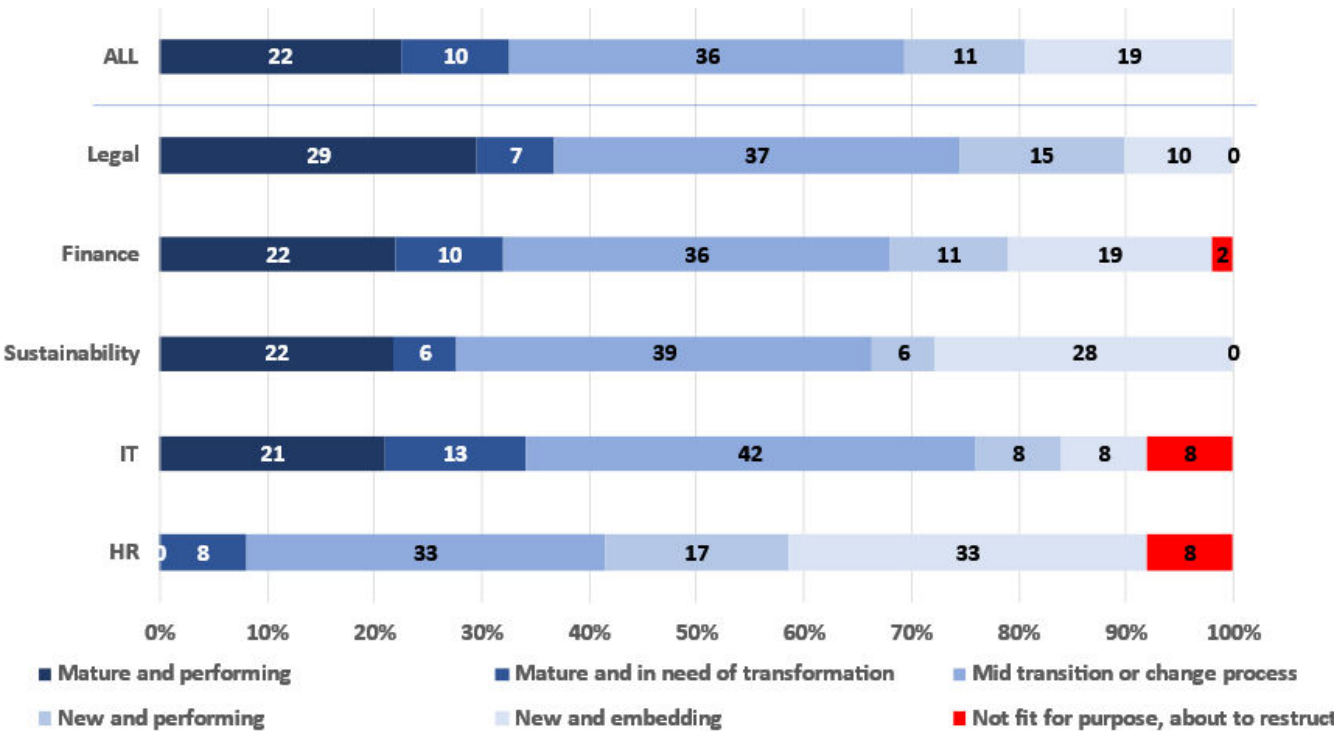
All of the other departments expect the proportion of external spend to remain relatively static.

HR departments have significantly lower external spend than other departments – 10% compared to the ‘all-department’ average of 31%.

Departments	<i>External spend as % of department spend past 12 months</i>	<i>Expected external spend change as % of budget</i>
Finance	41%	7%
IT	39%	5%
Legal	35%	-1%
Sustainability	31%	-1%
HR	10%	1%
All	31%	2%

4 Stage of maturity and performance

4.1 Stage of maturity by department

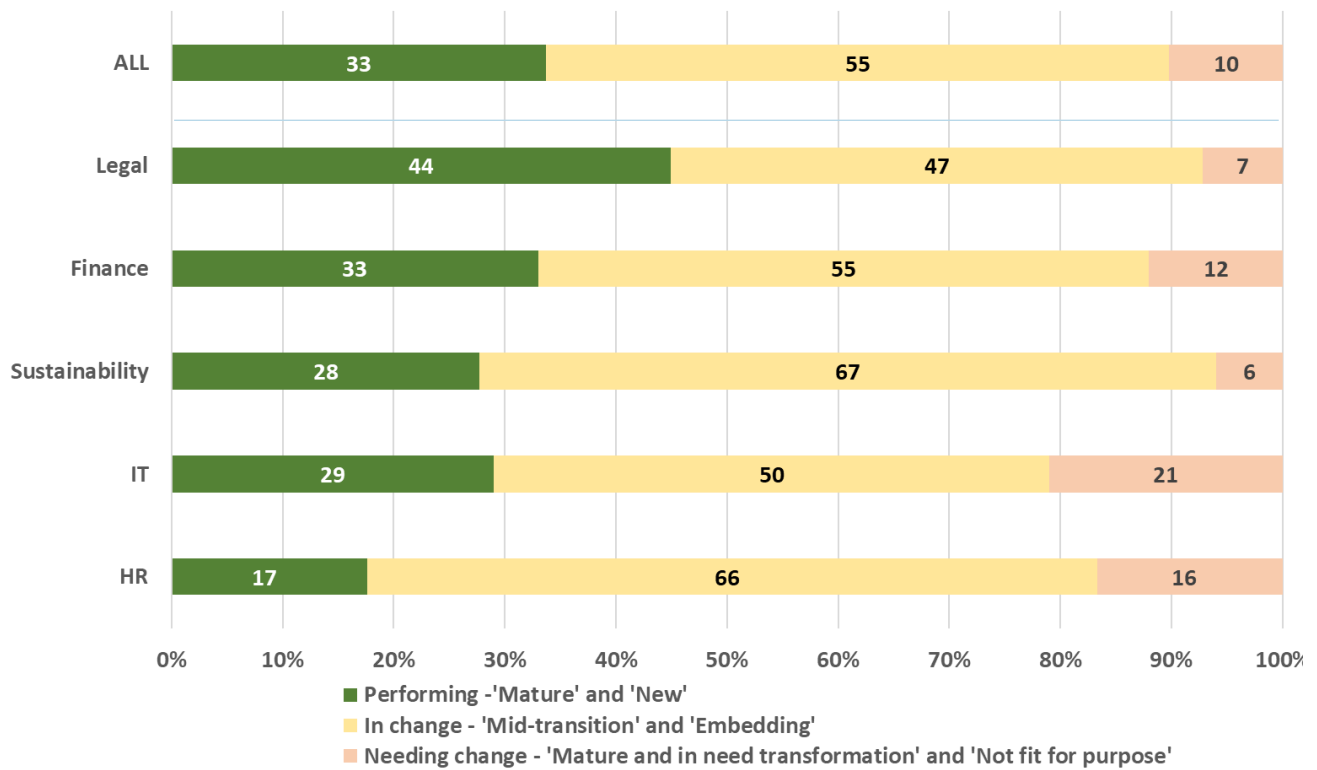


The most commonly reported stage of maturity is ‘Mid transition or mid-change process’. Approximately one third to two fifths of all departments identify themselves being at this transitional stage in their development.

Only 8% of HR departments identify themselves as ‘Mature’ and none say they are ‘Mature and performing’. This stands in contrast to the other departments where, on average, 32% believe they are ‘Mature’ – split between 22% who say they are ‘Mature and performing’ and 10% who are ‘Mature and in need of transformation’.

The results reflect that HR and IT functions are most likely to be going through change and restructuring to support the people challenges (e.g. recruitment, retention, flexible working and wellbeing) and technological imperatives (e.g. hybrid infrastructure, digital innovation and security) that are a priority for many businesses.

4.2 Stage of performance by department



If we look at departments in terms of their perceived level of performance, we see that, overall, a third define themselves as 'Performing' – that is either 'Mature and performing' or 'New and performing'. Typically, around a third of these 'Performing' companies are 'New and Performing'.

Between a half and two thirds of all departments define themselves as 'In change' – that is either 'Mid transition or mid-change process' or 'New and embedding'. This is by some distance the largest category, reinforcing the picture that most departments are in a transitional stage of development.

One in 10 of all departments define themselves as 'Needing Change' – that is 'Mature and in need of transformation' or 'Not fit for purpose'. A larger proportion of IT and HR departments define as 'Needing change' when compared to other functions – 21% and 16% respectively – again reflecting that HR and IT are on the frontline of addressing high priority people and technology challenges facing many organisations.

Appendix 1: Detailed benchmark data

*Detail of findings split by turnover band for five departments - **Finance, HR, IT, Legal and Sustainability** - are provided below.*

Please note that sample sizes within individual sub-groups are small, so results the results should be used with caution.

A1 Department headcount as a proportion of total, split by turnover band

Legal department companies	Department Headcount as a proportion of total
Up to £24 million	2.11%
£25 million to £99 million	1.86%
£100 million to £249 million	1.00%
£250 million to £999 million	0.84%
£1 billion +	0.09%
All Legal	0.20%

Sustainability department companies	Department Headcount as a proportion of total
Up to £24 million	1.89%
£25 million to £99 million	1.11%
£100 million to £249 million	0.22%
£250 million to £999 million	0.23%
£1 billion +	0.03%
All	0.19%

Finance department companies	Department Headcount as a proportion of total
Up to £99 million	1.33%
£100 million to £249 million	0.92%
£250 million to £999 million	0.88%
£1 billion +	0.34%
All Finance	0.57%

HR department companies	Department Headcount as a proportion of total
Up to £24 million	6.32%
£25 million to £99 million	6.67%
£100 million to £249 million	1.19%
£250 million to £999 million	1.14%
£1 billion +	0.74%
All HR	0.81%

IT department companies	Department Headcount as a proportion of total
Up to £24 million	4.05%
£25 million to £99 million	3.11%
£100 million to £249 million	2.72%
£250 million to £999 million	2.57%
£1 billion +	0.15%
All IT	0.48%

A2 Department seniority, split by turnover band

Legal department companies	Chiefs, Directors & Heads of Department	Technical Experts & Managers	Operations, Information and Project Managers	Others: executives, PAs, administration, clerks
Up to £24 million	29%	42%	13%	16%
£25 million to £99 million	25%	47%	22%	6%
£100 million to £249 million	18%	33%	20%	29%
£250 million to £999 million	14%	40%	14%	33%
£1 billion +	31%	44%	3%	22%
All	24%	42%	13%	21%

Sustainability department companies	Chiefs, Directors & Heads of Department	Technical Experts & Managers	Operations, Information and Project Managers	Others: executives, PAs, administration, clerks
Up to £24 million	22%	29%	18%	31%
£25 million to £99 million	22%	43%	28%	8%
£100 million to £249 million	8%	68%	15%	10%
£250 million to £999 million	21%	51%	14%	14%
£1 billion +	16%	32%	32%	20%
All	20%	44%	21%	16%

Finance department companies	Chiefs, Directors & Heads of Department	Technical Experts & Managers	Operations, Information and Project Managers	Others: executives, PAs, administration, clerks
Up to £99 million	8%	62%	23%	6%
£100 million to £249 million	42%	17%	37%	5%
£250 million to £999 million	10%	53%	28%	9%
£1 billion +	10%	64%	20%	6%
All	17%	49%	27%	7%

HR department companies	Chiefs, Directors & Heads of Department	Technical Experts & Managers	Operations, Information and Project Managers	Others: executives, PAs, administration, clerks
Up to £24 million	20%	31%	15%	34%
£25 million to £99 million	13%	44%	23%	21%
£100 million to £249 million	7%	45%	13%	36%
£250 million to £999 million	10%	55%	18%	18%
£1 billion +	10%	40%	5%	45%
All	12%	44%	16%	28%

IT department companies	<i>Chiefs, Directors & Heads of Department</i>	<i>Technical Experts & Managers</i>	<i>Operations, Information and Project Managers</i>	<i>Others: executives, PAs, administration, clerks</i>
Up to £24 million	19%	42%	13%	27%
£25 million to £99 million	31%	40%	23%	6%
£100 million to £249 million	14%	43%	36%	7%
£250 million to £999 million	10%	58%	26%	6%
£1 billion +	13%	59%	13%	15%
All	17%	48%	22%	13%

A3 Department maturity, split by turnover band

All companies	<i>Mature and performing</i>	<i>Mature and in need of transformation</i>	<i>Mid transition or change process</i>	<i>New and performing</i>	<i>New and embedding</i>	<i>Not fit for purpose, about to restructure</i>	Grand Total
£ 0 to £24 million	36%	0%	21%	14%	14%	0%	100%
£25 million to £99 million	27%	20%	27%	7%	20%	14%	100%
£100 million to £249 million	25%	13%	44%	6%	13%	0%	100%
£250 million to £999 million	6%	6%	56%	11%	22%	0%	100%
£1 billion +	22%	11%	28%	17%	22%	0%	100%
All	22%	10%	36%	11%	19%	0%	100%

Legal department companies	<i>Mature and performing</i>	<i>Mature and in need of transformation</i>	<i>Mid transition or change process</i>	<i>New and performing</i>	<i>New and embedding</i>	<i>Not fit for purpose, about to restructure</i>	Grand Total
£ 0 to £24 million	50%	0%	13%	13%	13%	0%	100%
£25 million to £99 million	50%	13%	38%	0%	0%	13%	100%
£100 million to £249 million	25%	0%	50%	0%	25%	0%	100%
£250 million to £999 million	9%	0%	55%	18%	18%	0%	100%
£1 billion +	20%	20%	30%	30%	0%	0%	100%
All	29%	7%	37%	15%	10%	0%	100%

Sustainability department companies	<i>Mature and performing</i>	<i>Mature and in need of transformation</i>	<i>Mid transition or change process</i>	<i>New and performing</i>	<i>New and embedding</i>	<i>Not fit for purpose, about to restructure</i>	Grand Total
£ 0 to £24 million	40%	0%	60%	0%	0%	0%	100%
£25 million to £99 million	33%	0%	17%	17%	33%	0%	100%
£100 million to £249 million	0%	0%	100%	0%	0%	0%	100%
£250 million to £999 million	0%	20%	40%	0%	40%	0%	100%
£1 billion +	0%	0%	0%	0%	100%	0%	100%
All	22%	6%	39%	6%	28%	0%	100%

Finance department companies	<i>Mature and performing</i>	<i>Mature and in need of transformation</i>	<i>Mid transition or change process</i>	<i>New and performing</i>	<i>New and embedding</i>	<i>Not fit for purpose, about to restructure</i>	Grand Total
£ 0 to £24 million	36%	0%	21%	14%	14%	14%	100%
£25 million to £99 million	27%	20%	27%	7%	20%	14%	100%
£100 million to £249 million	25%	13%	44%	6%	13%	0%	100%
£250 million to £999 million	6%	6%	56%	11%	22%	0%	100%
£1 billion +	22%	11%	28%	17%	22%	0%	100%
All	22%	10%	36%	11%	19%	2%	100%

HR department companies	<i>Mature and performing</i>	<i>Mature and in need of transformation</i>	<i>Mid transition or change process</i>	<i>New and performing</i>	<i>New and embedding</i>	<i>Not fit for purpose, about to restructure</i>	Grand Total
£ 0 to £24 million	0%	0%	33%	33%	0%	33%	100%
£25 million to £99 million	0%	50%	0%	0%	50%	0%	100%
£100 million to £249 million	0%	0%	0%	50%	50%	0%	100%
£250 million to £999 million	0%	0%	75%	0%	25%	0%	100%
£1 billion +	0%	0%	0%	0%	100%	0%	100%
All	0%	8%	33%	17%	33%	8%	100%

IT department companies	<i>Mature and performing</i>	<i>Mature and in need of transformation</i>	<i>Mid transition or change process</i>	<i>New and performing</i>	<i>New and embedding</i>	<i>Not fit for purpose, about to restructure</i>	Grand Total
£ 0 to £24 million	0%	0%	40%	0%	20%	40%	100%
£25 million to £99 million	60%	40%	0%	0%	0%	0%	100%
£100 million to £249 million	25%	25%	50%	0%	0%	0%	100%
£250 million to £999 million	0%	0%	100%	0%	0%	0%	100%
£1 billion +	20%	0%	20%	40%	20%	0%	100%
All	21%	13%	42%	8%	8%	8%	100%

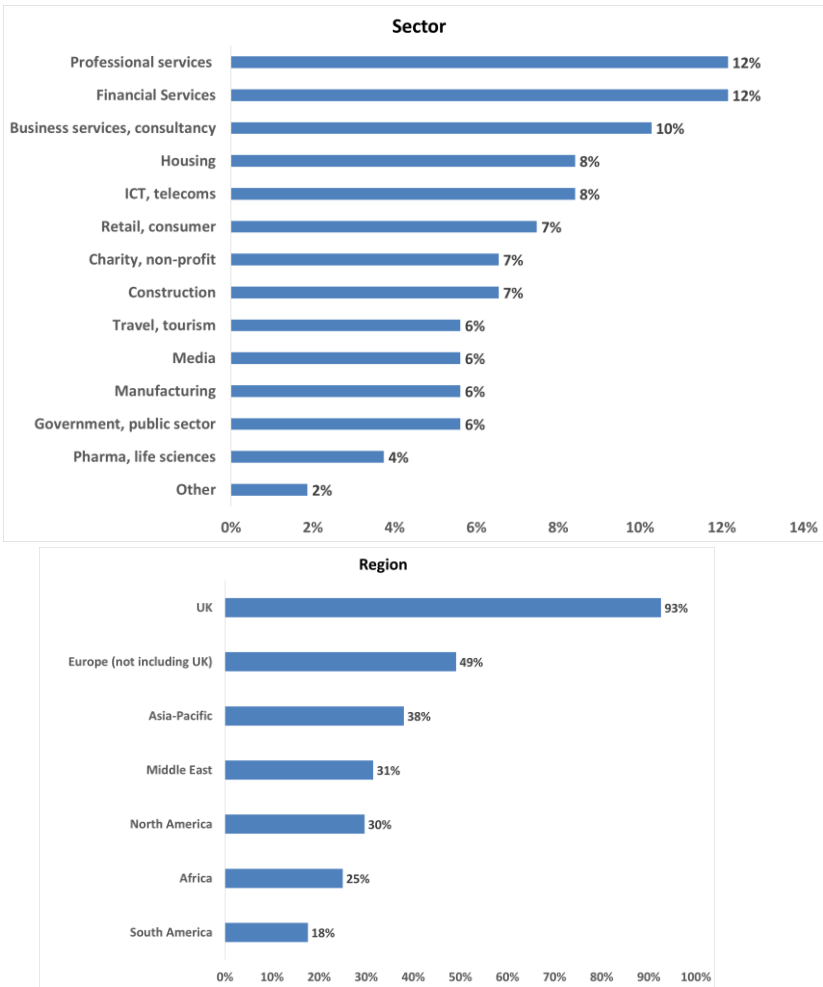
Appendix 2: Sample

We have consulted with over 160 department heads from companies across a wide range of sectors and sizes, and with a truly global footprint.

All companies breakdown

	Finance	HR	IT	Legal	Marketing	Operations	Procurement	Sustainability	Total
Sample size	20	17	28	48	9	12	11	21	166
Turnover									
Up to £24 million	15%	35%	18%	19%	22%	17%	18%	24%	18%
£25 million to £99 million	15%	12%	18%	19%	11%	25%	27%	29%	15%
£100 million to £249 million	20%	18%	29%	10%	33%	33%	36%	14%	19%
£250 million to £999 million	20%	24%	18%	25%	33%	17%	18%	29%	21%
£1 billion +	30%	12%	18%	27%	0%	8%	0%	5%	27%
	100%	100%	100%	100%	100%	100%	100%	100%	100%

Sector and global remit



About Winmark

Winmark inspires the global C-Suite to create value for all:

Research: Winmark's high quality research helps our partners build business intelligence, showcase their expertise, and engage with senior decision-makers.

- Clients trust us to understand their organisations and apply solutions that will deliver clear **return on investment**.
- Our comprehensive expertise includes **thought leadership, commercial intelligence, market sizing, mystery shopping, client satisfaction** and **concept testing** using a multitude of methods – including **online, round tables, focus groups, telephone (CATI and depth), face to face** and **desk research**.
- Our proposition combines research know-how with access to our professional member Networks, event management and PR support.
- Embedded in the knowledge of our C-Suite Networks and informed by the most up-to-date business conversations, our incisive research provides leaders with the intelligence and perspective they need to achieve greater impact.

Networks: Our C-Suite and Specialist Networks bring together peers to share insights, develop skills and explore best practice.

Academies: Our executive education Academies develop and empower executives across industries and functions to create enhanced value in their role. Our programmes combine proven management methodology with hands-on, real-life experience.

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