

SHRM
CUSTOMIZED
**HUMAN CAPITAL
BENCHMARKING**
REPORT

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SHRM CUSTOMIZED
HUMAN CAPITAL BENCHMARKING REPORT**

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SELECTION CRITERIA

Industry: Wholesale Trade

Staff Size: All Sizes

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A GUIDE TO YOUR SHRM CUSTOMIZED BENCHMARKING REPORT

Understanding the Data

As you compare your own data against other organizations, please keep the following in mind:

1. This report is based on data derived from the SHRM Customized Benchmarking Database, which contains organizational data from a random sample of SHRM members. The report is designed to target companies that closely match the selected criteria to allow for a more focused and comparable analysis and interpretation. Therefore, any interpretations of these data should be kept within this context.

2. A deviation between your figure for any benchmarking measure and the comparative figure is not necessarily favorable or unfavorable; it is merely an indication that additional analyses may be needed. Benchmarking measures that relate more closely to the context of your organization's industry and staff size are more descriptive and meaningful than information that is more generic in nature, such as all industries combined. The larger the discrepancy between your figure and those found in this

report, the greater the need for additional scrutiny.

3. In cases where you determine that potentially serious deviations do exist, it may be helpful to go back and calculate the same benchmarking measure for your organization over the past several years to identify any trends that may exist.

4. The information in this report should be used as a tool for decision-making rather than an absolute standard. Because companies differ in their overall business strategy, location, staff size and other factors, any two companies can be well managed, yet some of their benchmarking measures may differ greatly. No decision should be made solely based on the results of any one study.

Working with the Data

The information in this report is designed to be a tool to help you evaluate decisions and activities that affect your organization. When reviewing these data, it is important to realize that business strategy, organizational culture, leadership behaviors

and industry pressures are just a few of the many factors that drive various organizational measures. Absolute measures are not meaningful in isolation—they should be compared with one or more measures to determine whether a satisfactory level exists. Other measures, for example, might be your organization’s past results in this area or comparatives based on organization staff size, industry or geographic location.

Each table in the report contains customized benchmarks in aggregated form. There may be discrepancies between your organization’s benchmarks and the average or median numbers for a particular category. It is particularly helpful to communicate to stakeholders that just because your organization has benchmarks that are different from the average or median, it does not mean they are favorable or unfavorable. Rather, it may be the result of a particular total organizational strategy, special circumstances or other business initiatives

that cause differences with your organization’s benchmarks.

Notes

The data in this report were collected from May to July 2017 and reflect fiscal year 2016.

The number of respondents, indicated by “n,” is composed of the organizations that responded to the specific benchmark. Therefore, the number of peer organizations may vary from benchmark to benchmark. The percentile is the percentage of responses in a group that have values less than or equal to that particular value. The median is the 50th percentile. The average, or mean, is the sum of the responses divided by the total number of responses.

Some benchmarks are less frequently collected by organizations or may be more difficult to obtain. Some data are not displayed when there are fewer than five organizations for a specific metric.

SHRM CUSTOMIZED HUMAN CAPITAL BENCHMARKING REPORT

ORGANIZATIONAL DATA

| | n | 25th Percentile | Median | 75th Percentile | Average |
|------------------------------------|----|--------------------|-----------|--------------------|-----------|
| Revenue per FTE | 17 | \$200,000 | \$361,596 | \$509,924 | \$404,069 |
| Net income before taxes per FTE | 12 | \$54,841 | \$108,750 | \$342,465 | \$197,803 |
| Gross Profit Margin | 11 | 22.1% | 64.4% | 79.8% | 52.4% |

* Metrics with a sample size (“n”) of less than 5 are not displayed.

SHRM CUSTOMIZED HUMAN CAPITAL BENCHMARKING REPORT

ORGANIZATIONAL DATA

| | n | Yes | No |
|-----------------|----|-----|-----|
| Succession plan | 72 | 43% | 57% |

| Positions Included Within the Organization's Succession Plan | |
|---|-----|
| n | 31 |
| Executive team | 81% |
| Senior management | 71% |
| Middle management | 48% |
| Individual contributor: professional | 26% |
| Individual contributor: nonprofessional | 16% |

SHRM CUSTOMIZED HUMAN CAPITAL BENCHMARKING REPORT

SPAN OF CONTROL DATA

| | n | 25th Percentile | Median | 75th Percentile | Average |
|---------------------------------------|----|------------------|------------------|-------------------|-------------------|
| Executive level | 50 | 4 direct reports | 6 direct reports | 8 direct reports | 7 direct reports |
| Middle management | 46 | 5 direct reports | 8 direct reports | 15 direct reports | 13 direct reports |
| Nonmanagement/individual contributors | 33 | 0 direct reports | 0 direct reports | 3 direct reports | 4 direct reports |
| Nonexempt (hourly) nonmanagement | 29 | 0 direct reports | 0 direct reports | 3 direct reports | 4 direct reports |

* Metrics with a sample size (“n”) of less than 5 are not displayed.

SHRM CUSTOMIZED HUMAN CAPITAL BENCHMARKING REPORT

HR DEPARTMENT DATA

| | Reporting Structure for the Head of HR |
|--|---|
| n | 81 |
| Chief executive officer (CEO) | 28% |
| President/owner | 35% |
| Chief operating officer (COO) | 12% |
| Head of operating unit | 0% |
| Chief financial officer (CFO) | 11% |
| Head of administration/chief administration officer (CAO) | 4% |
| Other | 10% |

SHRM CUSTOMIZED HUMAN CAPITAL BENCHMARKING REPORT

HR DEPARTMENT DATA

| | n | 25th Percentile | Median | 75th Percentile | Average |
|---|----|--------------------|---------|--------------------|---------|
| HR-to-employee ratio | 65 | 0.86 | 1.38 | 1.92 | 1.81 |
| HR-expense-to- operating-expense ratio | 8 | 0.3% | 0.8% | 2.4% | 1.6% |
| HR-expense-to-FTE ratio | 20 | \$711 | \$1,416 | \$2,797 | \$2,178 |

* Metrics with a sample size ("n") of less than 5 are not displayed.

SHRM CUSTOMIZED HUMAN CAPITAL BENCHMARKING REPORT

COMPENSATION DATA

| | n | 25th Percentile | Median | 75th Percentile | Average |
|--|----|--------------------|--------|--------------------|---------|
| Annual salary increase | 48 | 2.5% | 3.0% | 3.0% | 2.9% |
| Salaries as a percentage of operating expense | 15 | 27.0% | 35.0% | 56.0% | 38.0% |
| Target bonus percentage for nonexecutives | 27 | 2.0% | 5.0% | 10.0% | 6.2% |
| Target bonus percentage for executives | 26 | 0.0% | 7.3% | 20.0% | 13.5% |

* Metrics with a sample size ("n") of less than 5 are not displayed.

SHRM CUSTOMIZED HUMAN CAPITAL BENCHMARKING REPORT

EMPLOYMENT DATA

| | n | 25th Percentile | Median | 75th Percentile | Average |
|-------------------------------------|----|--------------------|---------|--------------------|---------|
| Average employee tenure | 45 | 5 years | 8 years | 10 years | 8 years |
| Annual overall turnover rate | 55 | 9% | 15% | 25% | 19% |
| Annual voluntary turnover rate | 44 | 5% | 10% | 18% | 14% |
| Annual involuntary turnover rate | 42 | 1% | 5% | 9% | 6% |
| Annual high performer turnover rate | 34 | 0% | 0% | 3% | 2% |

* Metrics with a sample size (“n”) of less than 5 are not displayed.

SHRM CUSTOMIZED HUMAN CAPITAL BENCHMARKING REPORT

EMPLOYMENT DATA

| | n | 25th Percentile | Median | 75th Percentile | Average |
|-------------------|----|--------------------|--------|--------------------|---------|
| Promotion rate | 58 | 2% | 5% | 8% | 7% |
| Transfer rate | 52 | 1% | 2% | 3% | 3% |
| Career path ratio | 47 | 0.50 | 0.67 | 0.87 | 0.67 |

* Metrics with a sample size (“n”) of less than 5 are not displayed.

HUMAN CAPITAL GLOSSARY OF METRIC TERMS, DEFINITIONS AND CALCULATIONS

Statistical Definitions

“n”

The letter “n” in tables and figures indicates the number of respondents to each question. In other words, when it is noted that n = 25, it indicates that the number of respondents was 25.

Percentile

The percentile is the percentage of responses in a group that have values less than or equal to that particular value. For example, when data are arranged from lowest to highest, the 25th percentile is the point at which 75% of the data are above it and 25% are below it. Conversely, the 75th percentile is the point at which 25% of the data are above it and 75% are below it.

Median (50th percentile)

The median is the midpoint of the set of numbers or values arranged in ascending order. It is recommended that the median is used as a basis for all interpretations of the

data when the average and median are discrepant.

Average

The average is the sum of the responses divided by the total number of responses. It is also known as the mean. This measure is affected more than the median by the occurrence of outliers (extreme values). For this reason, the average reported may be greater than the 75th percentile or less than the 25th percentile.

Organizational Data

FTE

FTE is an abbreviation for full-time equivalent. Full-time equivalents represent the total labor hours invested. To convert part-time staff into FTEs, divide the total number of hours worked by part-time employees during the work year by the total number of hours in the work year (e.g., if the average work week is 37.5 hours, total number of hours in a work year would be 37.5 hours/week x 52 weeks = 1,950).

Converting the number of employees to FTEs provides a more accurate understanding of the level of effort being applied in an organization. For example, if two employees are job-sharing, the FTE number is only one.

Revenue per FTE

Revenue per FTE is the total amount of revenue received during an organization's fiscal year divided by the number of FTEs. This ratio conceptually links the time and effort associated with the firm's human capital to its revenue output. If the revenue-per-FTE ratio increases, it indicates that there is greater efficiency and productivity because more output is being produced per FTE. If the ratio decreases, it indicates there is less efficiency and productivity.

Net Income Before Taxes per FTE

Net income before taxes per FTE is the net income before taxes divided by the number of FTEs. It calculates efficiency by taking net income before taxes, which is the difference between gross revenue and expenses, and dividing the outcome by the number of FTEs. Unlike revenue per FTE, which has only one factor—revenue—net income per FTE comprises two factors and is best examined over time.

Gross Profit Margin

Gross profit margin is the ratio of net income to revenue and expresses an organization's profitability. It is calculated by dividing the organization's net income in a fiscal year by the revenue. The resulting ratio represents the amount of net income

the organization makes (or loses) per dollar of revenue.

Positions Included Within the Organization's Succession Plan

Succession planning varies by organization, and for that reason, these data indicate which positions organizations typically include when conducting succession planning. For example, some organizations may include only executive-level positions for succession planning, while others may include many executive, managerial and supervisory-level positions.

Span of Control Data

Span of Control by Position Level

Span of control by position level is the average number of direct reports per position.

HR Department Data

Reporting Structure for the Head of HR

Reporting structure for the head of HR indicates to what position within the organization the head of HR reports. Occasionally, in very small companies, the head of HR may report to the CFO or head of an operating unit. In larger organizations, the head of HR usually reports to the president or CEO.

HR-to-Employee Ratio

The HR-to-employee ratio provides a more manageable way to compare HR staffing levels between organizations. It represents the number of HR staff per 100 employees

supported by HR in the organization. The number is calculated by dividing the number of HR FTEs by the total number of FTEs in the organization and multiplying the outcome by 100:

$$\frac{\text{Total number of HR FTEs} \times 100}{\text{Total number of employee FTEs in the organization}}$$

HR-Expense-to-Operating-Expense Ratio

HR-expense-to-operating-expense ratio is calculated by dividing the organization's total HR expenses by the operating expenses for a given fiscal year. This ratio depicts the amount of HR expenses as a percentage of total operating expenses, which is an indication of the amount of dollars an organization invests in its HR function.

HR-Expense-to-FTE Ratio

HR-expense-to-FTE ratio represents the amount of human resource dollars spent per FTE in the organization. It is calculated by taking the HR expenses for a given fiscal year and dividing that number by the number of FTEs in the organization.

Compensation Data

Annual Salary Increase

Annual salary increase is the percentage of increase in salaries that an organization expects to provide to its employees for a given fiscal year.

Salaries as a Percentage of Operating Expense

Salaries as a percentage of operating expense metric is calculated by dividing the total amount of employee salaries by the operating expense for a given fiscal year.

Target Bonus Percentage for Nonexecutives

The target bonus for nonexecutives represents the average percentage of base pay that is targeted to be paid out in cash to nonexecutive staff during a given year.

Target Bonus Percentage for Executives

The target bonus for executives represents the average percentage of base pay that is targeted to be paid out in cash to executive staff during a given year.

Employment Data

Average Employee Tenure

Average employee tenure is the average length of employment in years for all regular full- and part-time employees in a given fiscal year. Typically, the more loyal employees are to a firm, the higher the employee tenure. To calculate the employee tenure length, calculate the average number of months all regular full- and part-time employees in a given fiscal year have been employed at an organization and divide that number by 12.

Annual Overall Turnover Rate

Annual overall turnover rate is the rate at which employees enter and leave a company

in a given fiscal year. Typically, the more loyal employees are to a firm, the lower the turnover rate. To calculate annual turnover, first calculate turnover for each month by dividing the number of separations during the month by the average number of employees during the month and multiplying by 100: $\# \text{ of separations during month} \div \text{average} \# \text{ of employees during the month} \times 100$. The annual turnover rate is then calculated by adding the 12 months of turnover percentages together.

Annual Voluntary Turnover Rate

Annual voluntary turnover rate is the rate at which employees enter and voluntarily leave a company in a given fiscal year. To calculate annual voluntary turnover, first calculate the voluntary turnover for each month by dividing the number of voluntary separations during the month by the average number of employees during the month and multiplying by 100: $\# \text{ of voluntary separations during month} \div \text{average} \# \text{ of employees during the month} \times 100$. The annual voluntary turnover rate is then calculated by adding the 12 months of voluntary turnover percentages together.

Annual Involuntary Turnover Rate

Annual involuntary turnover rate is the rate at which employees enter and involuntarily leave a company in a given fiscal year. Involuntary terminations typically occur when the organization asks the employee to leave the company. These terminations usually occur as a result of poor performance, layoffs or other reasons. To calculate annual involuntary turnover rate, first calculate involuntary turnover for each

month by dividing the number of involuntary separations during the month by the average number of employees during the month and multiplying by 100: $\# \text{ of involuntary separations during month} \div \text{average} \# \text{ of employees during the month} \times 100$. The annual involuntary turnover rate is then calculated by adding the 12 months of turnover percentages together.

Annual High Performer Turnover Rate

Annual high performer turnover rate is the rate at which high performer employees enter and leave a company in a given fiscal year. High performers are employees who receive the highest rating on an organization's performance review system. To calculate annual high performer turnover, first calculate the high performer turnover for each month by dividing the number of high performer separations during the month by the average number of employees during the month and multiplying by 100: $\# \text{ of high performer separations during month} \div \text{average} \# \text{ of employees during the month} \times 100$. The annual high performer turnover rate is then calculated by adding the 12 months of high performer turnover percentages together.

Promotion Rate

Promotion rate is the percentage of employees promoted and is calculated by dividing the total number of promotions in a fiscal year by the total number of employees.

Transfer Rate

Transfer rate is the percentage of employees who made a lateral move or transfer within the organization. It is calculated by dividing

the total number of lateral transfers in a fiscal year by the total number of employees. This metric includes transfers both within the same function and across functions (e.g., finance to HR).

Career Path Ratio

Career path ratio represents the ratio of promotions in an organization to total movement (promotions and transfers). This ratio expresses the amount of upward mobility in an organization. The larger the ratio, the more promotions occurred during the fiscal year. It is calculated by dividing the total number of promotions by the sum of promotions and transfers.