

The Middle Market Is Bipolar!

The big littles, little bigs, and why complexity matters more than size.

By Naomi Bloom

We often do things in HR management not because they're important but because they're needed and easy to do. A glaring example is the way in which HRM software vendors and outsourcing providers describe their target markets, and the way those same organizations describe themselves.

The presumed similarity in HRM needs across organizations—including the need for HRM outsourcing—is most often defined in employee headcount or revenue ranges. For example, the vast middle market is variously described as between 1,000 and 15,000 FTEs/employees/headcount (often without further definition). There are no clear and consistent, industry-wide ranges, let alone definitions of which heads to count.

For very small (a hundred or fewer) or very large/global organizations (25,000 or more), almost any definition of headcount or revenue ranges can be a good way to group organizations by their HRM similarities. At the low end, very little complexity exists simply because there isn't enough going on. For large organizations, so much goes on that almost all relevant dimensions of complexity put in an appearance. But size by headcount or revenue is a far less accurate predictor of similarities when dealing with organizations in the middle.

For the mid-market, similarities are more dependent on specific organizational complexity factors than on size, and missing this distinction creates many misunderstandings about customer needs, buying behaviors, risk tolerances, and influences. So, whether you're an end-user benchmarking against similar organizations or an HRM software or outsourcing vendor targeting buyers for your products or services, market complexity analysis is far more powerful and accurate than assessing headcount or revenue.

Consider two 5,000-employee organizations: one, which I call a "Big Little," is a landscape maintenance firm covering Lee and Collier counties in Florida (it employs thousands of new-immigrant hourly workers); the other is a "Little Big," a benefits consultancy admin provider with several thousand mostly salaried professionals in offices across 18 countries, and the rest of its 5,000 workers, mostly CSRs, in service centers around the world.

These complexity factors and the cross-organizational

similarities they reveal can be exploited by end-users for benchmarking, for understanding industry-specific requirements in HRM and the HRM delivery system, for determining which "best" practices can/should be adopted, and for considering which software vendors and/or outsourcing providers are really focused on them. HRM software vendors and HRO providers also can use them to define target market, design software/delivery systems that can work well across the target market, and focus business development and sales activities. When applied to the vast middle market, it becomes very obvious just how bipolar this very large group of organizations is. Using complexity analysis, we can quickly determine which organizations are really big littles and which are little bigs. The vast middle market is indeed bipolar. **HRO**



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WHAT TO CONSIDER WHEN MAKING COMPARISONS:

- Size in terms of key entity occurrences (e.g., number of employees) and event volumes (e.g., number of yearly new hires, terminations), etc.;
- Industries with common regulations, workforce demographics, and HRM practices, etc.;
- Diversity of business operations in terms of the number of truly different businesses operating under a corporate umbrella;
- Complexity of business operations where the number of products, sales channels, supply chains, R&D requirements, raw material scarcity, and other factors produce HRM complexity;
- Diversity of business context with respect to value chain, labor market factors, importance of branding, importance of capital, etc.;
- Organizational model such as cohesive or conglomerate, centralized or decentralized, matrixed or hierarchical or team-based;
- Methods of organizational growth—organic, M&A, regulated, legislated, and/or ramping up;
- Rate of organizational growth in revenues, profits, new product introduction, geographic expansion, and partnering;
- HR operating model and governance including roles and reporting relationships of generalists and specialists, use of shared services and/or call centers, degree and integration of outsourcing, etc.;
- IT operating model and governance including roles and reporting relationships of generalists and specialists, use of common vs. local IT products/services, degree and integration of outsourcing, approach to CRM, etc.;
- Geographic/geopolitical dispersion—whether highly centralized or dispersed geographically and/or geopolitically; and
- HRMDS pain—the level of need/pain and other incentives within the overall organization as well as within the HR community to warrant substantial attention to the HRMDS.