
Speaking CFO: Winning the Budget Conversation with Finance

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Guest: John Sansoucie, Founder & CEO, CogNet

[00:00:00] **ANNOUNCER:** You're listening to The HR Mixtape, a podcast for leaders who want to understand people, strengthen culture, and navigate change with clarity. Today's conversation starts now.

[00:00:16] **DR. SHARI SIMPSON:** Joining me today is John Sansoucie, founder and CEO of CogNet, a business process management company that helps HR service firms and payroll providers scale operations through specialized offshore teams and process automation. With more than thirty years inside payroll, HR technology, and PEO operations, John talks about AI and the future of work from the operator's seat rather than the sidelines. John, thanks for jumping on the podcast with me today.

[00:00:49] **JOHN SANSOUCIE:** And thank you. Appreciate your time.

[00:00:51] **DR. SHARI SIMPSON:** So you've spent years as a CFO at HR companies before you built one of your own. I'd like it if maybe you could take us back to the start. How does a finance guy end up running global operations for the HR industry?

[00:01:05] **JOHN SANSOUCIE:** Well, I recovered from my CFO days. It was hard, but I did. Actually, the story of CogNet intertwines with that. Twenty-something years ago, I outsourced. I worked for an HR provider, a PEO, and we outsourced to India. So I was the client looking the other way. I was the CFO in that organization. Of course, financially it made sense. Pulling it off, I found out, was much harder, which is what we try to share with our clients today. So, many years go by, we sold our company. Those folks were still trained. I was moving on, and I hired all the best people I had and kept them and started CogNet. So that's where we began. My perspective isn't just from CFO to CEO, but also from client to provider.

[00:01:47] **DR. SHARI SIMPSON:** I love that perspective. Some people may know this who've listened to the podcast before, but I was a Paylocity client before I became a Paylocity employee, and I think it just gives you a really unique perspective of being on the other side of things. You've sat in that CFO chair, and you've run the operations. When an HR leader walks into a budget meeting, what is the CFO hearing that HR doesn't maybe realize they're saying?

[00:02:20] **JOHN SANSOUCIE:** In my harsh CFO tone, I'll change tones for a moment. I'd tell them, "We're the red-headed stepchildren, my friends, here in finance, accounting, and in HR. We're a cost center. We don't produce revenue or reduce cost." But along those lines, that was the key word for them to get. How can accounting and HR both think about coming into those questions as to how do I reduce cost, how do I reduce turnover. And not just soft cost. The thing a CFO wants to hear is hard cost. Is there a lot of that running around HR? No, they're pretty lean operations to begin with. But to position HR, at least with finance-minded folks, that would be the best first approach.

[00:03:04] **DR. SHARI SIMPSON:** Yeah, and that leads to my next question. Cost to serve is everyday language probably for you, but typically nobody in HR uses it. For somebody who's just hearing that term for the first time, can you break it down for us? What does that actually measure?

[00:03:18] **JOHN SANSOUCIE:** I look at it transactionally, the way we run our business too, as cost per unit. If your unit's higher, what's your cost, and how do you affect that change? What we do with our clients, and HR should think the same, is we're process-based. We're an ISO 9001 company. Are HR departments doing that? Are they saying, "Here's my documented process. Technology could reduce these two steps, and an outsourcing arrangement could take care of these three or four." How do I play with that process? Because it doesn't change. You're hiring people, that process is pretty uniform. Are there ways that you can address that cost to serve? And I'd also interject and say don't get fancy with it. Have two or three measurements. I just elevated somebody to CPO in my organization. I sent him twenty-eight thousand metrics I want. He called me back in a panic. I said, "I tell you what, we're gonna pick

three." But they're all either cost or time-based, and that's what HR leaders should think about when approaching finance.

[00:04:18] **DR. SHARI SIMPSON:** I'm glad you mentioned the plethora of data that we can present.

[00:04:24] **JOHN SANSOUCIE:** Oh, yeah.

[00:04:24] **DR. SHARI SIMPSON:** And often it's difficult to know which metrics are gonna resonate with which CFO or CEO in particular, 'cause they all have different priorities, and the business will dictate some of those metrics that you bring to the table. But I think about when HR leaders are coming into the room and asking for more headcount, maybe a new system, a new program they wanna implement, and finance says no. They run into that no. I don't think it's typically because it's not of value and it's not needed. More likely it's that they're coming into that request ill-prepared to have those conversations with finance leaders. So how do you coach HR professionals listening to bring a different perspective when they go in and request things?

[00:05:14] **JOHN SANSOUCIE:** I'll start with my old favorite, 'cause I've worked at an HR services company myself as a CFO. We look at, "Hey, I've got new software. This is just fantastic, and we've gotta have it." Great. What's the five-year cost of ownership on that bad boy? "I don't know, but it's really cool." Okay, that's where that conversation changes quickly. We all understand the metrics of, I've got a thousand more people, I need more people in HR. Okay, we get that. How can you be more efficient, and what's the true cost of ownership that you're bringing to me? Does it reduce cost? Does it reduce time to hire? Because I understand that is real cost.

[00:05:54] **DR. SHARI SIMPSON:** Is there other metrics that you think about? I think time to hire is a good one. When you've been evaluating those kinds of new shiny tools, because we're sitting in this AI landscape right now where I think everybody's trying to adopt the right tech in the right way, and we're being pushed. "Hey, we need to adopt it. We need to implement it." But I think a lot of people are just buying and making suggestions without bringing that perspective of here's where I really see the downstream impact. So that was a good example that you gave. What are other metrics that they should be considering, or other data points they should bring to the table? I think about, if we add X headcount, we know that we can produce more product or widgets, and that's gonna help us down the road, things like that.

[00:06:43] **JOHN SANSOUCIE:** Right. Big ratio fan. You look at cost per square foot in a retail situation. HR has a similar cost. What's my cost per head? How am I delivering it on a time basis? And I also, look, I was in the shiny ball business, so I love when they bring us big software purchases. "Oh my God, we're changing payroll software." Great, we're gonna ruin payroll for three more months. This is awesome. What I would say is, I was involved in a business that did HR data integration, and that's all I found all day, what we did. "Hey, I bought the new shiny new-hire tool. Can you make it work with ADP?" Well, of course we can, but it costs money. Integrated approaches, as much as we all don't like larger systems that are fully integrated or have all the things you're looking for, can bring that cost to bear. So my advice is to stay easy on three metrics that make sense to you, or that ring true with the people above you. At the end of the day, can you serve more people with less, and what money do you need to do that?

[00:07:44] **DR. SHARI SIMPSON:** Yeah, that's so true. And I like that you said it again, surface the metrics that matter for your business and for your leadership, 'cause it's not the same across the board. I've worked in many different companies in the HR space, and every scorecard for HR looked a little differently because it really depended on what that leader wanted. All right, I wanna flip the table a little bit from asking you questions about how to help HR show up, to have you put that CFO hat on. Where do you think my CFO and finance leaders who are listening get it wrong when they think about HR and HR processes?

[00:08:23] **JOHN SANSOUCIE:** In the PEO business, we used to pitch people on this. It's a soft cost one, but I loved it. What's your true cost of turnover, 'cause it took you ninety days to replace that person. We'd pitch this, "Hey, outsource to us 'cause we can reduce that for you. If we reduce turnover ten points, there's a real cost here, because I went and found the person. You spent your time interviewing them, or a hundred of them, however many. How do we put numbers to that?" Where I think HR leaders need to follow up with finance people specifically is come back every quarter with those numbers. What happens is, I set your budget, we set some dynamics, go. All right, great. I didn't talk to you till next November

when I work on your next budget. Well, guess what happens to that budget? It's going down, because the things I asked for, I didn't necessarily get. HR leaders definitely need to be more numerical or statistical in their approach. That works with numbers people. That's who we are. Even though I graduated from that role, it never truly leaves me. I ask my people those questions all the time. "Oh, that's great. That's a sample of one client. What about the rest of our clients?" And they all kind of look at me like I have two heads. So when approaching, think of who you're approaching, or as somebody coached me one time, write down the three things you think the CFO wants, and come into that meeting thinking of that in the first place.

[00:09:42] **DR. SHARI SIMPSON:** I'm curious, have you ever had any HR practitioner do this in the past? Because I have recommended this to people. And the question is, prior to those meetings, whether you're new to the organization or they're new to the organization, them coming to you and saying, "Hey John, in your role as CFO, what data do you like to see when I come and make a request of you?" Or, "What data would you like to see on a regular basis?" Have you ever experienced that, where an HR practitioner has done that?

[00:10:09] **JOHN SANSOUCIE:** Almost never. But at the same time, don't think, we are quite unemotional and numerically based as CFOs. And again, I'm not that person, which is why I moved out of that role over time. But the cultural things matter too. I think HR people might leave that short, and imagine where I'd build a little more culture around here, and I know our turnover rate's gonna go down because of it, versus the place we work in today. So don't be afraid of those, but definitely have some numbers attached to it. None of them are free. I think that simple mindset of, am I raising revenue, am I lowering costs, or is this just something we're sitting around chatting about, is one of those things that occurs to somebody who's more financially minded.

[00:10:56] **DR. SHARI SIMPSON:** Yeah. And in the finance space, your teams are gonna get measured on accuracy and the data and lowering cost on their side. When I think about HR, most internal HR teams don't have that kind of measurement as closely linked to the work they're doing.

[00:11:15] **JOHN SANSOUCIE:** Mm-hmm.

[00:11:15] **DR. SHARI SIMPSON:** What do you think would change if HR really started to bring that kind of evaluation and statistical analysis of their work to the table in a different way, a different mindset?

[00:11:29] **JOHN SANSOUCIE:** Yeah, and sadly both of them sit in the cellar. You've got finance, and then you've got HR kind of below it, at least in this mindset we're discussing. What's funny is accounting has none. If you really back up from it, my job was close the books on X date, period, and accuracy that was expected to meet GAAP. I didn't have a lot of metrics. Within HR, if you really look at most HR systems, there's more data than you know what to do with. So I think if you really wanted to differentiate yourself, dig into that data and come back and suggest. I would've loved it if one of my HR folks would've come in and said, "Here's a few metrics." One I found recently, I'm trying to remember the name of it, but what's my loss rate on people I didn't wanna lose? I have these star performers who left. What's that rate? I care more about that rate than I do my overall turnover rate in a lot of businesses, 'cause there's a natural turnover and attrition I'm fine with happening from a cost basis. But I think you've got to come to the table with those stats. I would say most people in the CFO position don't have those in mind. They haven't thought about that. Just bring 'em to the table.

[00:12:37] **DR. SHARI SIMPSON:** Yeah. I like that you mentioned that one. We call those regrettable and non-regrettable turnovers.

[00:12:41] **JOHN SANSOUCIE:** Yes.

[00:12:42] **DR. SHARI SIMPSON:** Thank you. Yeah, that regrettable statistic is fascinating when you dig into it, especially if you're in a larger organization. Then you start to layer on things like management or director level, what does the turnover look like underneath certain parts of your organization. You can definitely start to see some patterns that affect your bottom line, absolutely. So I love that you brought that up. If there are those listening who are like, "Okay, this sounds great, I understand I have access to all this data," in HR, probably about ten years ago now, big data was like the big thing we talked about. That's kind of gone to the wayside, but we're still trying to figure out what is the best data to bring. So somebody starting out in this field, what would you say? These are the numbers that have really

resonated with me, or as you work with your clients, what are the things you're seeing, the numbers they're really watching for success in their work?

[00:13:42] **JOHN SANSOUCIE:** Yeah, I think cost-based units, actually. Pick your cost base. That's easy. You have an HR department. What's your cost per hire, cost per turnover. Come up with metrics that are measured against the cost you're using to deliver that service, and I think that's probably one of the most critical things you can think of.

[00:14:01] **DR. SHARI SIMPSON:** Do you think any one of those shows whether the HR function is doing well or not, or is it kind of just a data point?

[00:14:11] **JOHN SANSOUCIE:** It can be a data point, but let me look inward for a minute. I have a CPO now. His job is to improve the quality of people we're hiring internally. In my business, a hundred percent turnover is normal in the BPO business, especially offshore. We're at thirty-five. I'm like, "Great, I wanna be at twenty-five." You gotta set a KPI there too, and it can't be audaciously terrible or something unreachable. But the data's there, granulate it, and get it down to three things. I remember, I can't get it out of my head, a Marine Corps study I read, believe it or not, where people remember three things. So if somebody comes to me with twenty-eight slides about HR's delivery, I am asleep around three or so, and I'll admit it. So be precise. Pick three metrics that make sense to you. Make sure you can measure those against cost, because that's gonna ring more true. And realize this goes from CFO above too. As a CEO now, culture matters to me. I'll spend some money on HR. I have no problem with that. I want better people in our production environment. At the same time, there are costs that seem frivolous, so like all organizations, we have to decide between the two in a world of limited resources.

[00:15:26] **DR. SHARI SIMPSON:** How does HR build that relationship with finance if they don't have that mindset? A lot of HR practitioners just kind of fall into their roles. They've either been in another role, or a lot of them have been in the CFO org, right. Sometimes HR comes over from that 'cause they take payroll, and then, "Hey, you're good with people," and you kind of get put in those positions.

[00:15:48] **JOHN SANSOUCIE:** Always get to stop with it. Congratulations, HR and IT is yours.

[00:15:54] **DR. SHARI SIMPSON:** Right, right. But if you don't have that mathematical mindset or that statistical way of looking at stuff, one of the things I've encouraged HR practitioners is find a bestie in accounting. Create that relationship.

[00:16:06] **JOHN SANSOUCIE:** There you go.

[00:16:08] **DR. SHARI SIMPSON:** What's your advice there on how to start that, if somebody is just approaching accounting or finance for the first time? How do they come across as, "Hey, we're in it together," instead of coming across like they're working from a deficit?

[00:16:23] **JOHN SANSOUCIE:** Well, I'm gonna go ahead and tout for my people, because I was a finance major, and I was a financial analyst when I started, and that's never left me. It's how I look at my business today. That person in an organization goes to their boss or the CFO and says, "Hey, I have a new way to metrically look at something." And they go, "Wow, this is really good, I'm interested." That person has some sway there. No offense to my staff accountant friends, we all need them, but debits and credits really doesn't lead to a new HR system. So I would say find that bestie, that center of influence. It's usually an analytical person within the finance organization, or whoever does the budget, which used to be me too, and not a lot of people figured that out. There's nothing wrong with a little lunch here and there. There's a lot of ways to do it. But get that person who has the ear, and that can typically be a junior person.

[00:17:13] **DR. SHARI SIMPSON:** I love that, again, somebody who's approachable. We talk about that a lot when we're rolling out HR programs. It's always good to find that one leader who's willing to pilot and back you on certain things. So definitely important to think about that. You've spent a huge portion of your career finding the error rates in other people's processes as you worked with clients. When you think about how HR work typically gets done inside an organization, where do you see it breaking, that maybe people don't know about or haven't looked at enough?

[00:17:47] **JOHN SANSOUCIE:** Payroll's always under scrutiny, 'cause it has to be perfect all the time. We're a Six Sigma company, we better be well above that or we're not in business. I think it's the other

parts of HR that are unmeasured. I do this with our clients. "So what's your error rate in open enrollment?" "I don't know." A bunch of people fix it when it's broken. It's always the chairman of the board's wife or husband that doesn't get their car. Let's just write these things down, 'cause they're gonna happen. I think in the other tertiary portions of HR is where there's a lack of measurement, a lack of characterization of process. I'd look there because, with payroll, hey, only two people complained this week, I guess we're good, we'll fix it. And I'd also say, take that process approach. Okay, we did have two errors. What's funny in my business is we want errors reported. We do not want them hidden. We're gonna look at them, root cause them. Is it a human error? Is it a process issue? Is it a software issue? Where did it come from? How do I eliminate it? HR organizations probably need to think that way a little more too, 'cause quiet is better, as long as HR is quiet. Or as I used to joke with my folks, "Just keep me out of jail, please, that's your real job." But for those that want to be a part of it, we used to kid about how that HR person wants a seat at the table. Like it or not, that seat usually goes to the CFO, 'cause it may be who they report to, and it may be the person who's gonna say, "Guys, we're screwed up here, we really need to invest some money in HR, 'cause I think there's some money there, and more importantly, some productivity."

[00:19:20] **DR. SHARI SIMPSON:** You mentioned your own company and that you want those errors visible. Are there steps you took as a leader to create that culture where there isn't fear to bring things up? I've seen that before in teams, where, like you said, "Hey, we don't have a lot of complaints, let's not raise this as a red flag." But if you're having even three to four errors in your open enrollment or in your payroll batches, that's enough that you should be raising the red flag. And there's a whole bunch of other areas, right, performance management, learning and development, some of those different types of roles that aren't statistically driven. How did you develop that culture as a leader to really portray how important it is to address these things?

[00:20:06] **JOHN SANSOUCIE:** It's funny, 'cause I have to develop that culture in my clients, who are typically American. We operate in India, and in India, oh my God, it's personal. I made a mistake, I'm either gonna figure out exactly why or I'm gonna jump off the building, one of the two. That's their nature, and part of us being ISO and Six Sigma is that too, let's find out why. My clients are like they're afraid. "I didn't wanna tell you that they screwed up, but they screwed up." We wanna know that. And managing those two cultural differences is hard. I used to go in on Saturday to my finance account and probably look around for people that are hiding stuff. There's an invoice somewhere in here that somebody has screwed up. Creating that culture is not easy. I think when people see how it can work, where an error is an opportunity, we're not firing you today for that one, let's figure out how to eliminate it systemically. And maybe it's not, maybe it's something we can't eliminate. But it's gotta become opportunity. It's usually, unfortunately, probably in American culture, more of a, "Let's hide that one 'cause I don't wanna get in trouble."

[00:21:12] **DR. SHARI SIMPSON:** That getting-in-trouble concept is definitely prevalent. I've had a few leaders throughout my career who have done a really good job of building trust and psychological safety, and coaching me through errors. I remember being really young in my career once, working on open enrollment documents, and there was a major typo in one of the premium benefit numbers. At that point we were paper, and I was folding the forms and putting them in envelopes, and I was probably halfway through a thousand envelopes when I noticed I had made this error. And I remember thinking, "Oh my gosh, I have to say something. We can't send this out, it's such an important number, what's gonna happen?" At the end of the day, it was, well, you gotta fix it and you gotta reprint this and redo all the work. It was unneeded to do it. But I remember that fear of feeling like, "Oh my goodness, I can't say this mistake." The reality was it was much better to address it than send out something and have to pull it all back.

[00:22:16] **JOHN SANSOUCIE:** Yeah. By a ton.

[00:22:17] **DR. SHARI SIMPSON:** I think there's conversations around process discipline and automation. We know they can lower cost and raise accuracy at the same time. But sometimes leaders assume they have to pick one or the other, process discipline or automation, to do those things.

[00:22:38] **JOHN SANSOUCIE:** Correct.

[00:22:38] **DR. SHARI SIMPSON:** Why are they wrong? 'Cause I don't think that's right.

[00:22:41] **JOHN SANSOUCIE:** I had this conversation strategically. It's pick both, guys. Right now, let's talk about AI's impact on HR. I have staffing clients. For staffing a warehouse, one day very soon, AI will do all of it. There will not be humans involved in that process. It can do it today, it's just creepy and nobody wants to do it yet. Within the HR space, and what we do and what we provide to our clients, and what they should be thinking of, is, are we a BPO or are we an AI technology company? I said we're both. If we're not bringing to bear the current technology, which may cost us in the short run, but in the long run will benefit us. I can't have the cotton gin come around and be sitting around trying to do it by hand. I think that shift's coming whether we like it or not. And whether we like it or not, your friends at Paylocity, ADP, all of them, they're gonna do it for us. We're not gonna have the opportunity to sit around and wait for it. So back to what you were saying, I think both, or all three: process, technology, people. And who are the people doing it? Can I do that with people who do it at half the price I do it today? Probably. And where's the benefit to that?

[00:23:53] **DR. SHARI SIMPSON:** I love that you made the creepy comment. I think back to my days in college, when Google was around, not Google yet, but Ask Jeeves, if you remember Ask Jeeves as a search engine. And I remember professors telling us, "Hey, you can't rely on the internet, you're gonna have to remember how to use the library's card catalog, it's not going away." And here we are now, and I don't even know if my own children would know what a card catalog is if I told them what it was. But there's that sense of, it's creepy, I'm not sure I wanna use it, but there's efficiencies that are gonna be gained for sure. So John, as we wrap up our conversation, for somebody who's listening in the HR space who's never thought about the terms of cost to deliver in the work that they're doing, what's one thing you hope they walk away with?

[00:24:39] **JOHN SANSOUCIE:** What we talked about earlier. Make a friend in finance, 'cause they've got those metrics. Have somebody help you build those metrics. As somebody in my seat today, or in seats I've been in as CFO, I'd have loved it if somebody came in my office and asked me what I wanted to see. Oh, I actually know, 'cause I've gotta go tell my boss. "HR works for you, John. What have you done?" "Well, we've lowered cost to hire, number of days, by four, and the cost has gone down by thirty percent." Okay, that's real, thank God. Okay, now I need one more person. Okay, cool. You've gotta realize that person's having other conversations on your behalf and for you. Make sure you set that stage and you don't let it happen without you, 'cause it typically does, 'cause that goes the other way typically.

[00:25:20] **DR. SHARI SIMPSON:** John, I appreciate it. This has been a great conversation, and I think your perspective is really important as we think about how HR continues to evolve and really lean into the data that we have to move our businesses forward. So thank you for your time.

[00:25:33] **JOHN SANSOUCIE:** Thank you.

[00:25:43] **ANNOUNCER:** Thanks for tuning in to The HR Mixtape. Like, share, review, and subscribe to support the show and help more people discover these conversations. Until next time, keep the conversation going.