

UNIT4

# In Business for You

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**WHY COLLABORATION WITH FINANCE IS  
ESSENTIAL TO EFFECTIVE HR PLANNING**

UNIT4 FP&A





# Overview

We live in a time of transformation where departmental roles are being rapidly reshaped. Functions that previously led on strategy and planning now have to make space for teams that, in the past, would have been relied on for back-office support.

These changes are particularly visible in HR and Finance, where each has seen its status elevated to business partner, with a corresponding expectation that they will participate in – and sometimes even lead – critical elements of strategic planning.

Their new place in the management hierarchy makes collaboration between HR and Finance even more vital – especially if both are going to effectively grapple with the changing costs that come with a changing workplace.

## **New workplace realities require a new approach to planning**

Digital transformation, generational shifts, and evolving workplace habits bring changes that alter the costs attached to staffing:

- With the growth of remote working, people don't need to be physically in the office every day.
- Operations formerly handled in one building or assigned to one country can now be executed by teams located elsewhere.
- The 24-hour nature of business also means organisations are moving away from traditional 9-to-5.

All of these changes have an impact on HR and how it conducts financial planning. They influence the costs that need to be included, the amount of investment in relevant support systems, the way processes are streamlined, and very often lead to abandonment of practices that built-up under departmental siloes and spreadsheet-based systems.

For today's HR plans to be relevant, they need to reflect a new reality where human resources can be more nimble, reactive, while also strengthen its ability to anticipate changing requirements.

The fastest way to activate that is for HR to work collaboratively with finance. By recognising the areas of strong symbiosis between the two functions, both will be in a better position to plan more accurately, and use those plans to deliver on their objectives.

# HR and finance business partnering: making it work

HR and finance share a common objective, to maximise value through the deployment of optimal resources. HR aims to ensure that anyone who joins the company is a good fit for its culture, direction, and objectives. Finance aims to support the organisation by managing its financial sustainability, profitability and long-term value creation.

The exact nature of the work performed by Finance and HR is obviously different, but in the struggle to hit targets, there is significant crossover – particularly when it comes to use of data.

For each side to benefit from the overlap and co-operate effectively, two conditions need to be met:

1. Understand each other's professional language
2. Maintain open communication and information sharing

Where HR professionals aren't familiar with financial terms, their finance colleagues should provide training and explain the relevant concepts HRs can apply to departmental financial management.

Explaining the concepts of cost, accrual and payment, how they apply to staffing and how each differs from one other is vital. Another critical topic is profitability and the drivers that influence the success of the organisation.

HR teams should also look to train their finance colleagues in the language of talent acquisition and retention, the role of changing skillsets and workstyles in recruitment, and how the broader concept of human capital management impacts costs.

If finance understands the language and approaches that inform HR's core objectives, and HR understands (and uses) the vocabulary of corporate finance, it will be easier for HR to build a strong business case for investment in staffing, systems or training.

Requests for funding accompanied by detailed breakdowns of cost, benefits and a valid return on investment (ROI) are much more likely to succeed.

Of course, the degree to which communication can be open may be limited by confidentiality, and both sides should be clear on where the boundaries are in terms of what can and cannot be shared.

Both should trust that this is simply part of the process rather than seeing it as an exercise in being secretive or using information as power. When doubts are raised about compliance, either side can request more details or discuss their concerns with the internal audit team or compliance officer.

The sensitivities around figures related to forecast, profit, or loss means finance may only be able to share limited, high-level views on company performance. Even that restricted visibility, however, can indicate to HR whether they should make course adjustments to their plans.

- If the company is experiencing (or expecting) higher demand in a given period, the sales team may need additional people, tools, training or external resource.
- If the trading environment is negative or the company is experiencing financial difficulty, HR will need to review and reassess its programmes and activities.
- Adjustments to the company's business model brought on by digital transformation could mean new skills sets and aptitudes need to be factored into recruitment.

Open communication and information sharing between HR and finance will ensure that HR has better visibility of business conditions. That will minimise surprises and enable HR to either scale ambitions when the environment shifts or better anticipate future needs when growth, change, or expansion are on the horizon.

# Demonstrating capacity and willingness to help

For collaboration to work in practice, both finance and HR need to maintain a mindset which favours support and cooperation. Without consistent motivation, implementation will be harder, and partnering between departments will be less likely to succeed.

An organisation needs to secure enough resources and develop the right set of skills across HR and finance in the long run as the workload of both departments is likely to diversify and increase over time.

Systems and tools that enable information sharing are critical. It will be much easier to sustain information sharing if both HR and finance are using a management platform that relies on the same data and makes key business metrics available to all.

That's because business partnering between HR and finance is often activated through budgeting, performance management, and the planning and execution around special projects.

These create opportunities where HR and finance need to agree on requirements and deadlines. For example, what kind of support and information are required, and by when.

Once these are defined, each function can then pull together what's required and arrange the best way to deliver it. Ensuring that the content and format are correct, and hitting deadlines are all vital in terms of successful collaboration, and to seed trust.

It is vital to ensure that those responsible for gathering any information required for collaboration:

- Know the information required and are able to obtain it,
- Are familiar with the tools used for data collection,
- Have the right access to the systems.





# Deciding who takes the lead

Depending on the budget process, finance may be required to take a more active role in the development of HR financials. For salary calculations, finance should use relevant parameters. However, if salary and benefit cost calculations are outsourced, the finance team will need to check their accuracy, at least at a high level.

For example, what is the average salary percentage increase? What is the expected increase or reduction in headcount? Each should be reviewed in the context of year-on-year cost evolution, and assessed as to whether they're in line with objectives and the direction of the business.

Finance teams using corporate performance management (CPM) tools will be monitoring overall HR costs alongside operational developments that could influence them. If actual costs vary compared to the plan, finance will need to follow up with HR to identify why the variance has occurred and potentially agree corrective action.

If HR has access to the same data, they can be proactive and inform finance once they become aware of expected deviations from the budget. HR will know before month-end, for example, if headcount movements are going according to plan – or not.

Special projects might require a diverse team, with people from different professional backgrounds working together on a part-time or full-time basis for a specific period of time.

To move someone onto a project team, proper backfill has to be established for the job they were doing previously. This can sometimes be resolved by splitting their tasks across the remaining team members, or by hiring an additional temporary, for example through another internal secondment or by engaging a temporary contractor.

Special projects are frequently undertaken to address planning and needs for corporate restructuring. Any restructuring initiative is, by its very nature, extremely sensitive and requires need-to-know levels of confidentiality. Depending on the size of the organisation the needs can be quite complex and generally come with significant structural and financial implications, so it's typical for members of both the HR and finance departments to be on the project team.

This can create an extreme environment where the pressure of board-level scrutiny tests collaboration to its limits. Regardless of the specific role finance and HR members play on the project team, there are core principles of professionalism that should always be respected.

When HR and finance have a history of working collaboratively to achieve shared goals, continuing their successful partnership in the hothouse environment of restructuring project is much easier to achieve.

Involvement in different projects and activities offers anyone the opportunity to learn and gain more visibility within the organisation. This can also act as career development for both teams as they acquire additional skills and expand their network of colleagues within the organisation.

# Finance and HR: the power of collaboration

HR and finance share common objectives. By working collaboratively as corporate business partners they can strengthen their mutual ability to achieve goals.

But to understand one another, both have to become fluent in their respective partners' professional terminology and understand the pressures they face from senior executives.

For HR, an important first step can be to understand the questions that boards ask CFOs about talent and the workforce:

- How do we know we have the right size and cost of workforce?
- What is our workforce productivity, and is it improving?
- Are we hiring, promoting and retaining the best talent?

Answering those complex questions is easier if HR and finance are already in an ongoing dialogue about performance, and sharing the information that each has at its disposal.

Modern HR and finance teams are swimming data that can be harnessed for analysis and turned into metrics that make it easier for both departments to know when changes are needed.

And for finance teams in particular, some friendly advice.

HR teams may not be completely comfortable with an extensive focus on numbers. To help secure buy-in and bring HR colleagues on board with finance processes, it may be helpful to adapt the approach to planning with HR concerns and objectives in mind, even starting the process from their perspective.



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