

# *Bridging The Departmental Gap - How Finance And HR Can Work In Tandem*

**A strong relationship between the finance and HR departments is crucial to business success. The traditional roles of each department are shifting, and whilst these two parts of the business may have historically found themselves at odds, co-operation and collaboration between these teams is a vital part of the business engine.**

Finance departments often deal with a number of HR-related costs, including salary, pensions, employee benefits and incentives when calculating budgets and planning for the next month, quarter or year ahead. The responsibility for making these payments also sits with the finance function, although these figures and data originally come from the HR team.

Whilst the focus of each of these two departments may appear fundamentally different, ultimately when both function in tandem, an organisation can move into a new era of efficiency, productivity and most importantly, profit.

## **The Evolving World Of HR**

HR professionals are dedicated to a well-functioning team of employees, and indeed there can be no team without careful management of necessarily salary, benefit and tax-related expenditure. Modern HR departments are increasingly finance-savvy, and as a result of the increasing demand for competitive employee benefits, are taking more direct control over incentive and reward schemes, employment tax issues and incorporating the 'human' element into longer-term business plans.

Many organisations, particularly in the United States, now have a CHRO, or 'Chief Human Resources Officer' sitting at board level – a clear demonstration that Human Resources is an important, strategic part of the business. CEOs are becoming increasingly reliant on the collaboration between board members, leading to the CFO and the CHRO needing to align more closely.

## **Overlapping Responsibilities**

Like many areas within a business, there must be a natural tension between needing

to invest and maintaining good financial discipline. To help the business make good decisions the finance team needs good quality information, and in this regard HR is no exception. The challenges around this delivery can be substantial, particularly where there are multiple geographies and payroll systems.

Finance and HR have a joint responsibility around financial planning, both in terms of head count and cost, and also around benefits and other staff costs. Both functions need to assume some responsibility for plan-to-actuals variance analysis, given that staffing costs are invariably one of the biggest costs a business will always have.

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## **Bridging The Gap**

It is clear that communication between finance and HR needs to work both ways, which has historically not always been an easy task. Some reasons for this are cultural - HR and finance have arguably very different views of the world.

Technology also plays a part. Payroll systems, for example, are seldom "finance-friendly" and it can be quite difficult to deliver good quality information to finance. Add data confidentiality into the mix, and we easily find ourselves in a situation where the only people that can see the data do not (understandably) have the skills to transform it into a usable shape.

The HR department is being asked to add more value around financial planning processes. Financial projections and data analysis needed to gauge the impact of HR policies on the organisation's profitability, and these discussions are inherently valuable for a business. Arguably, HR and finance have quite complementary skills and too often this is lost with the time spent dealing with data.

## **Planning**

But forecasting and planning provides a springboard to bring finance and HR closer together. As is the case with any business function, the effective use of data will inevitably lead to better decision making and long-term strategic benefits.

A larger business may have thousands of employees, freelancers and contractors on its roster at any one time. Each of these individuals has an HR record containing numerous key elements – salary, pension, employee benefits – all of which need to be captured into the expenses plan.

Given that planning is a feedback-orientated and iterative process, any degree of latency on this transfer will hurt the effectiveness of the overall process. And, given the criticality of staff costs to the plan, it is advantageous to make HR updates to the plan as quick and accurate as possible.

## **Global HR Challenges**

As if this wasn't enough to contend with, global organisations have further complexities. Not only are there likely to be different core systems for each region, but

just the statutory requirements themselves can be breathtaking in complexity. Additionally, other items in large groups such as share schemes, commission calculations and employee expenses each need to be stored and analysed.

### Using The Right Tools

Although the roles of HR and finance are constantly evolving, the technology used to handle these processes is often outdated, where - out of necessity - the humble spreadsheet prevails.

These solutions fall short of requirements, however, and in some organisations we find that they create barriers to full collaboration, and its potential value to the business. When sharing employee data between finance and HR, spreadsheets can add inconsistency and exposure into the equation, as well as leaving this confidential information open to a security risk.

### Solving The Challenge

First, create some space by solving the data challenges. Automate data transfer between finance and HR for planning, actuals, reconciliations and other functions. This will remove what is routinely a major headache for HR staff. Next, create a forum to analyse, design and assess other data

processes to ensure that they keep up with the wider business.

In order to do this, organisations must consider introducing new tools into the finance function to significantly reduce the time taken to update employee costs in actuals and plans. Automation will be key to these processes, as this model will enable finance staff to crunch the numbers more easily and eliminate the risk of any errors.

Now the two departments must grab the opportunity to work together as true partners to the business, to provide consistency and strategic value where it really counts. It is also interesting to consider that the challenges which beset the Finance-HR relationship happen elsewhere in the business.

HR teams should set an example to the wider business and use automation as a way of improving productivity, and engage positively with IT to make this happen. This is what true partnering is about – leveraging value.

Businesses where HR and finance do not work well together are missing a great value-led opportunity, and often we find these frictions elsewhere in the business. The benefits of these two departments working in tandem are extensive, as this joined-up approach will ensure that efficiency, employee satisfaction and profit can reach their maximum potential.



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CEO and founder of Accountagility – a City of London based software and solutions provider that works with large multinational organisations across a wide range of sectors including, banking, insurance, leasing and more. Robert has over 10 years' experience working with businesses to address key process and system issues within their Finance functions. As part of this, he has developed desktop Business Intelligence product, ORYX, a technology impacting the way data and data-related processes are viewed.

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