



NO DEPARTMENT IS AN ISLAND:
How HCM data allows HR
and finance to partner on
talent strategy and drive
targeted business outcomes

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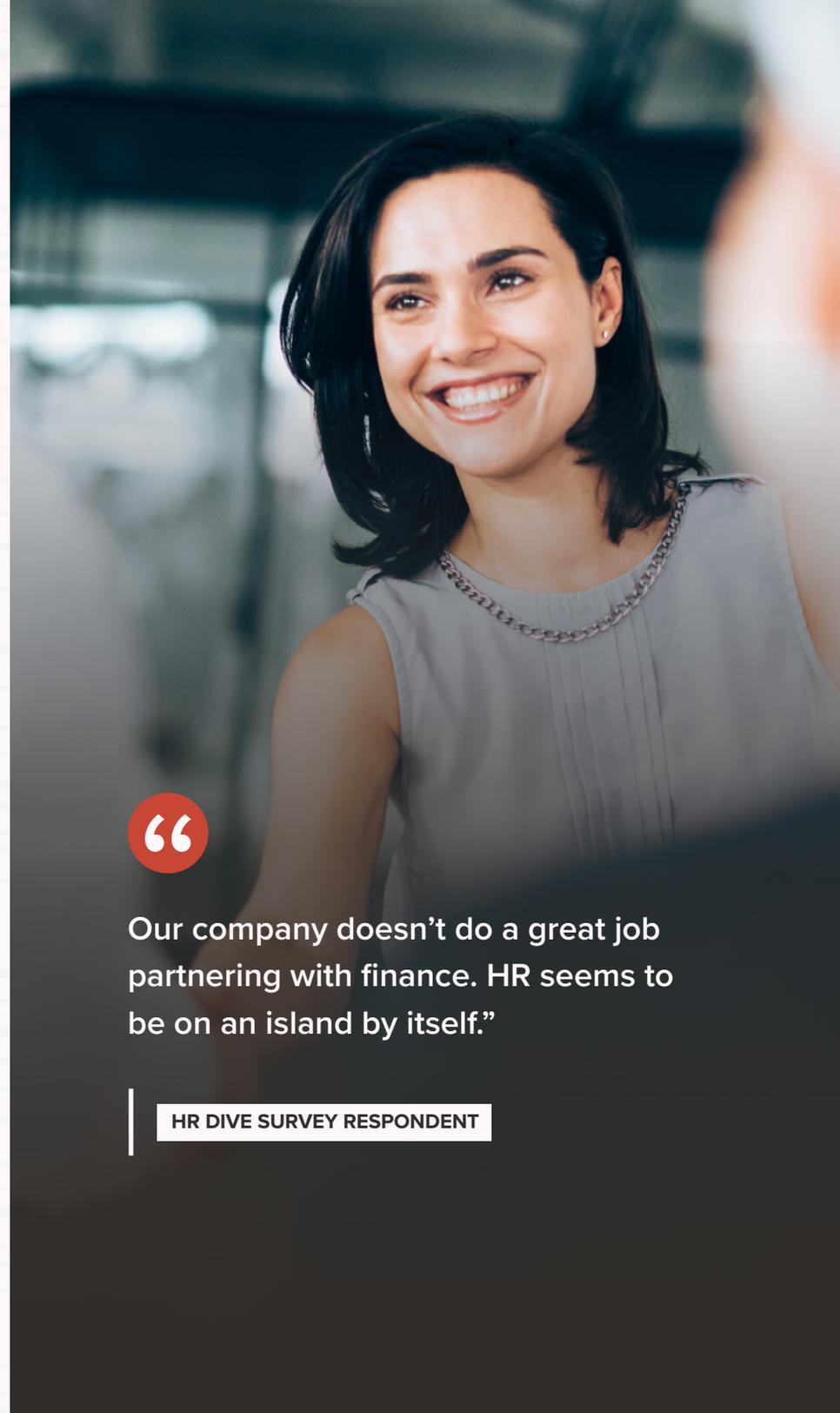


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Human resources executives face enormous pressure to anticipate the future. Over the years, the role of HR has evolved beyond paperwork and compliance and toward strategic initiatives such as managing organizational change and carving a path toward the future of work.¹ And along the way, organizational leaders increasingly look to HR for insight into how to plan for the talent needs of the future and implement a strategy that aligns with long-term business objectives.

The onset of the COVID-19 pandemic accelerated the need for flexibility and agility, making the partnership between finance and HR more critical than ever. The better these departments can collaborate, the more quickly an organization can realign and adapt their workforce to shifting business priorities.

“The relationship between the CFO and the CHRO is pivotal because we are making decisions related to the largest expense line item on the balance sheet,” said Emily Markmann, Global CHRO at The Knot. “A misalignment between People and Finance would represent a real breakdown of an organization, which is why we prioritize constant communication and collaboration.”

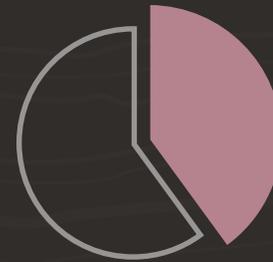


“

Our company doesn't do a great job partnering with finance. HR seems to be on an island by itself.”

HR DIVE SURVEY RESPONDENT

To explore how HR and finance teams can better coordinate to achieve business results, HR Dive surveyed 103 HR leaders on their current partnership, roadblocks, and what the future holds. The results revealed that both departments play a significant role in planning an organization's talent needs, but actioning shared goals and priorities can be difficult. As a result, improving how HR and finance communicate and work together is increasingly a priority.



Close to **half of HR leaders (46%)** report that the most significant obstacle to working with finance to identify, plan, and budget the workforce needed for the future is **identifying shared priorities and strategic goals**.



40% of HR leaders do not have access to the necessary financial data to plan and budget the workforce they need

33% report that HR and finance are equally involved in planning the budgets for the workforce their companies need



28% report their needed workforce is mostly planned and budgeted by finance

22% report their needed workforce is mostly planned and budgeted by HR



Other obstacles seen as significant by HR leaders include:

34% Communicating effectively in real-time

27% Referencing the most up-to-date, accurate data

24% Lack of automation for shared HR-finance processes

21% Using the same systems to access the data



The good news is that when HR partners with finance and they're both empowered with the right tools, organizations can connect the dots between talent and finance to deliver impactful business results with the agility required in the future. Powered by survey insights from HR leaders, this playbook shares three ways HR and finance teams can work together to deliver on top-level business results.

Survey respondents point to three top focus areas for a successful partnership with finance:



Proactive and regular communication



Alignment on goals



Shared real-time data



CONNECT EMPLOYEE AND CORPORATE PERFORMANCE

Tie key HR metrics to corporate performance

One of the most powerful paradigm shifts to take place in HR over the past decade is the idea that, rather than being a cost center, HR can actually drive growth.² Emily Markmann explains, “At The Knot, our talent is everything. We don’t produce a tangible product, our talent is our asset. People goes far beyond being just a cost center.”

Collaboration between HR and finance is essential when connecting key workforce metrics, such as performance, engagement, and retention to corporate performance. Both teams need to: (a) have a complete understanding of the business’s priorities, and (b) take into consideration how these priorities can be fueled by talent strategy, and (c) understand how that talent strategy will be reflected in payroll, benefits, and other expenses. However, significant obstacles exist when HR and finance seek to collaborate on talent management.



46% of survey respondents report that identifying shared priorities and strategic goals with finance is a challenge



34% of survey respondents report that understanding financial data’s implications for talent management is an obstacle

One key opportunity to ensure businesses connect key employee metrics with organization success is to make sure metrics such as engagement, performance, and retention are prioritized alongside business metrics like revenue, growth, and EBITDA. Organizations then need to ensure there are defined opportunities at a leadership level to review real-time metrics holistically. **This especially becomes possible when organizations are empowered by a common data-set and coordinated processes between finance and HR, enabling organizations to make data-driven decisions on recruiting, talent planning, budgeting, and importantly, to understand how these decisions move the business forward.**

“Employee engagement and regrettable attrition are our top indicators of organizational health,” says Markmann. “When reporting high level company data on talent, the employee Net Promoter Score (eNPS) is reported right alongside revenue, EBITDA, and other mission critical metrics. This signals to employees and leadership that employee engagement matters.”

In fact, at The Knot, Markmann noted an interesting trend throughout 2020 and into the following year as the company pivoted to move 100% of its global workforce of nearly 2,000 employees to remote work. Despite the fact



that the wedding industry overall experienced setbacks, The Knot’s eNPS improved from 73 to 88 and, in the past three months, they’ve seen that reflected in climbing revenue numbers. “When we can see these metrics directly correlated to business performance, our CFO is more inclined to make investments in engagement programs being that they truly move the needle,” notes Markmann.



DRIVE AGILITY IN TALENT MANAGEMENT

Align on shifting priorities and accelerate decision-making

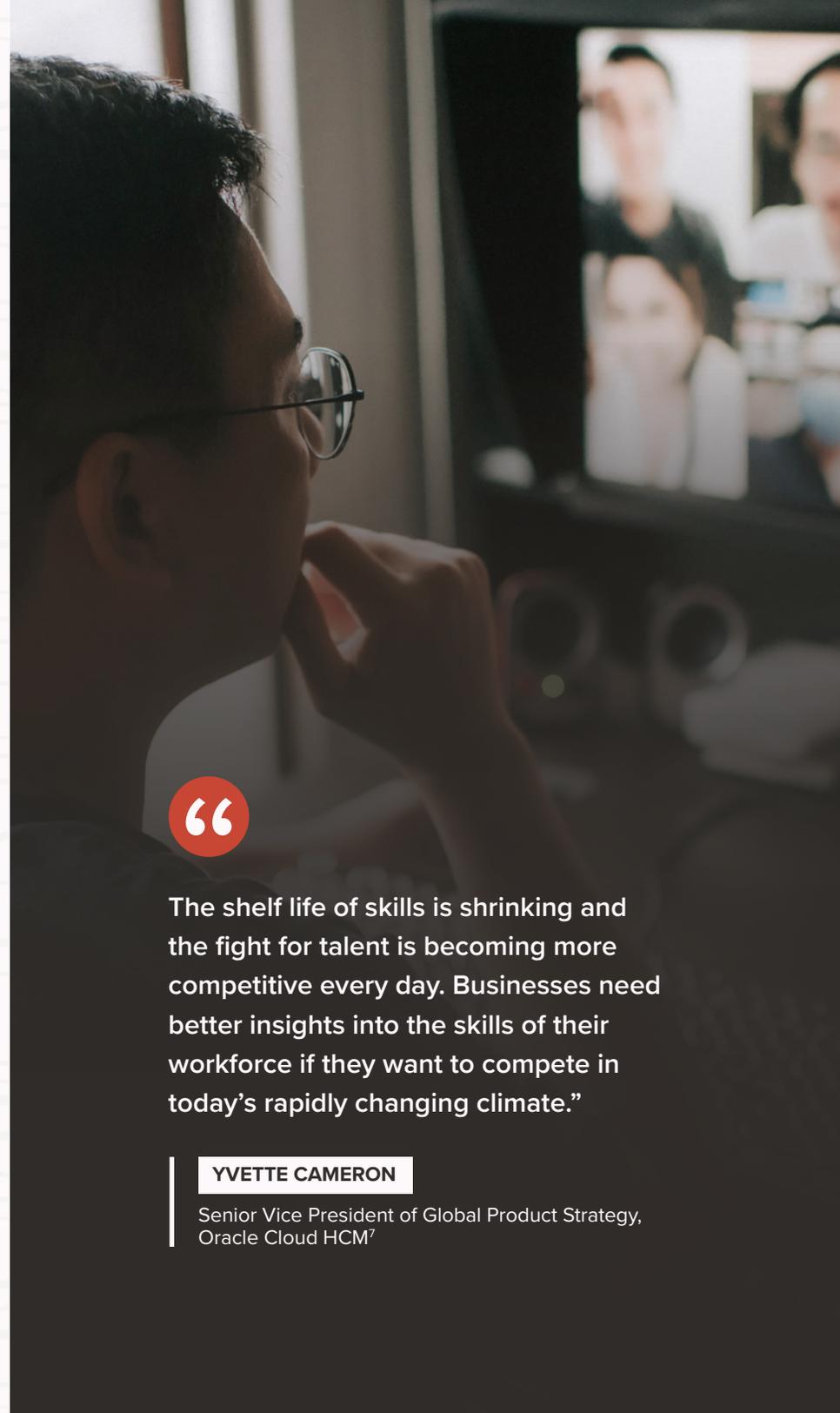
COVID-19 represents a pivotal moment in economic history that will affect businesses for decades to come. Because of the pandemic's massive impact on organizations across industries and niches, historical trends are no longer reliable indicators for HR leaders, leaving organizations

with one less tool to manage shifting priorities when it comes to talent, skills, and gaps. Having access to accurate information on the skills you have on hand and what you'll need for near- and long-term can help during times of uncertainty and constant change. This insight can have a real impact on talent development strategies, and how much is budgeted. For example, internal hires, on average, receive higher performance reviews and cost less than their external counterparts, but 60% of hiring managers suggest internal recruiting could be improved by better identifying skills in existing employees.³ Such investments could have a direct impact on reducing costs while strengthening your workforce.



29% of HR leaders surveyed say that coordinating with the finance team on important hiring goals is somewhat difficult or very difficult

Organizations are increasingly aware they need to be agile and react quickly to change.⁴ Strategies and processes that worked in the past no longer ensure future success.⁶ Both finance and HR play a critical role in enabling the flexibility required for the future of work, but according to survey respondents, 34% find it challenging to communicate with finance effectively in real-time, 27% don't have confidence in having the most up-to-date, accurate financial data, and 25% find it challenging to update collaborative plans throughout the year.



The shelf life of skills is shrinking and the fight for talent is becoming more competitive every day. Businesses need better insights into the skills of their workforce if they want to compete in today's rapidly changing climate."

YVETTE CAMERON

Senior Vice President of Global Product Strategy,
Oracle Cloud HCM⁷

Survey respondents point to communication, alignment, and data as the three most important tactics for addressing these challenges, stressing the importance of having ongoing collaborative sessions to align on shared

priorities, review up-to-date reporting, and understand the implications of key decisions for the business. Implementing these tactics enables HR and finance to make the best business decisions on challenging questions such as:

FINANCE AND HR – OPPORTUNITIES FOR STRATEGIC PARTNERSHIP



Do we need to hire for specialized skills, or invest in retraining existing staff?



What are the financial implications of each approach?



Are there roles better suited to full-time employment, or outsourcing/gig work?



What are the fully-loaded costs to securing different types of talent?



Do we have the talent we need to expand into areas we want to grow?



What are the budget and growth implications?



Where do we need to invest in the learning and development of the workforce?



How can we forecast the business impact of these investments?



Can we invest in programs that support employee retention and engagement?



How do we quantify productivity gains from these programs, and understand the business costs of attrition?



ENABLE STRATEGIC PLANNING

Breakdown siloes by integrating financial and workforce data and systems

Maintaining the day-to-day HR and financial effectiveness of a large company is an enormous undertaking. And it's even more complex when organizations set their sights on long-term strategic planning, which requires them to anticipate and forecast the resources and talent they'll need to operate under completely new circumstances in the future.

According to survey findings, the two most frequently mentioned financial obstacles to planning and budgeting for future hires are accurately predicting whether future talent can be competitively compensated (44%) and understanding the financial priorities of the business 1-2 years from now (36%).

HR leaders say the two significant financial obstacles to planning and budgeting for future hires are:

44% Accurately predicting whether future talent can be competitively compensated

36% Understanding the financial priorities of the business 1-2 years from now

“Companies are scrambling to figure out what a hybrid world looks like, and we don’t have any firm answers yet except that it’s complicated,” said Markmann.

“Compensation requires a hard look, as it’s a candidate’s market, but at the same time, employees are relocating to lower cost of living areas and it’s requiring even more communication, collaboration, and creative thinking from finance and HR.”

A key tactic in enabling long-term planning for organizations is to unify data sources across finance and HR by integrating ERP and HCM systems. Operating out of one common data model means HR and finance can easily work together to make a plan that supports distributed workforces, acquisitions and expansions, and long-term growth. From forecasting the impact of a business decision, anticipating shifting markets, to simply pushing the envelope on efficiency and effectiveness, insights into the workforce allow organizations to validate business ideas with data, and execute strategic priorities at scale.

“Companies trying to make data-centered decisions about talent without HCM technology are seriously handicapping their leadership and HR teams,” Markmann said. “Decisions with poor data is extremely costly and can compromise the quality and the credibility of their arguments. Over time, that is a much greater cost than the cost of getting those systems in place.”



HOW CAN HR AND FINANCE COLLABORATE EFFECTIVELY?

Here's a look at five strategies that are working well, according to survey respondents:



Align on shared priorities and goals and elevate these goals at the executive level



Ensuring shared access to the most up-to-date and accurate data, as well as establishing shared processes and sources of truth



Get budgeting conversations started early and kicking things off with key HR and financial benchmarking information



Collaboratively assess direct and indirect benefits and costs to programs that support engagement, learning and development, and retention



Establish regular channels for communication, including dedicated time for planning and reporting

A look at what's on the other side of the data silo

HR teams that want to be strategic about workforce planning face a common challenge today: without up-to-date, accessible financial data and defined paths to partnership with finance, they often cannot create a clear talent strategy they can be sure will align with business goals. It's increasingly clear that organizations must integrate talent and financial planning strategies, processes, and systems.

When organizations successfully use technology to connect HR and finance, they empower these departments to deliver on top-level business needs and prepare for the future, despite ongoing uncertainty and surprises. Their data becomes deeper, more meaningful, and more accurate all at once and allow these departments to achieve their strategic potential — to accelerate business success today and in the future.



Sources

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