



# UNIFYING FINANCE AND HR: UNLOCKING THEIR FULL POTENTIAL

**Bringing finance and HR data systems together in the cloud empowers CFOs and CHROs to become even stronger business partners and enables higher-value contributions.**



In an increasingly data-driven business world, labor costs are tracked and managed with ever greater precision and zeal. While most business leaders understand that it would be imprudent to reduce people to being “just another expense,” there is evidence that companies sometimes veer dangerously close to doing so.

A recent study by the market intelligence and research firm Aberdeen, for example, finds that organizations have sharply boosted their use of contingent and contracted workers over the past decade “in direct response to belt-tightening,” and that a quarter of companies shift half or more of their contingent hiring to procurement—“the same team that manages the acquisition of hard resources (i.e., office supplies, computer equipment, etc.).”<sup>1</sup>

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<sup>1</sup> “Bridging ERP and HCM to Answer the Labor-Cost Question,” by Zachary Chertok, research analyst, human capital management, Aberdeen, April 2019





Trends like these threaten to obscure the crucial role that committed and engaged employees play in corporate success—a role every bit as important as optimizing the balance sheet, leveraging the latest technology, or improving productivity.

Some organizations appear to be getting the message. In its research study, Aberdeen found that best-in-class companies—the top 20 percent based on their overall corporate performance—are now 41 percent less likely than all others to consider expanding their contingent hiring over the next 12 months. Among other things, they are finding that short-term hires are more likely to become disengaged from their work. And because those hires are often tracked by different internal information systems—and because performance management for short-term hires is often considered irrelevant—it is harder to connect their performance to the balance sheet.

To be sure, no one is arguing that a role for contingent or contracted workers no longer exists. There are, and will remain, plenty of situations where their use will continue to make smart business sense. But there is an argument that businesses need a better way to track how all their



workers, not just traditional employees, impact corporate performance. One increasingly obvious solution is to forge a closer working relationship between finance and human resources.

From a business sentiment perspective, this isn't new. Over the past couple of decades, growing numbers of organizations have begun to recognize a high-performing human resources function as an essential component of corporate success. At many leading organizations, the CHRO has a seat at the strategy table, and commands the same level of respect and authority accorded other occupants of the C-suite.

Still, finance and HR historically have not been close partners. As with so many business challenges today, this one—joining those two organizations at the hip toward common purpose—is one in which technology has a role to play.

In fact, it's already becoming part of the equation. According to Aberdeen, best-in-class companies are now 2.3 times more likely (32 percent versus 15 percent) to integrate their HR cost-planning capabilities with ERP budgeting tools, creating “a single financial management dashboard that





can be overseen by HR, the COO, and the CFO.” By doing that, the firm argues, best-in-class performers are better able to integrate short-term workers into their analysis of operational performance and see how those workers contribute to the organization.

Benefits like this aren’t surprising. In many cases finance and HR have long been hobbled by the same constraints, rooted in the place where so many stumbling blocks to corporate success can be found: siloed, disconnected information systems that make it difficult for different groups within the enterprise to act in concert with the speed and agility modern business demands. Without fast and reliable access to the same data, finance and HR are not able to form a fully realized business partnership, nor a fully informed view on many crucial strategic issues. And this goes far beyond the mix of permanent to contingent or contracted employees. Are sales down because the price point is wrong, or because critical sales positions have gone unfilled? Are businesses operating with a lean staff outperforming those that aren’t? Without a unified information system serving both finance and HR, answers to questions like these may not be obvious.

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— Harvard Business Review



And that's not sustainable. Finance plays a crucial role in delivering the insights and forecasts an enterprise needs to set strategy and capitalize on opportunities in today's marketplace. But HR is a critical partner in that effort. As a Harvard Business Review article points out, "The CHRO should work with the CEO and CFO to examine the causes of misses, because most problems are people problems. The idea is to look beyond obvious external factors, such as falling interest rates or shifting currency valuations, and to link the numbers with insights into the company's social system—how people work together."<sup>2</sup>

HR is responsible not just for how employees work together, but also for ensuring that the business has the human talent—in the right numbers and with the right skill sets—necessary to execute the company's strategy. CFOs understand all this as much as CHROs do. Indeed, CFOs indicate year after year in Deloitte LLP's CFO Signals surveys that finding the right talent is one of their top priorities—outpacing, in the second-quarter 2017 survey, internal concerns such as driving change, cost control, operational execution and risk.<sup>3</sup>

The good news? Technology can now make an HR-finance partnership much easier. Today's best cloud-based information systems incorporate

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<sup>2</sup> "People Before Strategy: A New Role for the CHRO," by Ram Charn, Dominic Barton and Dennis Carey, Harvard Business Review, July-August 2015

<sup>3</sup> "CFOs Should Help Lead Workforce Transformation," by Sandy Cockrell III and Erica Volini, CFO.com, September 8, 2017



the human capital management (HCM) and enterprise resource planning (ERP) components that finance and HR rely upon, respectively, in a single, unified solution. Whereas people-related data overlap but often do not match in discrete finance and HR systems, the data is the same in unified solutions, allowing for easy sharing of information. With everybody working on the same page, unified solutions provide HR and finance alike with a more comprehensive view of the business, enabling faster, more confident, data-driven decision-making. With a full view not only into revenues and costs but also headcounts, CHROs and their teams can better assess productivity levels and, as a consequence, make smarter hiring, promotion, and transfer decisions. If quality problems accelerate or overtime costs soar, they can more readily identify underlying people-related causes—whether it be understaffing or overstaffing, or a spurt in absenteeism or inadequate training—and initiate remedial measures.

As is typical with so many cloud-based technologies, these new systems also make it easy for end users, including those without formal training in data or data analytics, to access useful information via self-service dashboards and querying tools. With everybody working from a common interface, the associated costs to train them in the use of these new



systems goes down, while productivity and collaboration go up. Misunderstandings resulting from differing and unreconciled data sets disappear.

In this environment, CHROs benefit from a clear view of budgets, and, by inference, strategic priorities—which in turn makes it easier for HR to recruit and retain the right people in the right numbers to execute the company's business plan. By connecting business results to the HR space, HR can more accurately determine what types of training programs the company will need to keep its workforce competitive, and where additional people are needed to resolve staffing issues before they impact the bottom line. On the flip side, finance gets a better view of how HR's staffing decisions are affecting the company's results today and may affect them tomorrow. And both groups find it easier to correlate employee performance with business-unit profitability.

Unifying the finance and HR teams with a cloud-based information system also yields benefits in areas such as process integration and organizational integration. It paves the way for shared workflows, open communication based on a single data source, and, ultimately, an empowered, informed partnership between HR and finance. In short, integrating HR and finance data is merely the first necessary step toward creating the integrated, collaborative workplace of the future most companies want, one where data transparency paves the way for trust and meaningful conversation between the two departments, and a shared path toward future problem-solving.



BEST-IN-CLASS COMPANIES ARE NOW **41 PERCENT LESS LIKELY** THAN ALL OTHERS TO CONSIDER EXPANDING THEIR CONTINGENT HIRING OVER THE NEXT 12 MONTHS.

— Bridging ERP and HCM to Answer the Labor-Cost Question, Aberdeen





## ADOPTION LOOKS TO BROADEN QUICKLY

Many companies are looking to move quickly to unify their HR and finance systems in the cloud. In a recent survey by MIT Technology Review, 35 percent of C-level executives say they plan to adopt a shared, cloud-based finance-HR information system within a year, arguing that closer cooperation between the two organizations is a strategic necessity. Perhaps more dramatically, sixty-eight percent of the respondents to a recent survey by Information Services Group Inc. (ISG), an IT service management company, say their organizations are combining or



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plan to combine HR and ERP systems into a single-vendor solution over the next two years.

In the MIT survey, 37 percent of respondents say a combined finance-HR system will improve the way data is shared across different parts of the business, and 38 percent say it will help to resolve a shortage of IT staff and skills required to run existing HR and finance information systems. But the most highly anticipated benefit, cited by 42 percent of the survey respondents, is an overall improvement in corporate productivity and performance.<sup>4</sup>

There's good reason to believe these companies will realize the benefits they're targeting as they increase their investment. More than half (54 percent of companies surveyed planned to increase HR technology spending, 42 percent stayed steady, and only 4 percent were expecting to decrease.<sup>5</sup> Of this spending, the fastest growing

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4 "Finance and HR: The Cloud's New Power Partnership," MIT Technology Review

5 "HR Technology 2019: Market Disruption Ahead," Josh Bersin



areas are talent management systems, core HR systems (which are rapidly being upgraded with cloud platforms), business intelligence and analytics, and workforce management and payroll systems.

Even with all that, expectations for further gains remain high. Seventy-one percent of the survey respondents who work in HR say they expect the relationship between HR and finance will continue to improve, as do 80 percent of respondents employed in finance posts. In addition, 41 percent of C-suite respondents say that moving to a unified, cloud-based HR/finance system has given them more time to work with colleagues on higher-value activities such as revenue generation and product development.<sup>6</sup>

Of course, moving to an integrated finance-HR system will require an investment, not only in technology but also change management. Today's cloud-based systems are often delivered via a software-as-a-service (SaaS) format, and the ISG survey found that many organizations initially underestimate both the hard cost of implementing SaaS systems and the necessary investment in change management. But it also found that more than 60 percent of companies were able to achieve significant savings—10 percent or higher—in IT/technology operations, maintenance, and support costs by leveraging SaaS. A comparable number achieved significant savings in HR administration and management costs.



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<sup>6</sup> “Finance and HR: The Cloud’s New Power Partnership,” MIT Technology Review





## GETTING GOING

For companies contemplating a move to a cloud-based finance-HR solution, the experience of peers who have already made the move suggests a number of implementation best practices. For CHROs specifically, it becomes important to recognize that their partnership with finance will become more explicitly intertwined, with HR empowered by better tools to bring high-value insights and problem-solving ideas to the business.

CHROs will want to engage in an open and ongoing dialogue with others in HR and finance about how their respective teams can best work together and reduce any friction between them. Both HR and finance may wish to create internal teams to assist with the migration to the new system.

Simplifying and standardizing processes in advance of deploying the new solution also can make for a smoother transition, an area where, importantly, finance and HR can work together. Often, having better tools only solves half the equation when it comes to business process improvement; having better relationships solves the rest.

Finally, demonstrable support and sponsorship from senior management, beginning in the C-suite, will always be vital to the success of any transition to a new way of doing business. Migrating to a unified, cloud-based solution serving both the finance and HR organizations is no exception. If it's important to executive leadership, it will be important to front-line managers and their teams as well.

The reward for all this work isn't just a more informed CFO and a more informed CHRO. It's a more empowered finance and HR partnership, equipped with the information and insights necessary to help the enterprise achieve its strategic goals. For most organizations still running on separate finance and HR systems, then, the question is not whether it makes sense to integrate them in a unified cloud application, but how quickly it can be done. In today's data-driven business environment, there's no case to be made for ignoring competitive advantages enabled by new technology.

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