FROM COST CENTER TO PROFIT CENTER: **WHY FINANCE SHOULD ENGAGE HR AS A BUSINESS PARTNER**

CFO

workday.

FINANCE AND HR GO BETTER TOGETHER. That's because financial and human capital are foundational drivers of business growth, and the powerhouse functions charged with overseeing those assets have an outsized influence on corporate success. Especially in today's competitive business environment that puts a premium on talent, collaboration between finance and HR has never been more critical.

Unfortunately, this insight isn't always intuitive. As Scott Engler, a principal advisor with global research and advisory firm Gartner Inc. has pointed out, finance and HR at times don't even appear to speak the same language. To the chief human relations officer, "good performance management" might mean creating certain new jobs, Engler has written, while to the chief financial officer it might mean resisting any attempt to create them. "When these two functions are not aligned corporate performance suffers, and this can often lead to finger-pointing and frayed corporate culture," Engler contends.[i]

"FINANCE AND HR AT TIMES DON'T EVEN APPEAR TO SPEAK THE SAME LANGUAGE."

—Scott Engler, a principal advisor, Gartner Inc.

That's not good, either. Corporate culture is a recognized driver of corporate success, too, impacting a company's ability to attract and retain talent, boost productivity and deliver a compelling customer experience—all of which flows through to revenue and the bottom line. That makes culture important not only for the CHRO, but also for the CFO. How important? A 2017 study from Duke University's Fuqua School of Business surveyed more than 1,800 CEOs and CFOs globally, and approximately half the respondents said that if an acquisition target's culture wasn't aligned with their own they wouldn't even make an offer to buy the business, even if the deal otherwise made sense. Another third said they would make an offer, but only after discounting it between 10 percent and 30 percent.[ii]

Given the fundamental role that culture and the workforce play in corporate success, CFOs and CHROs owe it to their companies to make sure they're working in synch. Jack Callahan, former CFO of McGraw-Hill Companies (now S&P Global), and John Berisford, the company's former CHRO and now president of its flagship business, S&P Global, have called the relationship between the CFO and CHRO "the most underused leverage in a company's executive suite." They note that by virtue of controlling the major sources of capital available to a company—financial, human, and often information technology—the CFO and CHRO are uniquely positioned to assemble, analyze and address the facts around corporate performance, including how the company is executing on its strategy, what it's spending, and what sort of results it's delivering. "By skillfully deploying the capital resources they wield," they have written, the CFO and CHRO "can push a company to make and implement the tough decisions necessary to survive and prosper."[iii]

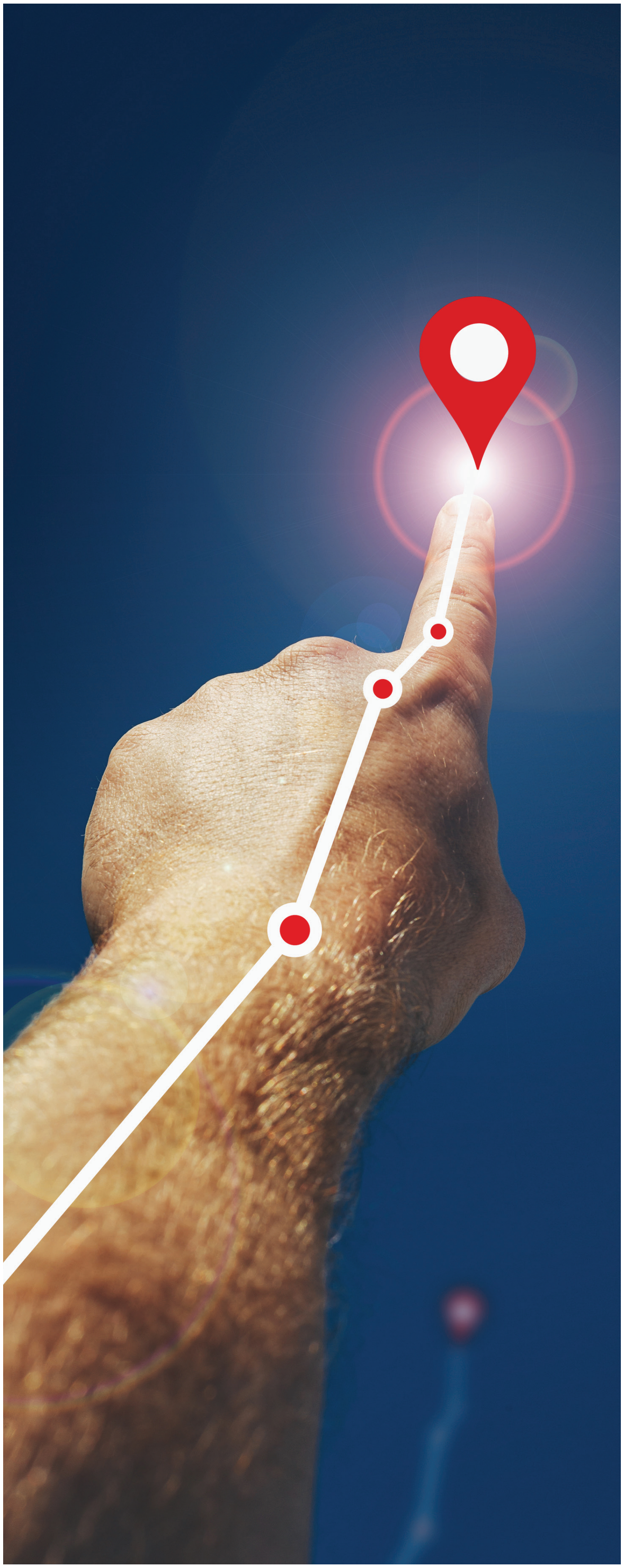
Creating a collaborative CFO-CHRO partnership means developing an appreciation for how people and the culture in which they operate impact corporate performance. It also requires that CFOs recognize, and CHROs are able to communicate, the financial implications of a subpar work environment, including the loss of important institutional knowledge when an organization's most talented people become frustrated and leave, and the cost of replacing them and getting new hires up to speed.

Here are five ways CFOs can work more closely with, and support more effectively, their HR counterparts.

1. **Model and communicate the right corporate culture.** We've already noted that culture is important, and the tone and tenor of an organization always start at the top. "If senior leadership doesn't model the culture, the behavior you want will absolutely not stick," says Workday Co-President and CFO Robynne Sisco.[iv] She adds that the CFO "has a responsibility to positively impact companywide culture by establishing a finance organization that's easy to work with and provides great service to its internal stakeholders."

   It's not enough for the CFO to simply model the right corporate culture, though. It's also important that they communicate its key tenets effectively to the entire workforce—not only to drive the right behaviors, but also to build trust among the workforce. After all, not all the decisions by the C-suite will make employees happy, including some about when and where to invest in the workforce. It's primarily through communication and transparency that any negative fallout from such decisions can be managed. "If you build trust with your employees when times are good, that trust will carry through when times are challenging and you have to make some tradeoffs," says Sisco.[v]

2. **Partner with HR on workforce planning.** While the CFO may control the purse strings, the CHRO has unparalled insight into the staffing needs of the enterprise. Finance can help support the company's growth goals by working closely with HR in planning for headcount and aligning the workforce and business objectives—all the way down to the employee level. Over half of the executives surveyed in the 2018 Mercer Global Talent Trends Study believe that at least 20 percent of the roles in their organization will cease to exist by 2022.[vi] By collaborating with CHROs, CFOs can prepare for shifts like this by aligning workforce and business planning. Finance also can work with HR to develop a compensation program that rewards performance while supporting corporate goals.



3. Put employee development front and center. Well-trained employees are not only more confident and more productive, they're also more likely to be happy in their jobs, engaged in their work, and willing to share ideas and collaborate with colleagues. It costs employers 21.5 percent of a worker's annual salary to hire a replacement should that employee quit, meaning employee rentention should be top of mind not just for CHROs, but also for CFOs.[vii] In The Work Institute's 2018 Rentention Report, which conducted over 34,000 exit interviews, the number one reason employees cited for voluntarily leaving a company was career development.[viii] Ongoing learning and development opportunities also can help companies bridge skills gaps within their workforce and keep pace with technology shifts and automation.

Given all this, CFOs will want to work with HR and other departments to ensure they have the funding they need to offer ongoing training and employee development programs—activities that Sisco calls "investments in employee retention and the corporate culture."[ix] CFOs who oversee IT can further contribute to this cause by empowering employees with easy-to-use, self-service information systems and tools that don't require constant handholding from finance or IT. According to a study conducted by Bersin by Deloitte, organizations with new HR systems see cost savings of 22 percent per employee.[x] Here again, empowered employees are more productive, confident, contented employees.

4. Invest in information systems and technology that enable a faster, more analytical HR function. As human resource departments seek to help build organizations equipped to compete in the digital era, they need keep pace with the digital transformation movement themselves. This means they need access to, and funding for, information systems and applications that can help them compete at a high level. These can include systems that streamline and automate HR activities and provide visibility into the workforce. They also can include analytics tools that measure the impact of employee engagement, retention, and development on the bottom line. In all cases, the CFO and CHRO should look to implement systems that can easily share information between their two organizations.

Here, time is of the essence. A survey last year by professional services firm Deloitte found that 56 percent of companies were already redesigning their HR programs to leverage digital and mobile tools, including a surprising 33 percent whose HR teams were using some form of artificial intelligence technology in their work.[xi]

5. Consider how financial decisions will impact people. Companies routinely make decisions that directly impact their employees: how much they will pay them, what benefits they receive, how much work they're expected to do before additional employees are hired, what tools are available to them. Smart CFOs don't make decisions like these without first considering how they will impact employees and their job-satisfaction levels. Even adopting something as seemingly mundane as an overly rigid travel and expense policy could dampen employee morale and productivity, more than offsetting any potential direct savings the policy was expected to deliver. "I consider it my job to think not just about the impact on the bottom line, or how investors might react to a financial decision, but also how these decisions may impact our employees and the environment in which they work every day," says Sisco. This mindset, she says, also contributes to a "far more productive collaboration" between her and Workday Chief People Officer Ashley Goldsmith "than the traditional clash that can happen between finance and HR leaders when it comes to budget decisions."[xii]

While many CFOs and CHROs may be unaccustomed to collaborating closely with each other today, the potential benefits to the organization are so great that they can't afford to allow that to happen any longer. CFOs and CHROs need to find time on their schedules to meet regularly, learn each other's languages, and drive the business results that a tightly aligned finance and HR function can deliver.

THE CEO's **PERSPECTIVE**

Jay Vandorden, CEO of Worldwide Supply, a telecommunications company headquartered in Franklin, New Jersey, takes an innovative view of C-suite leadership. "How you treat your people and your staff," he says, "is a guideline for how they treat all of the stakeholders of the company, whether they be customers, vendors, investors, or suppliers."[xiii] In general's the C-suite's best practices in this area can be summarized in three points:

- **Put data at the center of decision making.** Together, people and finances make up the largest portion of an organization's resources. Putting your people data to use will lead to better decisions around things like development programs, recruiting efforts, and compensation. Even better is using one system to house your HR and finance data, which empowers your team to spend less time reconciling and more time actually analyzing. This is especially important, as it allows you to tie HR data to organizational growth and revenue. While HR KPIs can be valuable on their own, things like turnover rate, employee engagement, and positive vs. negative performance reviews truly deliver value when you are able to tie them directly to business outcomes and you can see the return on investment of your talent initiatives.

- **Bring talent into the conversation earlier.** Many organizations wait too long to bring talent into the conversation when evaluating data and making business decisions. Bringing HR into the equation at the last minute can lead to missed opportunities. Issues like retention, development, and employee engagement all affect the bottom line. When HR-related issues are not considered when making business decisions, you run the risk of overlooking opportunities for cost savings, innovation, and ultimately revenue.

- **Lead by example when it comes to corporate culture.** Corporate culture isn't just about avoiding negative media attention. It's essential to keeping employees engaged, keeping customers happy, and ultimately driving innovation. While it's important for a company's culture to be consistent across all employees, as the public face of a company, CEOs play a particularly important role in modeling an organization's core values. When CEOs model behavior and decisions consistent with their organizations' core values, they provide an example for the rest of the company and prove to their workforce that top leadership is truly invested in culture.

ABOUT **WORKDAY**

Workday is a leading provider of enterprise cloud applications for finance and human resources. Founded in 2005, Workday delivers financial management, human capital management, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. Organizations ranging from medium-sized businesses to Fortune 50 enterprises, have selected Workday.

workday.®

REFERENCES

i "Bridging the CHRO/CFO Divide: 5 Steps to a More Powerful Partnership," by Scott Engler, June 3, 2014

ii "Corporate Culture: Evidence from the Field," by John R. Graham, Jillian Grennan and Campbell R. Harvey of Duke University's Fuqua School of Business, and Shivaram Rajgopal of Columbia School of Business, June 4, 2018

iii "Finance and HR: The Executive Partnership That Transformed a Company," by John Berisford and Jack Callahan, July 24, 2017

iv "Workday's CFO: Why I Care about Corporate Culture (And You Should Too)," October 13, 2017

v "Workday's CFO: Why I Care about Corporate Culture (And You Should Too)," October 13, 2017

vi https://www.mercer.com/content/dam/mercer/attachments/private/gl-2018-career-global-talent-trends-report-mercer.pdf p. 21

vii https://hbr.org/2017/03/why-do-employees-stay-a-clear-career-path-and-good-pay-for-starters

viii http://info.workinstitute.com/retentionreport2017

ix Workday's CFO: Why I Care about Corporate Culture (And You Should Too)," October 13, 2017

x https://blog.bersin.com/hr-technology-for-2016-ten-disruptions-on-the-horizon/

xi https://blog.bersin.com/hr-technology-for-2016-ten-disruptions-on-the-horizon/

xii "The CFO's Critical Role in Driving Corporate Culture," by Robynne Sisco, March 31, 2017

xiii "The New Rules of Engagement," Workday