

Taking off the cost blinders: Finance and HR

Chief financial officers (CFOs) must not limit their interaction with the human resources (HR) department for the purposes of cost cutting only.

In terms of core skills, the finance and HR functions could not be further apart. The former mandates numeracy, focusing on clear, quantitative metrics from profitability to asset valuation. The latter requires a deeper understanding of human behaviour to navigate more nuanced criteria such as employee satisfaction and motivation.

These functions are responsible for two vital business resources—people and finance—without which a company cannot deliver on its goals. But finance executives are yet to fully recognise the value of collaboration with HR to steer the business, a study from The Economist Intelligence Unit reveals.

The global survey of 800 CFOs and senior finance executives examines the way in which finance departments collaborate with other functions in order to manage costs, plan operations and steer company strategy. It finds that senior finance executives currently spend the least amount of time with HR compared with all other functions—7.7 v 10 hours a month with management and strategy, for example. And respondents are less likely to describe their collaboration with colleagues in HR as “effective” than any other function.

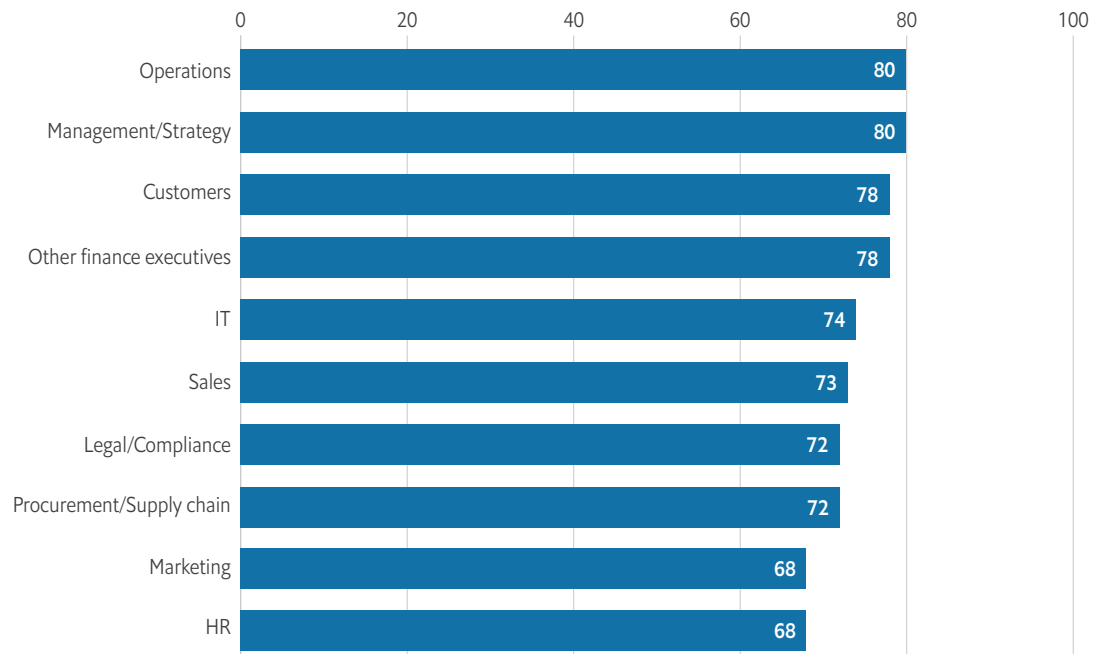
Even looking to the future, executives are least interested in using time freed up by automation on HR strategy development, perhaps because employee travel expenses and direct HR costs are considered the simplest to manage. Interaction between finance executives and HR teams currently centre on employee benefits and salary negotiations (57%) and employee training and development strategies (56%).

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How finance executive describe their collaboration with other business departments

(% of respondents who say effective)



Source: The Economist Intelligence Unit.

But as the custodians of collaboration,¹ CFOs could—and should—work more closely with HR to achieve business goals beyond direct cost management.

Opportunities for deeper engagement

Employee retention, talent acquisition and office space management are cited as key areas for greater involvement.

Employee retention and talent acquisition go hand in hand. Although these are still rooted in cost management, they go further than direct costs by also factoring in opportunity costs. Finance executives must work closely with HR to evaluate the cost of acquiring and

training new talent versus the cost of retaining existing employees. More involvement in talent acquisition could ensure its alignment with broader business strategy and reduce employee turnover to save businesses future hiring costs.

Office space management offers an unconventional area for collaboration between the two departments. Companies around the world are investing in office design to drive innovation and improve productivity. Although interaction with HR was not cited as vital to the management of real estate costs, this might reflect an overlooked opportunity at present.

Risk management, a priority for the finance function, can be improved with more strategic coordination with the HR department. For

¹ <https://eiuperspectives.economist.com/strategy-leadership/steering-through-collaboration-cfos-driving-new-priorities-future>

integrated risk management across the business, fraud prevention is among the top three areas that would benefit most from better coordination. This is directly linked to HR policies on penalties and dismissals for offending employees.

Closer collaboration between finance and HR on talent management, office design and fraud prevention can therefore help the finance function steer the business. This

is especially important now as the global economy slows down.² A survey by EY, a management consultancy, found that a strong relationship between the CFO and the chief HR officer is linked to higher financial performance.³ As such, CFOs must not limit their interaction with HR for cost cutting only. Deeper collaboration with HR can uncover more innovative approaches to deliver higher productivity and growth amid challenging economic times.

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² https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

³ [https://www.ey.com/Publication/vwLUAssets/EY-Partnering-for-performance-the-CFO-and-HR/\\$FILE/EY-Partnering-for-performance-the-CFO-and-HR.pdf](https://www.ey.com/Publication/vwLUAssets/EY-Partnering-for-performance-the-CFO-and-HR/$FILE/EY-Partnering-for-performance-the-CFO-and-HR.pdf)