

# *finance* is from mars,

# *human* *resources* is from venus

Not long ago, we were sitting around the table after dinner talking about our workday. As often happens, we began to discuss the topic of finance and human resources, the fields we work in, prompted by an incident one of us had that day. The incident itself is of little importance, other than to highlight this observation: Finance and human resources often fail to connect, communicate or otherwise get along well together.

We began to explore why and soon determined that finance is from Mars, because it often focuses on the cold, hard reality of the bottom line, while human resources is from Venus, because it deals with the vitally important side of business — people. To check out our hypothesis, we pulled out the classic *Men Are from Mars, Women Are from Venus* by John Gray, Ph.D., and began to draw some parallels.

## Different Planets

The wording in Gray's book is almost uncanny when it comes to finance and human resources. Paraphrasing from his introduction, imagine that finance is from Mars, and human resources is from Venus. Though we are often from different backgrounds and may have different skill sets, we should value each other's

differences, because the combination of our differences can be powerful. Ideally, we should take the time to learn more about one another, exploring and appreciating our different needs and strengths and learning how to capitalize on them by working together.

But too often we forget that we're from different planets and are necessarily different. Without this awareness of difference that each field has different skills and expertise, finance and HR are often at odds with each other, and communication can be a struggle. Each group

## QUICK LOOK

- ⇒ Though we are from different backgrounds and may have different skill sets, we should value each other's differences, because the combination of our differences can be powerful.
- ⇒ Naturally, as finance and management professionals focus on human capital and its related issues, they have looked to HR to assist in areas like total rewards, benefits, staffing and relocation.
- ⇒ HR must continue to move toward and prepare for the looming change from being tactical and administrative to being strategic.

By Wade Lindenberger, CPA, RoseRyan, and Kayoko Lindenberger, CBP, Employee Benefits Training and Solutions



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mistakenly expects the other to think, communicate and react the same way, resulting in unnecessary friction and sometimes conflict.

When each remembers that finance is from Mars and human resources is from Venus, everything makes more sense, and both groups can work together more effectively, creating a formidable force.

### **Let's Start at the Beginning**

To understand the origin of the finance/HR gap, it helps to trace the history of human resources. Back in the 1920s and '30s, human resources was the morale officer, the worker advocate and the "party planner" for companies, said Julie Adamik, WorldatWork advisory board member and president and CEO of Employee Benefits Training and Solutions, a Southern California benefits consulting firm. Its role was very "touchy-feely." Over time it continued to play similar roles but also grew to become very administrative and transactional rather than strategic. To some extent, this perception of human resources remains today.

"Accounting and finance folks are typically introverts, analytical, left brain, black and white and numbers-oriented, while HR folks are typically extroverts, more right brain, work in areas that tend to be all shades

of gray and sometimes struggle with numbers," Adamik said. "In fact, many HR professionals come to the table without a clear understanding of the corporate balance sheet, income statement and profit and loss. At the same time, human resources tends to be more focused on the long-term consequences of decisions such as talent management, development, staffing, etc., whereas, especially in public companies, finance tends to be more short-term, bottom-line focused."

Patricia McCulloch, vice president, HR capability and development, American Express, has a different take on the personality types within human resources. "I think HR is a function where this can truly vary from organization to organization," she said. At a company like American Express, which I believe has a very 'evolved' human resources organization, successful HR professionals exhibit a business-savvy style and an ability to think 'big picture.'

"I think we've moved far past an outdated HR paradigm whereby HR professionals choose this line of work because they 'like people' or because they are 'kind and caring' by nature. I think HR professionals at American Express understand that their role is to be responsible for the development and stewardship of the 'employee experience,' but that they are also responsible for the development of

a people strategy that is completely linked to the strategic plans and stated outcomes for the company — and having that responsibility means truly understanding the strategy behind those outcomes."

It's worth noting that not every HR professional is necessarily extroverted and struggles with numbers. For example, compensation and benefits professionals tend to be introverted and understand accounting and finance. In fact, their certifications require classes in these areas. Still, it is safe to say there are general differences between human resources as a whole and finance.

### **It's Getting Better All the Time**

When it comes to human resources and finance working well together, it appears that the effort is a work in progress, but one that is moving in the right direction. Case in point: According to a 2007 Deloitte Touche Tohmatsu and Economist Intelligence Unit survey of 531 HR and non-HR executives representing 468 companies worldwide and senior business executives and HR leaders representing every major industry and region, "Most HR functions are still transforming themselves — or thinking of transforming themselves — from administrator to strategist."

According to Adamik, one of the key drivers that has pushed human resources to transform itself has been senior management's increased perception of the importance of human capital. This has been triggered in part by the shrinking labor market as Baby Boomers move into retirement. Naturally, as finance and management professionals focus on human capital and its related issues, they have looked to human resources to assist in areas like total rewards, benefits, staffing and relocation.

And what have they found when they approach human resources? The Deloitte survey determined that, “Until recently, most HR improvements have focused on streamlining HR operations and improving efficiency. This creates the opportunity for HR to focus on strategic business issues ...” Further, “... it must continue to expand its capabilities beyond basic HR operations and administration.”

From human resources’ point of view, Adamik has observed that in the past five to seven years there is a growing awareness that “my CFO is my best friend.” This is a change from before, when the finance and HR relationship was often adversarial, and the two disciplines struggled to get along.

Anecdotally, Adamik has noted that attendance by finance personnel at HR conferences has increased twofold or threefold during the past few years, with the top HR person and the top finance person often attending these events as a team. HR professionals are not participating in finance conferences in the same way, although they are participating more when a specific topic is important to them. This trend seems to be at the manager level and above, Adamik said.

### Fixing a Hole

So, it appears senior finance and HR folks are starting to reach out to each other, but overall, finance and human resources may need a push, particularly

HR people who may continue to see finance as from a different planet.

A 2007 study conducted by Mercer recommended that, to achieve success, human resources needs to commit to “being all about business.” If it does so, “It will ultimately realize its goal of becoming a true business partner that helps organizations successfully address the human capital aspects of their business strategies and challenges.”

But how do they do this? On the front lines, Adamik recommended HR managers take these steps:

1. Take the initiative to meet with finance executives to determine their level of understanding of HR issues and strategy.
2. Organize and give a two- to four-hour “HR 101” presentation for the finance group, including personnel at the staff level.
3. Provide an in-depth HR workshop for more senior finance people focusing on HR strategy and considerations like total rewards, health care and other key matters.
4. Invite finance people at the management level and up to periodic HR planning meetings.
5. Push to be included in finance planning meetings on at least a quarterly basis.

There are many resources for HR professionals who want to improve their grasp of finance, from online and in-person courses to books and other printed materials. One good example

is the class “Accounting and Finance for the Human Resources Professional” from WorldatWork. Another is “Fundamentals of Finance and Accounting for Nonfinancial Managers,” a more generic class provided by the American Management Association.

These and other learning vehicles teach the fundamentals that HR professionals need to know to understand accounting and finance.

Topics to master include:

- Basic accounting principles
- The significance and purpose of core financial reports
- The key financial components of an annual report
- The concept and importance of cash flow
- What measures and processes companies use to assess financial health.

For those readers familiar with the above, other areas more technical in nature might include Financial Accounting Standard 123R (accounting for stock options), IRS Code 409A (deferred compensation), IRS Code 280G (golden parachute payments), the mechanics of earnings-per-share calculations and others.

For its part, finance should take similar steps to reciprocate, including human resources in the finance process where it makes sense. For instance, finance can train human resources in the above basic financial concepts and help them understand why they request

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*American Express has “a mandatory, three-day custom-designed classroom program to develop the financial acumen of our HR professionals. The course focuses on seven key financial concepts and is presented as a journey through the land of finance.”*

information, how human resources contributes to finance processes and the significance of those processes. Finance can also include human resources in the management team and in key strategic meetings, perhaps on a quarterly basis.

Beyond this, human resources must continue to move toward and prepare for the looming change from being tactical and administrative to being strategic. To do so, it can look to some of our most iconic companies and the initiatives they have implemented.

In the article “Knowing It All: All-Around Players” by Patrick J. Kiger, which appeared in the June 25, 2007, issue of *Workforce Management*, Kiger reported that, “Coca Cola has its HR directors take a specialized finance course and they plan to roll it out to HR staff, as well.”

“They focus on metrics that help us to win ...,” said Cynthia McCague, Coca Cola’s director of human resources and senior vice president. “We want them not just to understand financial formulas and calculations and their relevance to HR, but to be able to help other people to understand it too.”

American Express is another marquee company that has innovated within its HR group. McCulloch shared some insights about the programs American Express has initiated. “Our group has launched a number of initiatives and programs focused on developing HR


professionals that are strategic partners to the business. For example, we are nearing the conclusion of a two-year rollout of a program called Project Endeavour, a mandatory, three-day custom-designed classroom program to develop the financial acumen of our HR professionals. The course focuses on seven key financial concepts and is presented as a ‘journey through the land of finance,’ teaching HR professionals about the American Express business model. The course culminates with a number of real-life case studies of HR initiatives at our company, illustrating the important role of finance and financial analytics in evaluating the business impact of an initiative, program or change that is under consideration.

“The results have been fantastic,” McCulloch said. “In addition to huge jumps in pre- and post-test results (tests are given before and after the program), we are seeing that participants become much, much more comfortable engaging their finance colleagues and asking questions once they have this foundation of business and financial knowledge.”

### **Building a Rocket Ship**

In the end, one thing is certain: Change is coming. Now is the time to build the rocket ship that finance and HR can use to fly between Mars and Venus. Given enough time, perhaps finance

will grow to love Venus, and human resources will take a shine to Mars. Setting foot on each other’s planets and learning the language, as some companies have already done, is the first critical step.

As McCulloch summarized, “I think it is most effective when we understand how to collaborate and confidently speak one another’s language — when the HR person has enough financial acumen to engage in a dialogue with a finance person, and when the finance person recognizes early on that the ‘people implications’ of a decision can be as important to consider as the financial outcomes.” 

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