EIGHT GOOD REASONS TO BRING FINANCIAL AND HUMAN CAPITAL MANAGEMENT TOGETHER

workday

Built for the future.®

All the great partnerships have their ups and downs. While working together may mean sharing common goals, it doesn't always mean total harmony and an appreciation of each other's strengths and overall contribution. The same could be said about the finance and HR functions of any business—two key parts of the organization, yet historically, two very disparate operational areas.

For both finance and HR, this separation is often driven by organizational obstacles, disparate systems and data sources, regulatory uncertainty, and a lack of complete visibility into the business. As Joseph Fanutti, CFO of Bill Gosling Outsourcing, says of his own organization's challenges, "Finance operated its own silo, HR its own, operations its own. There was a lack of consistency in terms of how we viewed the business." He recalls, "Numbers were always challenged, no one could agree on metrics, and people couldn't agree on what actions to take going forward."

If this situation sounds familiar, that's because it's common across organizations the world over. Strategic uncertainty and incomplete data are symptoms of a larger problem: a lack of unification among finance, HR, and operations teams. Managers need to make financial and people decisions in tandem, yet traditional systems store this information independently. This separation creates multiple versions of the same underlying data and complicated analysis. But fortunately, there is another way.

In this feature story, we look at eight good reasons to bring finance and HR technology together in a single system.

1. Improved Economies of Scale

It's worth remembering that the most expensive IT infrastructure is one where each application uses its own technology foundation; for example, an infrastructure in which each application has its own security, reporting tools, organizational structures, and integration tools. As the number of applications that share a single technology platform increases, the cost of technology decreases.

Additionally, organizations benefit from the increased operational efficiencies of a shared platform, such as a single common update cycle, shared training model, common reporting tools, and the ability to handle related activities in a single system (for example, paying both suppliers and payroll). Finally, a shared object model eliminates the diseconomies of scale associated with multiple worker, organizational, or process definitions that create objects that are at best redundant and at worst conflicting, and which the user must maintain or reconcile.

2. Drive Better User Engagement

A single consistent and comprehensive user environment and experience, including via mobile devices, creates the opportunity to deliver more value. A common user interface and a consistent look and feel when completing tasks make it more likely that users will learn and use the system. The truth is that simplicity drives economy, ease of use extends engagement, and familiarity breeds value.

Strategic uncertainty and incomplete data are symptoms of a larger problem: a lack of unification among finance, HR, and operations teams. Managers need to make financial and people decisions in tandem, yet traditional systems store this information independently. But fortunately, there is another way.

3.   Define the Nature of Function and Process

Consider the following business tasks and constructs: projects, time tracking, expenses, procurement, payroll, compliance, planning, onboarding, and custody of company property. These tasks, and many other naturally hybrid functions and processes, are neither solely financial nor solely HR–they are both. Yet traditional application designs place these functions and processes in distinct silos. Getting them to work smoothly in the traditional "single domain" design requires redundant worker definitions, rationalizing different organization constructs, creating and managing different security models, and other architectural challenges. Simply put, these blended concepts are difficult to implement and manage.

Designing these hybrid functions and processes as a single model with shared objects offers many benefits–improved data flow, reduced maintenance, and greater ease of use. A single system also enhances control and makes it easier to adapt to change. A simple example–such as, assigning company property to a worker during onboarding–shows the real-world benefits of this kind of approach. In an object-model world, this should be an easy, seamless process and when assigned, that property should be easily identifiable on the worker's record.

4.   Connecting the Dots for True Accountability

All enterprise financial systems support accounting, while very few support accountability. The foundation of accountability is the idea that specific people are responsible for specific things. Effectively supporting accountability means connecting people and HR data to "financial" objects. For example, departments don't spend money, people do. Accountability requires an understanding of who is making purchasing decisions, and this comes from having a system that clearly and directly connects people to spend. This connection makes it possible to not only know who is spending, but also what they are purchasing and if they are following policy on spend controls. This makes it possible to have true accountability.

By identifying the link between people and the impact of their actions, the connection between finance and HR can provide a deeper contextual understanding of the relationship between people and money. This provides a much easier way to take action and influence change – such as communicating and collaborating with individuals to create a plan to

improve purchasing – than by using legacy ERP models. Workday includes the "who" on all transactions, decisions, and financial objects.

5.   Controls Work Better in a Single System

Systems do not commit fraud when left alone in the server room on a Saturday afternoon—people do. Very rarely are key financial controls solely a technical challenge. Control challenges occur mostly at points where system processes intersect with people, so much so that it is fair to say that all key controls, in one way or another, involve people.

In today's governance environment, it is impossible to establish an effective control platform unless the finance system has an intimate knowledge of the people using it. This includes an understanding of roles, permissions, management chain, and organizational structure, and how people fit into other areas, such as project teams.

It is also important that these controls remain intact in the face of staffing changes and reorganizations. When finance and HR share a single set of worker, organizational, and process and security models, the necessary connections naturally become clear. In this instance, the control framework becomes self-maintaining and self-documenting, even following staffing, process, and organizational changes. This reduces the cost and risk inherent in establishing and maintaining the governance framework when compared to systems where finance and HR operate separately.

When finance and HR share a single set of worker, organizational, and process and security models, the necessary connections naturally become clear. In this instance, the control framework becomes self-maintaining and self-documenting, even following staffing, process, and organizational changes.

6.   Understanding the Economics of Talent and Labor

Traditional ERP systems were built to manage the inventory and fixed assets of business, and as such are extremely adept at providing insights around those "things." Traditional ERP will provide information such as acquisition cost, expected shelf life of components, maintenance cost, original and alternate supplier information, and the location data of things in the enterprise down to one-tenth of a penny.

That traditional system provides great insight into the economics of office furniture, but ask the same tool questions about a marketing manager and you'll hit an impasse.
In the same way traditional ERP was designed and optimized around things, Workday is designed and optimized around talent. Such contextual insight does for today's businesses looking for economic insight into people and their performance as ERP did for "thing-based" businesses 30 years ago.

7.   People Impact Business Performance

Many studies show that the biggest impact on business performance is people. For example, one of the most important influences on customer satisfaction is the interaction with the supplier's employees. If we think about a classic customer report from a financial system, you would expect to see customer revenue, open invoices, aged receivables, and other financial metrics. Now, imagine the report shows a negative trend for a particular customer. It is likely that the customer support representative knows what is going on with the customer. They could even be the cause of the problem.

Finding these valuable insights is hard, if not impossible, when financial and HR data are separate. Getting the information about people on the same page as the financial information requires piecing data together manually from disparate HR and finance systems. In many cases, it might also involve exporting information from a spreadsheet that contains a list of customer service reps into a data mart to create a customized report to be accessed in a separate system.

With HR and finance in the same system, that revenue report can include the support representative's information, possibly even including that individual's performance ranking so that business can quickly see that the important, but troubled, customer is being managed

by an inexperienced service representative. Connecting people with business context provides crucial insight that makes a huge difference in today's customer-focused world.

Today, head count drives business and financial planning. An intimate and immediate connection between finance and HR optimizes the planning processes. That key connection provides immediate feedback when testing various scenarios and adjusts immediately for staffing and organizational change. It is also a vital component in <u>continuous planning</u> environments where slow and complex integrations between head count and operational and financial information cannot keep up with the pace of planning.

8. Creating the Right Business Structure—Organize Around People

As mentioned earlier, from geographic location and facility layout, to staffing and procurement processes, the product-centric businesses of the ERP era were organized and optimized around things. Today's business structures are much more likely to be organized around people. These new organizational principles require a close connection between the concepts traditionally associated with HR and those with finance. And they change everything.

Procurement provides a good example. In the "things-based world," procurement is deeply automated for physical efficiency. The buying signal comes from an automated quarter-end calculation that kicks off an automated order to the supplier, who in turn ships materials that are received and stocked. This is a repetitive and consistent process that lends itself well to robotic automation.

Today, head count drives business and financial planning. An intimate and immediate connection between finance and HR optimizes the planning processes. That key connection provides immediate feedback when testing various scenarios and adjusts immediately for staffing and organizational change.

Now consider procurement in a people-oriented business. The demand signal is a decision made by a person entered via a manual requisition, and the approval process and the accounting can vary depending on the item or service requested. This could include purpose, price, location, organization, or a number of other variables. The request typically requires one or more approvals that in turn often require additional analysis and decision-making. Receipt might be taken at the requestor's desk, or it might be a service "received" via time entry or project completion.

Making the right decisions could require collaboration among many people and access to various financial data, such as contracts, receipt history, category spend, vendor performance, and budget availability. In this situation, the ability to effectively perform the task rests on worker, manager, organization, and process. In this instance, effective control, accounting, management reporting, and change management means that the finance system must be closely connected and benefit from operating in a single system.

Learn how Workday provides an entire suite of global applications for your enterprise— bringing **finance and HR together** in the cloud and designed for the way you work.